H. R. 7024

AN ACT

To make improvements to the child tax credit, to provide tax incentives to promote economic growth, to provide special rules for the taxation of certain residents of Taiwan with income from sources within the United States, to provide tax relief with respect to certain Federal disasters, to make improvements to the low-income housing tax credit, and for other purposes.
Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE; TABLE OF CONTENTS; ETC.

(a) Short Title.—This Act may be cited as the “Tax Relief for American Families and Workers Act of 2024”.

(b) Amendment of 1986 Code.—Except as otherwise expressly provided, whenever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the reference shall be considered to be made to a section or other provision of the Internal Revenue Code of 1986.

(c) Table of Contents.—The table of contents of this Act is as follows:

Sec. 1. Short title; table of contents; etc.

TITLE I—TAX RELIEF FOR WORKING FAMILIES

Sec. 101. Per-child calculation of refundable portion of child tax credit.
Sec. 102. Increase in refundable portion.
Sec. 103. Inflation of credit amount.
Sec. 104. Rule for determination of earned income.
Sec. 105. Special rule for certain early-filed 2023 returns.

TITLE II—AMERICAN INNOVATION AND GROWTH

Sec. 201. Deduction for domestic research and experimental expenditures.
Sec. 202. Extension of allowance for depreciation, amortization, or depletion in determining the limitation on business interest.
Sec. 203. Extension of 100 percent bonus depreciation.
Sec. 204. Increase in limitations on expensing of depreciable business assets.

TITLE III—INCREASING GLOBAL COMPETITIVENESS

Subtitle A—United States-Taiwan Expedited Double-Tax Relief Act

Sec. 301. Short title.
Sec. 302. Special rules for taxation of certain residents of Taiwan.

Subtitle B—United States-Taiwan Tax Agreement Authorization Act
TITLE I—TAX RELIEF FOR WORKING FAMILIES

SEC. 101. PER-CHILD CALCULATION OF REFUNDABLE PORTION OF CHILD TAX CREDIT.

(a) In General.—Subparagraph (A) of section 24(h)(5) is amended to read as follows:

“(A) In General.—In applying subsection (d)—

“(i) the amount determined under paragraph (1)(A) of such subsection with respect to any qualifying child shall not ex-
ceed $1,400, and such paragraph shall be applied without regard to paragraph (4) of this subsection, and

“(ii) paragraph (1)(B) of such subsection shall be applied by multiplying each of—

“(I) the amount determined under clause (i) thereof, and

“(II) the excess determined under clause (ii) thereof, by the number of qualifying children of the taxpayer.”.

(b) CONFORMING AMENDMENT.—The heading of paragraph (5) of section 24(h) is amended by striking “MAXIMUM AMOUNT OF” and inserting “SPECIAL RULES FOR”.

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2022.

SEC. 102. INCREASE IN REFUNDABLE PORTION.

(a) IN GENERAL.—Paragraph (5) of section 24(h) is amended by redesignating subparagraph (B) as subparagraph (C) and by inserting after subparagraph (A) the following new subparagraph:
“(B) Amounts for 2023, 2024, and 2025.—In the case of a taxable year beginning after 2022, subparagraph (A) shall be applied by substituting for ‘$1,400’—

“(i) in the case of taxable year 2023, ‘$1,800’,

“(ii) in the case of taxable year 2024, ‘$1,900’, and

“(iii) in the case of taxable year 2025, ‘$2,000’.”.

(b) Conforming Amendment.—Subparagraph (C) of section 24(h)(5), as redesignated by subsection (a), is amended by inserting “and before 2023” after “2018”.

(c) Effective Date.—The amendments made by this section shall apply to taxable years beginning after December 31, 2022.

SEC. 103. INFLATION OF CREDIT AMOUNT.

(a) In General.—Paragraph (2) of section 24(h) is amended—

(1) by striking “AMOUNT.—Subsection” and inserting “AMOUNT.—

“(A) In General.—Subsection”, and

(2) by adding at the end the following new sub-
paragraph:
“(B) ADJUSTMENT FOR INFLATION.—In the case of a taxable year beginning after 2023, the $2,000 amounts in subparagraph (A) and paragraph (5)(B)(iii) shall each be increased by an amount equal to—

“(i) such dollar amount, multiplied by

“(ii) the cost-of-living adjustment determined under section 1(f)(3) for the calendar year in which the taxable year begins, determined by substituting ‘2022’ for ‘2016’ in subparagraph (A)(ii) thereof.

If any increase under this clause is not a multiple of $100, such increase shall be rounded to the next lowest multiple of $100.”.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after December 31, 2023.

SEC. 104. RULE FOR DETERMINATION OF EARNED INCOME.

(a) IN GENERAL.—Paragraph (6) of section 24(h) of the Internal Revenue Code of 1986 is amended—

(1) by striking “CREDIT.—Subsection” and inserting “CREDIT.—

“(A) IN GENERAL.—Subsection”, and

(2) by adding at the end the following new sub-paragraphs
“(B) RULE FOR DETERMINATION OF

EARNED INCOME.—

“(i) IN GENERAL.—In the case of a

taxable year beginning after 2023, if the

earned income of the taxpayer for such

taxable year is less than the earned income

of the taxpayer for the preceding taxable

year, subsection (d)(1)(B)(i) may, at the

election of the taxpayer, be applied by sub-

stituting—


“(I) the earned income for such

preceding taxable year, for


“(II) the earned income for the

current taxable year.

“(ii) APPLICATION TO JOINT RE-

TURNS.—For purposes of clause (i), in the

case of a joint return, the earned income

of the taxpayer for the preceding taxable

year shall be the sum of the earned income

of each spouse for such preceding taxable

year.”.

(b) ERRORS TREATED AS MATHEMATICAL ER-

RORS.—Paragraph (2) of section 6213(g) of the Internal

Revenue Code of 1986 is amended by striking “and” at

the end of subparagraph (U), by striking the period at
the end of subparagraph (V) and inserting ‘‘, and’’, and
by inserting after subparagraph (V) the following new sub-
paragraph:

‘‘(W) in the case of a taxpayer electing the
application of section 24(h)(6)(B) for any tax-
able year, an entry on a return of earned in-
come pursuant to such section which is incon-
sistent with the amount of such earned income
determined by the Secretary for the preceding
taxable year.’’.

(c) EFFECTIVE DATE.—The amendments made by
this section shall apply to taxable years beginning after

SEC. 105. SPECIAL RULE FOR CERTAIN EARLY-FILED 2023
RETURNS.

In the case of an individual who claims, on the tax-
payer’s return of tax for the first taxable year beginning
after December 31, 2022, a credit under section 24 of the
Internal Revenue Code of 1986 which is determined with-
out regard to the amendments made by sections 101 and
102 of this Act, the Secretary of the Treasury (or the Sec-
retary’s delegate) shall, to the maximum extent prac-
ticable——

(1) redetermine the amount of such credit
(after taking into account such amendments) on the
basis of the information provided by the taxpayer on such return, and

(2) to the extent that such redetermination results in an overpayment of tax, credit or refund such overpayment as expeditiously as possible.

