

119TH CONGRESS
1ST SESSION

S. _____

To amend the Internal Revenue Code of 1986 to establish a credit for the domestic production of high-performance rare earth magnets, and for other purposes.

IN THE SENATE OF THE UNITED STATES

Ms. CORTEZ MASTO introduced the following bill; which was read twice and referred to the Committee on _____

A BILL

To amend the Internal Revenue Code of 1986 to establish a credit for the domestic production of high-performance rare earth magnets, and for other purposes.

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 “Rare Earth Magnet
5 Security Act of 2025”.

1 **SEC. 2. CREDIT FOR PRODUCTION OF RARE EARTH**
2 **MAGNETS.**

3 (a) IN GENERAL.—The Internal Revenue Code of
4 1986 is amended by inserting the following new section
5 after section 45AA:

6 **“SEC. 45BB. CREDIT FOR PRODUCTION OF RARE EARTH**
7 **MAGNETS.**

8 “(a) IN GENERAL.—

9 “(1) ALLOWANCE OF CREDIT.—For purposes of
10 section 38, the credit for production of rare earth
11 magnets determined under this section for any tax-
12 able year is an amount equal to the sum of the cred-
13 it amounts determined under subsection (b) with re-
14 spect to rare earth magnets which are—

15 “(A) manufactured or produced by the tax-
16 payer, and

17 “(B) sold by such taxpayer to an unrelated
18 person during the taxable year.

19 “(2) UNRELATED PERSON.—

20 “(A) IN GENERAL.—For purposes of this
21 subsection, a taxpayer shall be treated as selling
22 rare earth magnets to an unrelated person if
23 such magnet is sold to such person by a person
24 related to the taxpayer.

25 “(B) ELECTION.—

1 “(i) IN GENERAL.—At the election of
2 the taxpayer (in such form and manner as
3 the Secretary may prescribe), a sale of rare
4 earth magnets by such taxpayer to a re-
5 lated person shall be deemed to have been
6 made to an unrelated person.

7 “(ii) REQUIREMENT.—As a condition
8 of, and prior to, any election described in
9 clause (i), the Secretary may require such
10 information or registration as the Sec-
11 retary deems necessary for purposes of
12 preventing duplication, fraud, or any im-
13 proper or excessive amount determined
14 under paragraph (1).

15 “(b) CREDIT AMOUNT.—

16 “(1) IN GENERAL.—The amount determined
17 under this subsection is—

18 “(A) \$20 per kilogram of rare earth
19 magnets manufactured or produced in the
20 United States by the taxpayer during the tax-
21 able year, and

22 “(B) \$30 per kilogram of rare earth
23 magnets manufactured or produced in the
24 United States by the taxpayer during the tax-
25 able year if not less than 90 percent by weight

1 of the component rare earth materials of such
2 magnets are produced within the United States.

3 “(2) PHASE-OUT.—

4 “(A) IN GENERAL.—In the case of any
5 rare earth magnet manufactured or produced
6 after December 31, 2034, the amount deter-
7 mined under this section with respect to such
8 rare earth magnet shall be equal to the product
9 of—

10 “(i) the amount determined under
11 paragraph (1) with respect to such rare
12 earth magnet, as determined without re-
13 gard to this subsection, multiplied by

14 “(ii) the phase-out percentage de-
15 scribed in subparagraph (B).

16 “(B) PHASE-OUT PERCENTAGE.—The
17 phase-out percentage described in this para-
18 graph is—

19 “(i) in the case of any rare earth
20 magnet manufactured or produced in cal-
21 endar year 2035, 70 percent,

22 “(ii) in the case of any rare earth
23 magnet manufactured or produced in cal-
24 endar year 2036 or 2037, 35 percent, or

1 “(iii) in the case of any rare earth
2 magnet manufactured or produced after
3 December 31, 2037, 0 percent.

4 “(c) DEFINITIONS.—For the purposes of this sec-
5 tion—

6 “(1) RARE EARTH MAGNET.—The term ‘rare
7 earth magnet’ means a permanent magnet—

8 “(A) with an intrinsic coercivity (HC_j) of
9 10 kOe or higher at 68°F (20°C), and

10 “(B) comprised of—

11 “(i) an alloy of neodymium, iron, and
12 boron, which may also include praseo-
13 dymium, terbium, or dysprosium, or

14 “(ii) an alloy of samarium and cobalt,
15 which may also include gadolinium or any
16 associated host mineral of a component
17 rare earth material.

18 “(2) COMPONENT RARE EARTH MATERIAL.—
19 The term ‘component rare earth material’ means ne-
20 odymium, praseodymium, dysprosium, terbium, sa-
21 marium, gadolinium, and cobalt.

22 “(3) MANUFACTURED.—The term ‘manufac-
23 tured’ means the manufacturing of a rare earth
24 magnet, including the milling, pressing, sintering,
25 and recycling of component rare earth material.

1 “(4) NON-ALLIED FOREIGN NATION.—The term
2 ‘non-allied foreign nation’ has the meaning given to
3 the term ‘covered nation’ in section 4872(f) of title
4 10, United States Code.

