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1ST SESSION

S. 1919

To amend the Internal Revenue Code of 1986 to establish a domestic cotton consumption credit.

IN THE SENATE OF THE UNITED STATES

MAY 22, 2025

Mrs. HYDE-SMITH (for herself, Mrs. BRITT, Mr. MARSHALL, and Mr. BOOZMAN) introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to establish a domestic cotton consumption credit.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Buying American Cot-
5 ton Act of 2025”.

6 **SEC. 2. DOMESTIC COTTON CONSUMPTION CREDIT.**

7 (a) PURPOSE.—The purposes of this section are—

8 (1) to encourage the consumption of cotton
9 which originated in the United States, and products
10 which are made from such cotton, and

1 (2) to document the processing of such cotton
 2 through a trustworthy supply chain tracing system.

3 (b) ALLOWANCE OF CREDIT.—Subpart D of part IV
 4 of subchapter A of chapter 1 of the Internal Revenue Code
 5 of 1986 is amended by adding at the end the following
 6 new section:

7 **“SEC. 45BB. DOMESTIC COTTON CONSUMPTION CREDIT.**

8 “(a) CREDIT ALLOWED.—For purposes of section 38,
 9 the domestic cotton consumption credit determined under
 10 this section for any taxable year is an amount equal to
 11 the product of—

12 “(1) the documented volume of qualified cotton
 13 in an eligible article sold by the taxpayer in a quali-
 14 fying sale during the taxable year,

15 “(2) the applicable percentage, and

16 “(3) the applicable cotton market price.

17 “(b) QUALIFYING SALE; APPLICABLE PERCENTAGE;
 18 APPLICABLE COTTON MARKET PRICE.—

19 “(1) QUALIFYING SALE.—For purposes of this
 20 section—

21 “(A) IN GENERAL.—The term ‘qualifying
 22 sale’ means, with respect to any eligible article,
 23 the first sale of such eligible article to an unre-
 24 lated person.

1 “(B) EXCEPTION.—Such term shall not in-
2 clude any sale for use or consumption of an eli-
3 gible article outside of the United States unless
4 such sale results in income which is effectively
5 connected with a trade or business in the
6 United States.

7 “(C) RELATED PERSONS.—Persons shall
8 be treated as related to each other if such per-
9 sons would be treated as a single employer
10 under the regulations prescribed under section
11 52(b).

12 “(2) APPLICABLE PERCENTAGE.—For purposes
13 of subsection (a)(2), the applicable percentage is—

14 “(A) in the case of an eligible article con-
15 sisting of qualified cotton that—

16 “(i) was only subject to processing in
17 the United States, or

18 “(ii) in addition to any processing
19 that may have occurred within the United
20 States, was subject to additional processing
21 only in a country or countries with which
22 the United States has entered into a free
23 trade agreement or for which the United
24 States has extended benefits through a

1 unilateral preference program, 24 percent,
2 and

3 “(B) in the case of an eligible article con-
4 sisting of qualified cotton that was subject to
5 additional processing at any stage of its proc-
6 essing in a country with which the United
7 States has not entered into a free trade agree-
8 ment or for which the United States has not ex-
9 tended benefits through a unilateral preference
10 program, 18 percent.

11 “(3) APPLICABLE COTTON MARKET PRICE.—
12 For purposes of this section, the term ‘applicable
13 cotton market price’ means, with respect to any eli-
14 gible article, the average market price for qualified
15 cotton in a recognized international market (as de-
16 termined by the Secretary, in consultation with the
17 Secretary of Agriculture) for the 3-calendar year pe-
18 riod ending with or within the taxable year imme-
19 diately preceding the taxable year in which the eligi-
20 ble article is sold.

21 “(c) OTHER DEFINITIONS.—For purposes of this
22 section—

23 “(1) ELIGIBLE ARTICLE.—

24 “(A) IN GENERAL.—The term ‘eligible ar-
25 ticle’ means any product which—

“(i) is comprised in whole or in part of qualified cotton which is certified, under such regulations established by the Secretary in consultation with the Secretary of Agriculture, as meeting the requirements of paragraph (2)(B)(ii),

“(ii) is in its final condition, and

“(iii) is ready for retail sale to a consumer.

“(B) EXCEPTION.—Such term shall not include any product if—

“(i) any component of such product is an eligible article for which a credit has been allowed, or

“(ii) the taxpayer selling such product has been notified by the person from whom such a component was acquired that such person intended to claim such credit.