TITLE II—AMERICAN INNOVATION AND GROWTH

SEC. 201. DEDUCTION FOR DOMESTIC RESEARCH AND EXPERIMENTAL EXPENDITURES.

(a) Delay of Amortization of Domestic Research and Experimental Expenditures.—Section 174 is amended by adding at the end the following new subsection:

“(e) Suspension of Application of Section to Domestic Research and Experimental Expenditures.—In the case of any domestic research or experimental expenditures (as defined in section 174A(b)), this section—

“(1) shall apply to such expenditures paid or incurred in taxable years beginning after December 31, 2025, and

“(2) shall not apply to such expenditures paid or incurred in taxable years beginning on or before such date.”.
(b) Reinstatement of Expensing for Domestic Research and Experimental Expenditures.—Part VI of subchapter B of chapter 1 is amended by inserting after section 174 the following new section:

"SEC. 174A. TEMPORARY RULES FOR DOMESTIC RESEARCH AND EXPERIMENTAL EXPENDITURES.

"(a) Treatment as Expenses.—Notwithstanding section 263, there shall be allowed as a deduction any domestic research or experimental expenditures which are paid or incurred by the taxpayer during the taxable year.

"(b) Domestic Research or Experimental Expenditures.—For purposes of this section, the term ‘domestic research or experimental expenditures’ means research or experimental expenditures paid or incurred by the taxpayer in connection with the taxpayer’s trade or business other than such expenditures which are attributable to foreign research (within the meaning of section 41(d)(4)(F)).

"(c) Amortization of Certain Domestic Research and Experimental Expenditures.—

"(1) In General.—At the election of the taxpayer, made in accordance with regulations or other guidance provided by the Secretary, in the case of domestic research or experimental expenditures which would (but for subsection (a)) be chargeable
to capital account but not chargeable to property of
a character which is subject to the allowance under
section 167 (relating to allowance for depreciation,
etc.) or section 611 (relating to allowance for deple-
tion), subsection (a) shall not apply and the tax-
payer shall—

“(A) charge such expenditures to capital
account, and

“(B) be allowed an amortization deduction
of such expenditures ratably over such period of
not less than 60 months as may be selected by
the taxpayer (beginning with the month in
which the taxpayer first realizes benefits from
such expenditures).

“(2) TIME FOR AND SCOPE OF ELECTION.—The
election provided by paragraph (1) may be made for
any taxable year, but only if made not later than the
time prescribed by law for filing the return for such
taxable year (including extensions thereof). The
method so elected, and the period selected by the
taxpayer, shall be adhered to in computing taxable
income for the taxable year for which the election is
made and for all subsequent taxable years unless,
with the approval of the Secretary, a change to a
different method (or to a different period) is author-
ized with respect to part or all of such expenditures. The election shall not apply to any expenditure paid or incurred during any taxable year before the taxable year for which the taxpayer makes the election.

“(d) ELECTION TO CAPITALIZE EXPENSES.—In the case of a taxpayer which elects (at such time and in such manner as the Secretary may provide) the application of this subsection, subsections (a) and (c) shall not apply and domestic research or experimental expenditures shall be chargeable to capital account. Such election shall not apply to any expenditure paid or incurred during any taxable year before the taxable year for which the taxpayer makes the election and may be made with respect to part of the expenditures paid or incurred during any taxable year only with the approval of the Secretary.

“(e) SPECIAL RULES.—

“(1) LAND AND OTHER PROPERTY.—This section shall not apply to any expenditure for the acquisition or improvement of land, or for the acquisition or improvement of property to be used in connection with the research or experimentation and of a character which is subject to the allowance under section 167 (relating to allowance for depreciation, etc.) or section 611 (relating to allowance for depletion); but for purposes of this section allowances under section
167, and allowances under section 611, shall be considered as expenditures.

“(2) EXPLORATION EXPENDITURES.—This section shall not apply to any expenditure paid or incurred for the purpose of ascertaining the existence, location, extent, or quality of any deposit of ore or other mineral (including oil and gas).

“(3) SOFTWARE DEVELOPMENT.—For purposes of this section, any amount paid or incurred in connection with the development of any software shall be treated as a research or experimental expenditure.

“(f) TERMINATION.—

“(1) IN GENERAL.—This section shall not apply to amounts paid or incurred in taxable years beginning after December 31, 2025.

“(2) CHANGE IN METHOD OF ACCOUNTING.—In the case of a taxpayer’s first taxable year beginning after December 31, 2025, paragraph (1) (and the corresponding application of section 174) shall be treated as a change in method of accounting for purposes of section 481 and—

“(A) such change shall be treated as initiated by the taxpayer,
“(B) such change shall be treated as made with the consent of the Secretary, and
“(C) such change shall be applied only on a cut-off basis for any domestic research or experimental expenditures paid or incurred in taxable years beginning after December 31, 2025, and no adjustment under section 481(a) shall be made.”.

e) COORDINATION WITH CERTAIN OTHER PROVISIONS.—

(1) RESEARCH CREDIT.—

(A) Section 41(d)(1)(A) is amended by inserting “or domestic research or experimental expenditures under section 174A” after “section 174”.

(B) Section 280C(e)(1) is amended to read as follows:

“(1) IN GENERAL.—The domestic research or experimental expenditures otherwise taken into account under section 174 or 174A (as the case may be) shall be reduced by the amount of the credit allowed under section 41(a).”.

(2) AMT ADJUSTMENT.—Section 56(b)(2) is amended by striking “174(a)” each place it appears and inserting “174A(a)”.

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(3) Optional 10-year writeoff.—Section 59(e)(2)(B) is amended by striking “section 174(a) (relating to research and experimental expenditures)” and inserting “section 174A(a) (relating to temporary rules for domestic research and experimental expenditures)”.

(4) Qualified small issue bonds.—Section 144(a)(4)(C)(iv) is amended by striking “174(a)” and inserting “174A(a)”.

(5) Start-up expenditures.—Section 195(c)(1) is amended by striking “or 174” in the last sentence and inserting “174, or 174A”.

(6) Capital expenditures.—

(A) Section 263(a)(1)(B) is amended by inserting “or 174A” after “174”.

(B) Section 263A(c)(2) is amended by inserting “or 174A” after “174”.

(7) Active business computer software royalties.—Section 543(d)(4)(A)(i) is amended by inserting “174A,” after “174,”.

(8) Source rules.—Section 864(g)(2) is amended in the last sentence—

(A) by striking “treated as deferred expenses under subsection (b) of section 174” and
inserting “allowed as an amortization deduction under section 174(a) or section 174A(e),” and
(B) by striking “such subsection” and inserting “such section (as the case may be)”.

(9) BASIS ADJUSTMENT.—Section 1016(a)(14) is amended by striking “deductions as deferred expenses under section 174(b)(1) (relating to research and experimental expenditures)” and inserting “deductions under section 174 or 174A”.

(10) SMALL BUSINESS STOCK.—Section 1202(e)(2)(B) is amended by striking “research and experimental expenditures under section 174” and inserting “specified research or experimental expenditures under section 174 or domestic research or experimental expenditures under section 174A”.

