

AMENDMENT TO RULES COMMITTEE PRINT 117-

31

OFFERED BY MR. SWALWELL OF CALIFORNIA

Add at the end the following:

1 **DIVISION M—MISCELLANEOUS**

2 **SEC. 120001. TAX CREDIT FOR PRODUCTION OF RARE**
3 **EARTH MAGNETS.**

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

7 **“SEC. 45U. CREDIT FOR PRODUCTION OF RARE EARTH**
8 **MAGNETS.**

9 “(a) IN GENERAL.—For the purposes of section 38,
10 the credit for production of rare earth magnets determined
11 under this section for any taxable year is an amount equal
12 to the sum of—

13 “(1) \$20 per kilogram of rare earth magnets
14 manufactured in the United States by the taxpayer
15 during the taxable year, or

16 “(2) \$30 per kilogram of rare earth magnets
17 manufactured in the United States by the taxpayer
18 during the taxable year if all of the component rare

1 earth material of such magnets are produced within
2 the United States.

3 “(b) PHASE-OUT.—

4 “(1) IN GENERAL.—In the case of any rare
5 earth magnet produced after December 31, 2030,
6 the amount determined under this section with re-
7 spect to such rare earth magnet shall be equal to the
8 product of—

9 “(A) the amount determined under sub-
10 section (a) with respect to such rare earth mag-
11 net, as determined without regard to this sub-
12 section, multiplied by

13 “(B) the phase-out percentage described in
14 paragraph (2).

15 “(2) PHASE-OUT PERCENTAGE.—The phase-out
16 percentage described in this paragraph is—

17 “(A) in the case of any rare earth magnet
18 produced in calendar year 2031, 70 percent,

19 “(B) in the case of any rare earth magnet
20 produced in calendar year 2032, 35 percent, or

21 “(C) in the case of any rare earth magnet
22 produced after December 31, 2033, 0 percent.

23 “(c) RESTRICTION ON COMPONENT SOURCING.—A
24 taxpayer is not eligible for the credit determined under
25 subsection (a) with respect to a rare earth magnet if any

1 component rare earth material used to produce such mag-
2 net was produced in a non-allied foreign nation.

3 “(d) DEFINITIONS.—For the purposes of this sec-
4 tion—

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

8 “(A) an alloy of neodymium, praseo-
9 dymium, iron, boron, terbium, or dysprosium,
10 or

11 “(B) an alloy of samarium, gadolinium,
12 and cobalt.

13 “(2) COMPONENT RARE EARTH MATERIAL.—
14 The term ‘component rare earth material’ means ne-
15 odymium, praseodymium, dysprosium, terbium, sa-
16 marium, gadolinium, and cobalt.

17 “(3) UNITED STATES AND POSSESSION OF THE
18 UNITED STATES.—The terms ‘United States’ and
19 ‘possession of the United States’ have the meaning
20 given such terms in section 638.

21 “(4) MANUFACTURED.—The term ‘manufac-
22 tured’ means the manufacturing of a rare earth
23 magnet, including the alloying, reduction, strip cast-
24 ing, and metallization of component rare earth mate-
25 rial.

1 “(5) NON-ALLIED FOREIGN NATION.—The term
2 ‘non-allied foreign nation’ has the meaning given to
3 the term ‘covered nation’ in section 2533c(d) of title
4 10, United States Code.

5 “(e) TRADE OR BUSINESS REQUIREMENT.—No cred-
6 it shall be allowed under this section with respect to any
7 property unless such property is manufactured in the ordi-
8 nary course of a trade or business of the taxpayer.

9 “(f) ELECTIVE PAYMENT FOR PRODUCTION OF RARE
10 EARTH MAGNETS.—

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

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

23 “(3) EXCLUSION FROM GROSS INCOME.—Gross
24 income of the taxpayer shall be determined without
25 regard to this subsection.”.

1 (b) CREDIT TO BE PART OF GENERAL BUSINESS
2 CREDIT.—Section 38(b) of such Code is amended by strik-
3 ing “plus” at the end of paragraph (32), by striking the
4 period at the end of paragraph (33) and inserting “, plus”,
5 and by adding at the end the following new paragraph:

6 “(34) the credit for production of rare earth
7 magnets determined under section 45U(a).”.

8 (c) CONFORMING AMENDMENT.—The table of sec-
9 tions for subpart D of part IV of subchapter A of chapter
10 1 of such Code is amended by inserting after the item
11 relating to section 45T the following new item:

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

12 (d) EFFECTIVE DATE.—The amendments made by
13 this section shall apply to taxable years beginning after
14 December 31, 2021.