“(C) FINAL CONDITION.—

“(i) IN GENERAL.—For purposes of subparagraph (A)(ii), the term ‘final condition’ means, with respect to any article, the physical state in which such article is presented for sale or sold for immediate resale to a consumer, determined—

1 “(I) without regard to any de
 2 minimis augmentation that could be
 3 performed on it by or on behalf of a
 4 retailer of the eligible article, and

5 “(II) without regard to pack-
 6 aging.

7 “(ii) DE MINIMIS AUGMENTATION.—
 8 For purposes of clause (i)(I), the term ‘de
 9 minimis augmentation’ means any graphics
 10 or other adornment imposed on or at-
 11 tached to the article.

12 “(2) QUALIFIED COTTON.—

13 “(A) IN GENERAL.—The term ‘qualified
 14 cotton’ means extra long staple cotton (as de-
 15 fined in section 1111 of the Agricultural Act of
 16 2014) or upland cotton (within the meaning of
 17 section 1207(c) of such Act) which—

18 “(i) is grown in the United States,
 19 and

20 “(ii) meets the proof of origin require-
 21 ments of subparagraph (B).

22 “(B) PROOF OF ORIGIN REQUIREMENTS.—
 23 Cotton meets the proof of origin requirements
 24 of this subparagraph if—

25 “(i) such cotton was—

1 “(I) assigned a permanent bale
2 identification number, or

3 “(II) meets such other require-
4 ments as the Secretary, in consulta-
5 tion with the Secretary of Agriculture,
6 determines is sufficient to prove that
7 the cotton originated in the United
8 States, and

9 “(ii) the movement and volume of
10 such cotton is digitally traced, under such
11 regulations established by the Secretary in
12 consultation with the Secretary of Agri-
13 culture, through the supply chain from its
14 United States origin through to the last
15 stage of processing into an eligible article.

16 “(C) PERMANENT BALE IDENTIFICATION
17 NUMBER.—The term ‘permanent bale identi-
18 fication number’ means the autogenerated iden-
19 tification number assigned by the Secretary of
20 Agriculture to a bale of qualified cotton that
21 was grown and ginned in the United States.

22 “(3) FREE TRADE AGREEMENT.—

23 “(A) IN GENERAL.—Except as provided by
24 subparagraph (B), the term ‘free trade agree-

ment’ means a comprehensive bilateral or regional agreement—

“(i) that covers substantially all trade between the parties to the agreement, and

“(ii) with respect to which an implementing bill (as defined in section 151 of the Trade Act of 1974 (19 U.S.C. 2191)) is enacted into law.

“(B) EXCLUSIONS.—The term ‘free trade agreement’ does not include—

“(i) the WTO Agreement, as defined in section 2 of the Uruguay Round Agreements Act (19 U.S.C. 3501),

“(ii) the agreements specified in 101(d) of that Act (19 U.S.C. 3511(d)), or

“(iii) any other multilateral agreement of the World Trade Organization or any successor entity.

“(4) UNILATERAL PREFERENCE PROGRAM.—

“(A) IN GENERAL.—Except as provided by subparagraph (B), the term ‘unilateral preference program’—

“(i) means a program of the United States that provides preferential duty treatment to textile or apparel articles im-

ported from a foreign country that is designated as a beneficiary of the program, and

“(ii) includes—

“(I) the African Growth and Opportunity Act (19 U.S.C. 3701 et seq.) and section 506A of the Trade Act of 1974 (19 U.S.C. 2466a),

“(II) the Caribbean Basin Economic Recovery Act (19 U.S.C. 2701 et seq.),

“(III) section 915 of the Trade Facilitation and Trade Enforcement Act of 2015 (19 U.S.C. 4454), and

“(IV) any other provision of law—

“(aa) establishing a program that provides preferential duty treatment to textile or apparel articles imported from a foreign country that is designated as a beneficiary of the program, and

“(bb) that is enacted after the date of the enactment of this section.

1 “(B) EXCLUSION.—The term ‘unilateral
2 preference program’ does not include the Gen-
3 eralized System of Preferences under title V of
4 the Trade Act of 1974 (19 U.S.C. 2461 et
5 seq.).

6 “(5) PROCESSING.—

7 “(A) IN GENERAL.—The term ‘processing’
8 means any physical process, or any stage in
9 such process, that contributes to the conversion
10 of an item comprised in whole or in part of
11 qualified cotton into an eligible article.