(d) CONFORMING AMENDMENTS.—

(1) Section 13206 of Public Law 115–97 is amended by striking subsection (b) (relating to change in method of accounting).

(2) The table of sections for part VI of subchapter B of chapter 1 is amended by inserting after the item relating to section 174 the following new item:

“Sec. 174A. Temporary rules for domestic research and experimental expenditures.”.

(e) EFFECTIVE DATE.—
(1) IN GENERAL.—Except as otherwise pro-
vided in this subsection, the amendments made by
this section shall apply to amounts paid or incurred
in taxable years beginning after December 31, 2021.

(2) COORDINATION WITH RESEARCH CREDIT.—
The amendment made by subsection (c)(1)(B) shall
apply to taxable years beginning after December 31,
2022.

(3) REPEAL OF SUPERCEDED CHANGE IN
METHOD OF ACCOUNTING RULES.—The amendment
made by subsection (d)(1) shall take effect as if in-
cluded in Public Law 115–97.

(4) NO INFERENCE WITH RESPECT TO COORDI-
NATION WITH RESEARCH CREDIT FOR PRIOR PERI-
ODS.—The amendment made by subsection
(e)(1)(B) shall not be construed to create any infer-
ance with respect to the proper application of section
280C(c) of the Internal Revenue Code of 1986 with
respect to taxable years beginning before January 1,
2023.

(f) TRANSITION RULES.—

(1) IN GENERAL.—Except as otherwise pro-
vided by the Secretary, an election made under sub-
section (c) or (d) of section 174A of the Internal
Revenue Code of 1986 (as added by this section) for
the taxpayer’s first taxable year beginning after December 31, 2021, shall not fail to be treated as timely made (or as made on the return) if made during the 1-year period beginning on the date of the enactment of this Act on an amended return for the taxpayer’s first taxable year beginning after December 31, 2021, or in such other manner as the Secretary may provide.

(2) Election regarding treatment as change in method of accounting.—In the case of any taxpayer which (as of the date of the enactment of this Act) had adopted a method of accounting provided by section 174 of the Internal Revenue Code of 1986 (as in effect prior to the amendments made by this section) for the taxpayer’s first taxable year beginning after December 31, 2021, and elects the application of this paragraph—

(A) the amendments made by this section shall be treated as a change in method of accounting for purposes of section 481 of such Code,

(B) such change shall be treated as initiated by the taxpayer for the taxpayer’s immediately succeeding taxable year,
(C) such change shall be treated as made with the consent of the Secretary,

(D) such change shall be applied on a modified cut-off basis, taking into account for purposes of section 481(a) of such Code only the domestic research or experimental expenditures (as defined in section 174A(b) of such Code (as added by this section) and determined by applying the rules of section 174A(e) of such Code) paid or incurred in the taxpayer’s first taxable year beginning after December 31, 2021, and not allowed as a deduction in such taxable year, and

(E) in the case of a taxpayer which elects the application of this subparagraph, the amount of such change (as determined under subparagraph (D)) shall be taken into account ratably over the 2-taxable-year period beginning with the taxable year referred to in subparagraph (B).

(3) ELECTION REGARDING 10-YEAR WRITE-OFF.—

(A) IN GENERAL.—Except as otherwise provided by the Secretary, an eligible taxpayer which files, during the 1-year period beginning
on the date of the enactment of this Act, an
amended income tax return for the taxable year
described in subparagraph (B)(ii) may elect the
application of section 59(e) of the Internal Rev-

enue Code of 1986 with respect to qualified ex-
penditures described in section 59(e)(2)(B) of
such Code (as amended by subsection (c)(3))
with respect to such taxable year. Such election
shall be filed with such amended income tax re-
turn and shall be effective only to the extent
that such election would have been effective if
filed with the original income tax return for
such taxable year (determined after taking into
account the amendment made by subsection
(e)(3)).

(B) ELIGIBLE TAXPAYER.—For purposes
of subparagraph (A), the term “eligible tax-
payer” means any taxpayer which—

(i) does not elect the application of
paragraph (2), and

(ii) filed an income tax return for
such taxpayer’s first taxable year begin-
ning after December 31, 2021, before the
earlier of—
(I) the due date for such return, and

(II) the date of the enactment of this Act.

(4) Election regarding coordination with research credit.—Except as otherwise provided by the Secretary, an eligible taxpayer (as defined in paragraph (3)(B) without regard to clause (i) thereof) which files, during the 1-year period beginning on the date of the enactment of this Act, an amended income tax return for the taxpayer’s first taxable year beginning after December 31, 2021, may, notwithstanding subparagraph (C) of section 280C(e)(2) of the Internal Revenue Code of 1986 make, or revoke, on such amended return the election under such section for such taxable year.

SEC. 202. EXTENSION OF ALLOWANCE FOR DEPRECIATION, AMORTIZATION, OR DEPLETION IN DETERMINING THE LIMITATION ON BUSINESS INTEREST.

(a) In General.—Section 163(j)(8)(A)(v) is amended by striking “January 1, 2022” and inserting “January 1, 2026”.

(b) Effective Date.—
(1) **IN GENERAL.**—Except as otherwise provided in this subsection, the amendment made by this section shall apply to taxable years beginning after December 31, 2023.

(2) **ELECTION TO APPLY EXTENSION RETROACTIVELY.**—In the case of a taxpayer which elects (at such time and in such manner as the Secretary may provide) the application of this paragraph, paragraph (1) shall be applied by substituting “December 31, 2021” for “December 31, 2023”.

**SEC. 203. EXTENSION OF 100 PERCENT BONUS DEPRECIATION.**

(a) **IN GENERAL.**—Section 168(k)(6)(A) is amended—

(1) in clause (i)—

(A) by striking “2023” and inserting “2026”, and

(B) by adding “and” at the end, and

(2) by striking clauses (ii), (iii), and (iv), and redesignating clause (v) as clause (ii).

(b) **PROPERTY WITH LONGER PRODUCTION PERIODS.**—Section 168(k)(6)(B) is amended—

(1) in clause (i)—

(A) by striking “2024” and inserting “2027”, and
(B) by adding “and” at the end, and
(2) by striking clauses (ii), (iii), and (iv), and redesignating clause (v) as clause (ii).

(c) PLANTS BEARING FRUITS AND NUTS.—Section 168(k)(6)(C) is amended—
(1) in clause (i)—
(A) by striking “2023” and inserting “2026”, and
(B) by adding “and” at the end, and
(2) by striking clauses (ii), (iii), and (iv), and redesignating clause (v) as clause (ii).

(d) EFFECTIVE DATES.—
(1) IN GENERAL.—Except as otherwise provided in this subsection, the amendments made by this section shall apply to property placed in service after December 31, 2022.
(2) PLANTS BEARING FRUITS AND NUTS.—The amendments made by subsection (c) shall apply to specified plants planted or grafted after December 31, 2022.

SEC. 204. INCREASE IN LIMITATIONS ON EXPENSING OF DEPRECIABLE BUSINESS ASSETS.
(a) IN GENERAL.—Section 179(b) is amended—
(1) by striking “$1,000,000” in paragraph (1) and inserting “$1,290,000”, and
(2) by striking “$2,500,000” in paragraph (2) and inserting “$3,220,000”.