5 “(5) UNITED STATES AND POSSESSION OF THE
6 UNITED STATES.—The terms ‘United States’ and
7 ‘possession of the United States’ have the meaning
8 given such terms in section 638.

9 “(d) SPECIAL RULES.—

10 “(1) RESTRICTION ON COMPONENT
11 SOURCING.—

12 “(A) IN GENERAL.—Except as provided in
13 subparagraph (B) or (C), no credit shall be al-
14 lowed under this section with respect to a rare
15 earth magnet if any component rare earth ma-
16 terial used to manufacture or produce such
17 magnet is produced in a non-allied foreign na-
18 tion.

19 “(B) DELAYED RESTRICTION FOR CERTAIN
20 COMPONENT RARE EARTH MATERIALS.—In the
21 case of the rare earth materials dysprosium,
22 terbium, samarium, and gadolinium, the restric-
23 tion under subparagraph (A) shall not apply to
24 magnets manufactured or produced using such
25 materials before January 1, 2027.

1 “(C) MATERIAL SEIZED FROM NON-ALLIED
2 FOREIGN NATION DURING WARTIME.—

3 “(i) IN GENERAL.—Subparagraph (A)
4 shall not apply with respect to any compo-
5 nent rare earth material which is seized
6 from a non-allied foreign nation during
7 wartime by—

8 “(I) Ukraine, or

9 “(II) an allied country.

10 “(ii) CERTIFICATION.—For purposes
11 of this subparagraph, the taxpayer which
12 manufactured or produced the rare earth
13 magnet shall certify to the Secretary (at
14 such time, and in such form and manner,
15 as the Secretary may prescribe) that the
16 component rare earth material used to
17 manufacture or produce such magnet satis-
18 fies the requirements described in clause
19 (i).

20 “(iii) ALLIED COUNTRY.—For pur-
21 poses of this subparagraph, the term ‘al-
22 lied country’ means any of the following:

23 “(I) A country that is a member
24 of the North Atlantic Treaty Organi-
25 zation.

1 “(II) Australia, New Zealand,
2 Japan, and the Republic of Korea.

3 “(III) Any other country des-
4 igned as an allied country for the
5 purposes of this subparagraph by the
6 Secretary (with the concurrence of the
7 Secretary of State and the Secretary
8 of Defense).

9 “(2) TRADE OR BUSINESS REQUIREMENT.—No
10 credit shall be allowed under this section with re-
11 spect to a rare earth magnet unless such magnet is
12 manufactured or produced in the ordinary course of
13 a trade or business of the taxpayer.

14 “(3) COERCIVITY REQUIREMENT EXCEPTION
15 FOR ELIGIBLE MANUFACTURERS.—

16 “(A) IN GENERAL.—The Secretary may
17 elect to treat a magnet which does not meet the
18 coercivity requirements of subsection (c)(1)(A)
19 as a rare earth magnet if such magnet is manu-
20 factured by an eligible manufacturer.

21 “(B) ELIGIBLE MANUFACTURER.—For
22 purposes of subparagraph (A), the term ‘eligible
23 manufacturer’ means a manufacturer that—

24 “(i) receives a grant from, or is con-
25 tracted by, the Department of Energy or

1 the Department of Defense to produce a
2 magnet, and

3 “(ii) commits to place in service a do-
4 mestic manufacturing facility that pro-
5 duces magnets that the Secretary deter-
6 mines to demonstrate national security
7 merit.

8 “(e) ELECTIVE PAYMENT FOR PRODUCTION OF
9 RARE EARTH MAGNETS.—

10 “(1) IN GENERAL.—In the case of a taxpayer
11 making an election (at such time and in such man-
12 ner as the Secretary may provide) under this section
13 with respect to any portion of the credit allowed
14 under subsection (a), such taxpayer shall be treated
15 as making a payment against the tax imposed by
16 this subtitle for the taxable year equal to the amount
17 of such portion.

18 “(2) TIMING.—The payment described in para-
19 graph (1) shall be treated as made on the later of
20 the due date of the return of tax for such taxable
21 year or the date on which such return is filed.”.

22 (b) CREDIT TO BE PART OF GENERAL BUSINESS
23 CREDIT.—Section 38(b) of such Code is amended by strik-
24 ing “plus” at the end of paragraph (40), by striking the

1 period at the end of paragraph (41) and inserting “, plus”,
2 and by adding at the end the following new paragraph:

3 “(42) the credit for production of rare earth
4 magnets determined under section 45BB(a).”.

5 (c) CONFORMING AMENDMENT.—The table of sec-
6 tions for subpart D of part IV of subchapter A of chapter
7 1 of such Code is amended by inserting after the item
8 relating to section 45AA the following new item:

“Sec. 45BB. Credit for production of rare earth magnets.”.

9 (d) EFFECTIVE DATE.—The amendments made by
10 this Act shall apply to taxable years beginning after De-
11 cember 31, 2024.