12 “(B) EXCEPTION.—Such term shall not in-
13 clude the mere physical possession, storage,
14 movement, or packaging of cotton or any eligi-
15 ble article.

16 “(6) UNITED STATES.—The term ‘United
17 States’ includes any possessions of the United
18 States.

19 “(7) VOLUME.—The term ‘volume’ means, with
20 respect to any eligible article, the amount of quali-
21 fied cotton in such article, as measured in pounds.

22 “(d) INCREASED CREDIT FOR QUALIFIED COTTON
23 YARN AND QUALIFIED COTTON FABRIC.—

24 “(1) QUALIFIED COTTON YARN.—

1 “(A) IN GENERAL.—At the election of the
2 taxpayer, in the case of any eligible article
3 which is composed in whole or in part of quali-
4 fied cotton yarn—

5 “(i) this section shall be applied sepa-
6 rately with respect to such cotton yarn,
7 and

8 “(ii) the amount determined under
9 subsection (a) with respect to such cotton
10 yarn shall be equal to such amount (deter-
11 mined without regard to this subsection)
12 multiplied by 1.6.

13 “(B) QUALIFIED COTTON YARN.—For pur-
14 poses of this subsection, the term ‘qualified cot-
15 ton yarn’ means a strand of fiber made in the
16 United States from qualified cotton into a form
17 suitable for weaving, knitting, braiding, felting,
18 webbing, or otherwise fabricating into a fabric.

19 “(2) QUALIFIED COTTON FABRIC.—

20 “(A) IN GENERAL.—At the election of the
21 taxpayer, in the case of any eligible article
22 which is composed in whole or in part of quali-
23 fied cotton fabric—

1 “(i) this section shall be applied sepa-
 2 rately with respect to such cotton fabric,
 3 and

4 “(ii) the amount determined under
 5 subsection (a) with respect to such cotton
 6 fabric shall be equal to such amount (de-
 7 termined without regard to this subsection)
 8 multiplied by 6.5.

9 “(B) QUALIFIED COTTON FABRIC.—For
 10 purposes of this subsection, the term ‘qualified
 11 cotton fabric’ means any material woven, knit-
 12 ted, felted, or otherwise produced in the United
 13 States from, or in combination with, any fiber,
 14 yarn, or substitute thereof that was made in the
 15 United States from qualified cotton.

16 “(3) ELECTION.—An election under this sub-
 17 section shall be made at such time and in such form
 18 as the Secretary may by regulations provide.

19 “(e) REGULATIONS.—The Secretary shall prescribe
 20 such regulations and other guidance as may be necessary
 21 or appropriate to carry out this section, including regula-
 22 tions or guidance—

23 “(1) to establish a system for preventing the
 24 credit allowed under this subsection more than once
 25 with respect to any amount of qualified cotton,

1 which may include establishing a requirement to no-
 2 tify purchasers of eligible articles of the intent to
 3 claim the credit allowed under this section,

4 “(2) with respect to the digital tracing of cotton
 5 under subsection (c)(2)(B)(ii), which may include re-
 6 quirements to identify the taxpayers within the sup-
 7 ply chain, and

8 “(3) with respect to the certification of qualified
 9 cotton under subsection (c)(1)(A)(i), which may re-
 10 quire reporting of the specific volume of qualified
 11 cotton in the eligible article.”.

12 (c) CREDIT ALLOWED AS PART OF GENERAL BUSI-
 13 NESS CREDIT.—Section 38(b) of such Code is amended
 14 by striking “plus” at the end of paragraph (40), by strik-
 15 ing the period at the end of paragraph (41), and by adding
 16 at the end the following new paragraph:

17 “(42) the domestic cotton consumption credit
 18 determined under section 45BB.”.

19 (d) TRANSFER OF CREDIT.—Section 6418(f)(1)(A)
 20 of such Code is amended by adding at the end the fol-
 21 lowing:

22 “(xii) The domestic cotton consump-
 23 tion credit determined under section
 24 45BB(a).”.

1 (e) CLERICAL AMENDMENT.—The table of sections
2 for subpart D of part IV of subchapter A of chapter 1
3 of such Code is amended by adding at the end the fol-
4 lowing item:

“Sec. 45BB. Domestic cotton consumption credit.”.

5 (f) EFFECTIVE DATE.—The amendments made by
6 this section shall apply to eligible articles (as defined in
7 section 45BB of the Internal Revenue Code of 1986, as
8 added by subsection (b)) that are sold on or after January
9 20, 2025.

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