(b) Inflation Adjustment.—Section 179(b)(6) is amended—

(1) by striking “2018” and inserting “2024 (2018 in the case of the dollar amount in paragraph (5)(A))”, and

(2) by striking “‘calendar year 2017’” and inserting “‘calendar year 2024’ (‘calendar year 2017’ in the case of the dollar amount in paragraph (5)(A))”.

(c) Effective Date.—The amendments made by this section shall apply to property placed in service in taxable years beginning after December 31, 2023.

TITLE III—INCREASING GLOBAL COMPETITIVENESS

Subtitle A—United States-Taiwan Expedited Double-Tax Relief Act

SEC. 301. SHORT TITLE.

This subtitle may be cited as the “United States-Taiwan Expedited Double-Tax Relief Act”.

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SEC. 302. SPECIAL RULES FOR TAXATION OF CERTAIN RESIDENTS OF TAIWAN.

(a) IN GENERAL.—Subpart D of part II of subchapter N of chapter 1 is amended by inserting after section 894 the following new section:

"SEC. 894A. SPECIAL RULES FOR QUALIFIED RESIDENTS OF TAIWAN.

“(a) CERTAIN INCOME FROM UNITED STATES SOURCES.—

“(1) INTEREST, DIVIDENDS, AND ROYALTIES, ETC.—

“(A) IN GENERAL.—In the case of interest (other than original issue discount), dividends, royalties, amounts described in section 871(a)(1)(C), and gains described in section 871(a)(1)(D) received by or paid to a qualified resident of Taiwan—

“(i) sections 871(a), 881(a), 1441(a), 1441(c)(5), and 1442(a) shall each be applied by substituting ‘the applicable percentage (as defined in section 894A(a)(1)(C))’ for ‘30 percent’ each place it appears, and

“(ii) sections 871(a), 881(a), and 1441(c)(1) shall each be applied by substituting ‘a United States permanent es-
establishment of a qualified resident of Tai-
wan’ for ‘a trade or business within the
United States’ each place it appears.

“(B) EXCEPTIONS.—

“(i) IN GENERAL.—Subparagraph (A) shall not apply to—

“(I) any dividend received from or paid by a real estate investment trust which is not a qualified REIT dividend,

“(II) any amount subject to section 897,

“(III) any amount received from or paid by an expatriated entity (as defined in section 7874(a)(2)) to a foreign related person (as defined in section 7874(d)(3)), and

“(IV) any amount which is in-
cluded in income under section 860C to the extent that such amount does not exceed an excess inclusion with re-
spect to a REMIC.

“(ii) QUALIFIED REIT DIVIDEND.—
For purposes of clause (i)(I), the term ‘qualified REIT dividend’ means any divi-
dend received from or paid by a real estate
investment trust if such dividend is paid
with respect to a class of shares that is
publicly traded and the recipient of the
dividend is a person who holds an interest
in any class of shares of the real estate in-
vestment trust of not more than 5 percent.
“(C) APPLICABLE PERCENTAGE.—For
purposes of applying subparagraph (A)(i)—
“(i) IN GENERAL.—Except as pro-
vided in clause (ii), the term ‘applicable
percentage’ means 10 percent.
“(ii) SPECIAL RULES FOR DIVI-
DENDS.— In the case of any dividend in
respect of stock received by or paid to a
qualified resident of Taiwan, the applicable
percentage shall be 15 percent (10 percent
in the case of a dividend which meets the
requirements of subparagraph (D) and is
received by or paid to an entity taxed as
a corporation in Taiwan).
“(D) REQUIREMENTS FOR LOWER DIVI-
DEND RATE.—
“(i) IN GENERAL.—The requirements
of this subparagraph are met with respect
to any dividend in respect of stock in a corporation if, at all times during the 12-month period ending on the date such stock becomes ex-dividend with respect to such dividend—

“(I) the dividend is derived by a qualified resident of Taiwan, and

“(II) such qualified resident of Taiwan has held directly at least 10 percent (by vote and value) of the total outstanding shares of stock in such corporation.

For purposes of subclause (II), a person shall be treated as directly holding a share of stock during any period described in the preceding sentence if the share was held by a corporation from which such person later acquired that share and such corporation was, at the time the share was acquired, both a connected person to such person and a qualified resident of Taiwan.

“(ii) Exception for RICS and REITs.—Notwithstanding clause (i), the requirements of this subparagraph shall not be treated as met with respect to any divi-
dend paid by a regulated investment com-
pany or a real estate investment trust.

“(2) QUALIFIED WAGES.—

“(A) IN GENERAL.—No tax shall be im-
posed under this chapter (and no amount shall
be withheld under section 1441(a) or chapter
24) with respect to qualified wages paid to a
qualified resident of Taiwan who—

“(i) is not a resident of the United
States (determined without regard to sub-
section (c)(3)(E)), or

“(ii) is employed as a member of the
regular component of a ship or aircraft op-
erated in international traffic.

“(B) QUALIFIED WAGES.—

“(i) IN GENERAL.—The term ‘quali-
fied wages’ means wages, salaries, or simi-
lar remunerations with respect to employ-
ment involving the performance of personal
services within the United States which—

“(I) are paid by (or on behalf of)
any employer other than a United
States person, and

“(II) are not borne by a United
States permanent establishment of
any person other than a United States person.

“(ii) EXCEPTIONS.—Such term shall not include directors’ fees, income derived as an entertainer or athlete, income derived as a student or trainee, pensions, amounts paid with respect to employment with the United States, any State (or political subdivision thereof), or any possession of the United States (or any political subdivision thereof), or other amounts specified in regulations or guidance under subsection (f)(1)(F).

“(3) INCOME DERIVED FROM ENTERTAINMENT OR ATHLETIC ACTIVITIES.—

“(A) IN GENERAL.—No tax shall be imposed under this chapter (and no amount shall be withheld under section 1441(a) or chapter 24) with respect to income derived by an entertainer or athlete who is a qualified resident of Taiwan from personal activities as such performed in the United States if the aggregate amount of gross receipts from such activities for the taxable year do not exceed $30,000.
“(B) Exception.—Subparagraph (A) shall not apply with respect to—

“(i) income which is qualified wages (as defined in paragraph (2)(B), determined without regard to clause (ii) thereof), or

“(ii) income which is effectively connected with a United States permanent establishment.

“(b) Income Connected With a United States Permanent Establishment of a Qualified Resident of Taiwan.—

“(1) In General.—

“(A) In General.—In lieu of applying sections 871(b) and 882, a qualified resident of Taiwan that carries on a trade or business within the United States through a United States permanent establishment shall be taxable as provided in section 1, 11, 55, or 59A, on its taxable income which is effectively connected with such permanent establishment.

“(B) Determination of Taxable Income.—In determining taxable income for purposes of paragraph (1), gross income includes
only gross income which is effectively connected
with the permanent establishment.

“(2) Treatment of dispositions of United
States real property.—In the case of a qualified
resident of Taiwan, section 897(a) shall be applied—

“(A) by substituting ‘carried on a trade or
business within the United States through a
United States permanent establishment’ for
‘were engaged in a trade or business within the
United States’, and

“(B) by substituting ‘such United States
permanent establishment’ for ‘such trade or
business’.

“(3) Treatment of branch profits
taxes.—In the case of any corporation which is a
qualified resident of Taiwan, section 884 shall be ap-
plied—

“(A) by substituting ‘10 percent’ for ‘30
percent ’ in subsection (a) thereof, and

“(B) by substituting ‘a United States per-
manent establishment of a qualified resident of
Taiwan’ for ‘the conduct of a trade or business
within the United States’ in subsection (d)(1)
thereof.
“(4) Special rule with respect to income derived from certain entertainment or athletic activities.—

“(A) In general.—Paragraph (1) shall not apply to the extent that the income is derived—

“(i) in respect of entertainment or athletic activities performed in the United States, and

“(ii) by a qualified resident of Taiwan who is not the entertainer or athlete performing such activities.

“(B) Exception.—Subparagraph (A) shall not apply if the person described in subparagraph (A)(ii) is contractually authorized to designate the individual who is to perform such activities.

“(5) Special rule with respect to certain amounts.—Paragraph (1) shall not apply to any income which is wages, salaries, or similar remuneration with respect to employment or with respect to any amount which is described in subsection (a)(2)(B)(ii).

“(c) Qualified resident of Taiwan.—For purposes of this section—
“(1) IN GENERAL.—The term ‘qualified resident of Taiwan’ means any person who—

“(A) is liable to tax under the laws of Taiwan by reason of such person’s domicile, residence, place of management, place of incorporation, or any similar criterion,

“(B) is not a United States person (determined without regard to paragraph (3)(E)), and

“(C) in the case of an entity taxed as a corporation in Taiwan, meets the requirements of paragraph (2).

“(2) LIMITATION ON BENEFITS FOR CORPORATE ENTITIES OF TAIWAN.—

“(A) IN GENERAL.—Subject to subparagraphs (E) and (F), an entity meets the requirements of this paragraph only if it—

“(i) meets the ownership and income requirements of subparagraph (B),

“(ii) meets the publicly traded requirements of subparagraph (C), or

“(iii) meets the qualified subsidiary requirements of subparagraph (D).
“(B) Ownership and income requirements.—The requirements of this subparagraph are met for an entity if—

“(i) at least 50 percent (by vote and value) of the total outstanding shares of stock in such entity are owned directly or indirectly by qualified residents of Taiwan, and

“(ii) less than 50 percent of such entity’s gross income (and in the case of an entity that is a member of a tested group, less than 50 percent of the tested group’s gross income) is paid or accrued, directly or indirectly, in the form of payments that are deductible for purposes of the income taxes imposed by Taiwan, to persons who are not—

“(I) qualified residents of Taiwan, or

“(II) United States persons who meet such requirements with respect to the United States as determined by the Secretary to be equivalent to the requirements of this subsection (determined without regard to paragraph
(1)(B)) with respect to residents of Taiwan.

“(C) PUBLICLY TRADED REQUIREMENTS.—An entity meets the requirements of this subparagraph if—

“(i) the principal class of its shares (and any disproportionate class of shares) of such entity are primarily and regularly traded on an established securities market in Taiwan, or

“(ii) the primary place of management and control of the entity is in Taiwan and all classes of its outstanding shares described in clause (i) are regularly traded on an established securities market in Taiwan.

“(D) QUALIFIED SUBSIDIARY REQUIREMENTS.—An entity meets the requirement of this subparagraph if—

“(i) at least 50 percent (by vote and value) of the total outstanding shares of the stock of such entity are owned directly or indirectly by 5 or fewer entities—

“(I) which meet the requirements of subparagraph (C), or
“(II) which are United States persons the principal class of the shares (and any disproportionate class of shares) of which are primarily and regularly traded on an established securities market in the United States, and

“(ii) the entity meets the requirements of clause (ii) of subparagraph (B).

“(E) ONLY INDIRECT OWNERSHIP THROUGH QUALIFYING INTERMEDIARIES COUNTED.—

“(i) IN GENERAL.—Stock in an entity owned by a person indirectly through 1 or more other persons shall not be treated as owned by such person in determining whether the person meets the requirements of subparagraph (B)(i) or (D)(i) unless all such other persons are qualifying intermediate owners.

“(ii) QUALIFYING INTERMEDIATE OWNERS.—The term ‘qualifying intermediate owner’ means a person that is—

“(I) a qualified resident of Taiwan, or
“(II) a resident of any other foreign country (other than a foreign country that is a foreign country of concern) that has in effect a comprehensive convention with the United States for the avoidance of double taxation.

“(iii) Special rule for qualified subsidiaries.—For purposes of applying subparagraph (D)(i), the term ‘qualifying intermediate owner’ shall include any person who is a United States person who meets such requirements with respect to the United States as determined by the Secretary to be equivalent to the requirements of this subsection (determined without regard to paragraph (1)(B)) with respect to residents of Taiwan.

“(F) Certain payments not included.—In determining whether the requirements of subparagraph (B)(ii) or (D)(ii) are met with respect to an entity, the following payments shall not be taken into account:
“(i) Arm’s-length payments by the entity in the ordinary course of business for services or tangible property.

“(ii) In the case of a tested group, intra-group transactions.

“(3) DUAL RESIDENTS.—

“(A) Rules for determination of status.—

“(i) In general.—An individual who is an applicable dual resident and who is described in subparagraph (B), (C), or (D) shall be treated as a qualified resident of Taiwan.

“(ii) Applicable dual resident.—For purposes of this paragraph, the term ‘applicable dual resident’ means an individual who—

“(I) is not a United States citizen,

“(II) is a resident of the United States (determined without regard to subparagraph (E)), and

“(III) would be a qualified resident of Taiwan but for paragraph (1)(B).
“(B) PERMANENT HOME.—An individual is described in this subparagraph if such individual—

“(i) has a permanent home available to such individual in Taiwan, and

“(ii) does not have a permanent home available to such individual in the United States.

“(C) CENTER OF VITAL INTERESTS.—An individual is described in this subparagraph if—

“(i) such individual has a permanent home available to such individual in both Taiwan and the United States, and

“(ii) such individual’s personal and economic relations (center of vital interests) are closer to Taiwan than to the United States.

“(D) HABITUAL ABODE.—An individual is described in this subparagraph if—

“(i) such individual—

“(I) does not have a permanent home available to such individual in either Taiwan or the United States, or

“(II) has a permanent home available to such individual in both
Taiwan and the United States but such individual’s center of vital interests under subparagraph (C)(ii) cannot be determined, and “(ii) such individual has a habitual abode in Taiwan and not the United States.

“(E) UNITED STATES TAX TREATMENT OF QUALIFIED RESIDENT OF TAIWAN.—Notwithstanding section 7701, an individual who is treated as a qualified resident of Taiwan by reason of this paragraph for all or any portion of a taxable year shall not be treated as a resident of the United States for purposes of computing such individual’s United States income tax liability for such taxable year or portion thereof.

“(4) RULES OF SPECIAL APPLICATION.—

“(A) DIVIDENDS.—For purposes of applying this section to any dividend, paragraph (2)(D) shall be applied without regard to clause (ii) thereof.

“(B) ITEMS OF INCOME EMANATING FROM AN ACTIVE TRADE OR BUSINESS IN TAIWAN.— For purposes of this section—
“(i) IN GENERAL.—Notwithstanding the preceding paragraphs of this subsection, if an entity taxed as a corporation in Taiwan is not a qualified resident of Taiwan but meets the requirements of subparagraphs (A) and (B) of paragraph (1), any qualified item of income such entity derived from the United States shall be treated as income of a qualified resident of Taiwan.

“(ii) QUALIFIED ITEMS OF INCOME.—

“(I) IN GENERAL.—The term ‘qualified item of income’ means any item of income which emanates from, or is incidental to, the conduct of an active trade or business in Taiwan (other than operating as a holding company, providing overall supervision or administration of a group of companies, providing group financing, or making or managing investments (unless such making or managing investments is carried on by a bank, insurance company, or registered securities
dealer in the ordinary course of its business as such)).

“(II) Substantial activity requirement.—An item of income which is derived from a trade or business conducted in the United States or from a connected person shall be a qualified item of income only if the trade or business activity conducted in Taiwan to which the item is related is substantial in relation to the same or a complementary trade or business activity carried on in the United States. For purposes of applying this subclause, activities conducted by persons that are connected to the entity described in clause (i) shall be deemed to be conducted by such entity.

“(iii) Exception.—This subparagraph shall not apply to any item of income derived by an entity if at least 50 percent (by vote or value) of such entity is owned (directly or indirectly) or controlled by residents of a foreign country of concern.
“(d) Other Definitions and Special Rules.—

For purposes of this section—

“(1) United States Permanent Establishment.—

“(A) In General.—The term ‘United States permanent establishment’ means, with respect to a qualified resident of Taiwan, a permanent establishment of such resident which is within the United States.

“(B) Special Rule.—The determination of whether there is a permanent establishment of a qualified resident of Taiwan within the United States shall be made without regard to whether an entity which is taxed as a corporation in Taiwan and which is a qualified resident of Taiwan controls or is controlled by—

“(i) a domestic corporation, or

“(ii) any other person that carries on business in the United States (whether through a permanent establishment or otherwise).

“(2) Permanent Establishment.—

“(A) In General.—The term ‘permanent establishment’ means a fixed place of business
through which a trade or business is wholly or partly carried on. Such term shall include—

“(i) a place of management,

“(ii) a branch,

“(iii) an office,

“(iv) a factory,

“(v) a workshop, and

“(vi) a mine, an oil or gas well, a quarry, or any other place of extraction of natural resources.

“(B) Special rules for certain temporary projects.—

“(i) In general.—A building site or construction or installation project, or an installation or drilling rig or ship used for the exploration or exploitation of the sea bed and its subsoil and their natural resources, constitutes a permanent establishment only if it lasts, or the activities of the rig or ship lasts, for more than 12 months.

“(ii) Determination of 12-month period.—For purposes of clause (i), the period over which a building site or construction or installation project of a person lasts shall include any period of more than
30 days during which such person does not carry on activities at such building site or construction or installation project but connected activities are carried on at such building site or construction or installation project by one or more connected persons.

“(C) HABITUAL EXERCISE OF CONTRACT AUTHORITY TREATED AS PERMANENT ESTABLISHMENT.—Notwithstanding subparagraphs (A) and (B), where a person (other than an agent of an independent status to whom subparagraph (D)(ii) applies) is acting on behalf of a trade or business of a qualified resident of Taiwan and has and habitually exercises an authority to conclude contracts that are binding on the trade or business, that trade or business shall be deemed to have a permanent establishment in the country in which such authority is exercised in respect of any activities that the person undertakes for the trade or business, unless the activities of such person are limited to those described in subparagraph (D)(i) that, if exercised through a fixed place of business, would not make this fixed place of business a
permanent establishment under the provisions of that subparagraph.

“(D) EXCLUSIONS.—

“(i) IN GENERAL.—Notwithstanding subparagraphs (A) and (B), the term ‘permanent establishment’ shall not include—

“(I) the use of facilities solely for the purpose of storage, display, or delivery of goods or merchandise belonging to the trade or business,

“(II) the maintenance of a stock of goods or merchandise belonging to the trade or business solely for the purpose of storage, display, or delivery,

“(III) the maintenance of a stock of goods or merchandise belonging to the trade or business solely for the purpose of processing by another trade or business,

“(IV) the maintenance of a fixed place of business solely for the purpose of purchasing goods or merchandise, or of collecting information, for the trade or business,
“(V) the maintenance of a fixed place of business solely for the purpose of carrying on, for the trade or business, any other activity of a preparatory or auxiliary character, or

“(VI) the maintenance of a fixed place of business solely for any combination of the activities mentioned in subclauses (I) through (V), provided that the overall activity of the fixed place of business resulting from this combination is of a preparatory or auxiliary character.

“(ii) BROKERS AND OTHER INDEPENDENT AGENTS.—A trade or business shall not be considered to have a permanent establishment in a country merely because it carries on business in such country through a broker, general commission agent, or any other agent of an independent status, provided that such persons are acting in the ordinary course of their business as independent agents.

“(3) TESTED GROUP.—The term ‘tested group’ includes, with respect to any entity taxed as a cor-
poration in Taiwan, such entity and any other entity
taxed as a corporation in Taiwan that—

“(A) participates as a member with such
entity in a tax consolidation, fiscal unity, or
similar regime that requires members of the
group to share profits or losses, or

“(B) shares losses with such entity pursu-
ant to a group relief or other loss sharing re-
gime.

“(4) CONNECTED PERSON.—Two persons shall
be ‘connected persons’ if one owns, directly or indi-
directly, at least 50 percent of the interests in the
other (or, in the case of a corporation, at least 50
percent of the aggregate vote and value of the cor-
poration’s shares) or another person owns, directly
or indirectly, at least 50 percent of the interests (or,
in the case of a corporation, at least 50 percent of
the aggregate vote and value of the corporation’s
shares) in each person. In any case, a person shall
be connected to another if, based on all the relevant
facts and circumstances, one has control of the other
or both are under the control of the same person or
persons.

“(5) FOREIGN COUNTRY OF CONCERN.—The
term ‘foreign country of concern’ has the meaning

“(6) PARTNERSHIPS; BENEFICIARIES OF ESTATES AND TRUSTS.—For purposes of this section—

“(A) a qualified resident of Taiwan which is a partner of a partnership which carries on a trade or business within the United States through a United States permanent establishment shall be treated as carrying on such trade or business through such permanent establishment, and

“(B) a qualified resident of Taiwan which is a beneficiary of an estate or trust which carries on a trade or business within the United States through a United States permanent establishment shall be treated as carrying on such trade or business through such permanent establishment.

“(7) DENIAL OF BENEFITS FOR CERTAIN PAYMENTS THROUGH HYBRID ENTITIES.—For purposes of this section, rules similar to the rules of section 894(e) shall apply.
“(e) APPLICATION.—

“(1) IN GENERAL.—This section shall not apply to any period unless the Secretary has determined that Taiwan has provided benefits to United States persons for such period that are reciprocal to the benefits provided to qualified residents of Taiwan under this section.

“(2) PROVISION OF RECIPROCITY.—The President or his designee is authorized to exchange letters, enter into an agreement, or take other necessary and appropriate steps relative to Taiwan for the reciprocal provision of the benefits described in this section.

“(f) REGULATIONS OR OTHER GUIDANCE.—

“(1) IN GENERAL.—The Secretary shall issue such regulations or other guidance as may be necessary or appropriate to carry out the provisions of this section, including such regulations or guidance for—

“(A) determining—

“(i) what constitutes a United States permanent establishment of a qualified resident of Taiwan, and
“(ii) income that is effectively connected with such a permanent establishment,

“(B) preventing the abuse of the provisions of this section by persons who are not (or who should not be treated as) qualified residents of Taiwan,

“(C) requirements for record keeping and reporting,

“(D) rules to assist withholding agents or employers in determining whether a foreign person is a qualified resident of Taiwan for purposes of determining whether withholding or reporting is required for a payment (and, if withholding is required, whether it should be applied at a reduced rate),

“(E) the application of subsection (a)(1)(D)(i) to stock held by predecessor owners,

“(F) determining what amounts are to be treated as qualified wages for purposes of subsection (a)(2),

“(G) determining the amounts to which subsection (a)(3) applies,
“(H) defining established securities market
for purposes of subsection (e),

“(I) the application of the rules of sub-
section (e)(4)(B),

“(J) the application of subsection (d)(6)
and section 1446,

“(K) determining ownership interests held
by residents of a foreign country of concern,
and

“(L) determining the starting and ending
dates for periods with respect to the application
of this section under subsection (e), which may
be separate dates for taxes withheld at the
source and other taxes.

“(2) Regulations to be consistent with
model treaty.—Any regulations or other guidance
issued under this section shall, to the extent prac-
tical, be consistent with the provisions of the United
States model income tax convention dated February
7, 2016.”.

(b) Conforming Amendment to Withholding
Tax.—Subchapter A of chapter 3 is amended by adding
at the end the following new section:
"SEC. 1447. WITHHOLDING FOR QUALIFIED RESIDENTS OF TAIWAN.

"For reduced rates of withholding for certain residents of Taiwan, see section 894A."

(e) CLERICAL AMENDMENTS.—

(1) The table of sections for subpart D of part II of subchapter N of chapter 1 is amended by inserting after the item relating to section 894 the following new item:

"Sec. 894A. Special rules for qualified residents of Taiwan."

(2) The table of sections for subchapter A of chapter 3 is amended by adding at the end the following new item:

"Sec. 1447. Withholding for qualified residents of Taiwan."

Subtitle B—United States-Taiwan Tax Agreement Authorization Act

SEC. 311. SHORT TITLE.

This subtitle may be cited as the “United States-Taiwan Tax Agreement Authorization Act”.

SEC. 312. DEFINITIONS.

In this subtitle:

(1) AGREEMENT.—The term “Agreement” means the tax agreement authorized by section 313(a).
(2) APPROPRIATE CONGRESSIONAL COMMITTEES.—The term “appropriate congressional committees” means—

(A) the Committee on Foreign Relations and the Committee on Finance of the Senate;

and

(B) the Committee on Ways and Means of the House of Representatives.

(3) APPROVAL LEGISLATION.—The term “approval legislation” means legislation that approves the Agreement.

(4) IMPLEMENTING LEGISLATION.—The term “implementing legislation” means legislation that makes any changes to the Internal Revenue Code of 1986 necessary to implement the Agreement.

SEC. 313. AUTHORIZATION TO NEGOTIATE AND ENTER INTO AGREEMENT.

(a) IN GENERAL.—Subsequent to a determination under section 894A(e)(1) of the Internal Revenue Code of 1986 (as added by the United States-Taiwan Expedited Double-Tax Relief Act), the President is authorized to negotiate and enter into a tax agreement relative to Taiwan.

(b) ELEMENTS OF AGREEMENT.—

(1) CONFORMITY WITH BILATERAL INCOME TAX CONVENTIONS.—The President shall ensure that—
(A) any provisions included in the Agreement conform with provisions customarily contained in United States bilateral income tax conventions, as exemplified by the 2016 United States Model Income Tax Convention; and

(B) the Agreement does not include elements outside the scope of the 2016 United States Model Income Tax Convention.

(2) Incorporation of Tax Agreements and Laws.—Notwithstanding paragraph (1), the Agreement may incorporate and restate provisions of any agreement, or existing United States law, addressing double taxation for residents of the United States and Taiwan.

(3) Authority.—The Agreement shall include the following statement: “The Agreement is entered into pursuant to the United States-Taiwan Tax Agreement Authorization Act.”

(4) Entry into Force.—The Agreement shall include a provision conditioning entry into force upon—

(A) enactment of approval legislation and implementing legislation pursuant to section 317; and
(B) confirmation by the Secretary of the Treasury that the relevant authority in Taiwan has approved and taken appropriate steps required to implement the Agreement.

SEC. 314. CONSULTATIONS WITH CONGRESS.

(a) Notification Upon Commencement of Negotiations.—The President shall provide written notification to the appropriate congressional committees of the commencement of negotiations between the United States and Taiwan on the Agreement at least 15 calendar days before commencing such negotiations.

(b) Consultations During Negotiations.—

(1) Briefings.—Not later than 90 days after commencement of negotiations with respect to the Agreement, and every 180 days thereafter until the President enters into the Agreement, the President shall provide a briefing to the appropriate congressional committees on the status of the negotiations, including a description of elements under negotiation.

(2) Meetings and Other Consultations.—

(A) In General.—In the course of negotiations with respect to the Agreement, the Secretary of the Treasury, in coordination with the Secretary of State, shall—
(i) meet, upon request, with the chairman or ranking member of any of the appropriate congressional committees regarding negotiating objectives and the status of negotiations in progress; and

(ii) consult closely and on a timely basis with, and keep fully apprised of the negotiations, the appropriate congressional committees.

(B) Elements of consultations.—The consultations described in subparagraph (A) shall include consultations with respect to—

(i) the nature of the contemplated Agreement;

(ii) how and to what extent the contemplated Agreement is consistent with the elements set forth in section 313(b); and

(iii) the implementation of the contemplated Agreement, including—

(I) the general effect of the contemplated Agreement on existing laws;

(II) proposed changes to any existing laws to implement the contemplated Agreement; and
(III) proposed administrative actions to implement the contemplated Agreement.

SEC. 315. APPROVAL AND IMPLEMENTATION OF AGREEMENT.

(a) IN GENERAL.—The Agreement may not enter into force unless—

(1) the President, at least 60 days before the day on which the President enters into the Agreement, publishes the text of the contemplated Agreement on a publicly available website of the Department of the Treasury; and

(2) there is enacted into law, with respect to the Agreement, approval legislation and implementing legislation pursuant to section 317.

(b) ENTRY INTO FORCE.—The President may provide for the Agreement to enter into force upon—

(1) enactment of approval legislation and implementing legislation pursuant to section 317; and

(2) confirmation by the Secretary of the Treasury that the relevant authority in Taiwan has approved and taken appropriate steps required to implement the Agreement.
SEC. 316. SUBMISSION TO CONGRESS OF AGREEMENT AND IMPLEMENTATION POLICY.

(a) Submission of Agreement.—Not later than 270 days after the President enters into the Agreement, the President or the President’s designee shall submit to Congress—

(1) the final text of the Agreement; and

(2) a technical explanation of the Agreement.

(b) Submission of Implementation Policy.—Not later than 270 days after the President enters into the Agreement, the Secretary of the Treasury shall submit to Congress—

(1) a description of those changes to existing laws that the President considers would be required in order to ensure that the United States acts in a manner consistent with the Agreement; and

(2) a statement of anticipated administrative action proposed to implement the Agreement.

SEC. 317. CONSIDERATION OF APPROVAL LEGISLATION AND IMPLEMENTING LEGISLATION.

(a) In General.—The approval legislation with respect to the Agreement shall include the following: “Congress approves the Agreement submitted to Congress pursuant to section 316 of the United States-Taiwan Tax Agreement Authorization Act on ________.”, with the blank space being filled with the appropriate date.
(b) APPROVAL LEGISLATION COMMITTEE REFERRAL.—The approval legislation shall—

(1) in the Senate, be referred to the Committee on Foreign Relations; and

(2) in the House of Representatives, be referred to the Committee on Ways and Means.

(e) IMPLEMENTING LEGISLATION COMMITTEE REFERRAL.—The implementing legislation shall—

(1) in the Senate, be referred to the Committee on Finance; and

(2) in the House of Representatives, be referred to the Committee on Ways and Means.

SEC. 318. RELATIONSHIP OF AGREEMENT TO INTERNAL REVENUE CODE OF 1986.

(a) INTERNAL REVENUE CODE OF 1986 TO CONTROL.—No provision of the Agreement or approval legislation, nor the application of any such provision to any person or circumstance, which is inconsistent with any provision of the Internal Revenue Code of 1986, shall have effect.

(b) CONSTRUCTION.—Nothing in this subtitle shall be construed—

(1) to amend or modify any law of the United States; or
(2) to limit any authority conferred under any
law of the United States,

unless specifically provided for in this subtitle.

SEC. 319. AUTHORIZATION OF SUBSEQUENT TAX AGREEMENTS RELATIVE TO TAIWAN.

(a) In General.—Subsequent to the enactment of
approval legislation and implementing legislation pursuant
to section 317—

(1) the term “tax agreement” in section 313(a)
shall be treated as including any tax agreement rel-
ative to Taiwan which supplements or supersedes
the Agreement to which such approval legislation
and implementing legislation relates, and

(2) the term “Agreement” shall be treated as
including such tax agreement.

(b) Requirements, etc., to Apply Separately.—The provisions of this subtitle (including sec-
tion 314) shall be applied separately with respect to each
tax agreement referred to in subsection (a).

SEC. 320. UNITED STATES TREATMENT OF DOUBLE TAXATION MATTERS WITH RESPECT TO TAIWAN.

(a) Findings.—Congress makes the following find-
ings:

(1) The United States addresses issues with re-
spect to double taxation with foreign countries by
entering into bilateral income tax conventions
(known as tax treaties) with such countries, subject
to the advice and consent of the Senate to ratifica-
tion pursuant to article II of the Constitution.

(2) The United States has entered into more
than sixty such tax treaties, which facilitate eco-
nomic activity, strengthen bilateral cooperation, and
benefit United States workers, businesses, and other
United States taxpayers.

(3) Due to Taiwan’s unique status, the United
States is unable to enter into an article II tax treaty
with Taiwan, necessitating an agreement to address
issues with respect to double taxation.

(b) STATEMENT OF POLICY.—It is the policy of the
United States to—

(1) provide for additional bilateral tax relief
with respect to Taiwan, beyond that provided for in
section 894A of the Internal Revenue Code of 1986
(as added by the United States-Taiwan Expedited
Double-Tax Relief Act), only after entry into force
of an Agreement, as provided for in section 315, and
only in a manner consistent with such Agreement;
and

(2) continue to provide for bilateral tax relief
with sovereign states to address double taxation and
other related matters through entering into bilateral income tax conventions, subject to the Senate’s advice and consent to ratification pursuant to article II of the Constitution.

**TITLE IV—ASSISTANCE FOR DISASTER-IMPACTED COMMUNITIES**

**SEC. 401. SHORT TITLE.**

This title may be cited as the “Federal Disaster Tax Relief Act of 2024”.

**SEC. 402. EXTENSION OF RULES FOR TREATMENT OF CERTAIN DISASTER-RELATED PERSONAL CASUALTY LOSSES.**

For purposes of applying section 304(b) of the Taxpayer Certainty and Disaster Tax Relief Act of 2020, section 301 of such Act shall be applied by substituting “the Federal Disaster Tax Relief Act of 2024” for “this Act” each place it appears.

**SEC. 403. EXCLUSION FROM GROSS INCOME FOR COMPENSATION FOR LOSSES OR DAMAGES RESULTING FROM CERTAIN WILDFIRES.**

(a) In General.—For purposes of the Internal Revenue Code of 1986, gross income shall not include any amount received by an individual as a qualified wildfire relief payment.
(b) Qualified Wildfire Relief Payment.—For purposes of this section—

(1) In general.—The term “qualified wildfire relief payment” means any amount received by or on behalf of an individual as compensation for losses, expenses, or damages (including compensation for additional living expenses, lost wages (other than compensation for lost wages paid by the employer which would have otherwise paid such wages), personal injury, death, or emotional distress) incurred as a result of a qualified wildfire disaster, but only to the extent the losses, expenses, or damages compensated by such payment are not compensated for by insurance or otherwise.

(2) Qualified Wildfire Disaster.—The term “qualified wildfire disaster” means any federally declared disaster (as defined in section 165(i)(5)(A) of the Internal Revenue Code of 1986) declared, after December 31, 2014, as a result of any forest or range fire.

(c) Denial of Double Benefit.—Notwithstanding any other provision of the Internal Revenue Code of 1986—

(1) no deduction or credit shall be allowed (to the person for whose benefit a qualified wildfire re-
relief payment is made) for, or by reason of, any expenditure to the extent of the amount excluded under this section with respect to such expenditure, and

(2) no increase in the basis or adjusted basis of any property shall result from any amount excluded under this subsection with respect to such property.

(d) LIMITATION ON APPLICATION.—This section shall only apply to qualified wildfire relief payments received by the individual during taxable years beginning after December 31, 2019, and before January 1, 2026.

SEC. 404. EAST PALESTINE DISASTER RELIEF PAYMENTS.

(a) DISASTER RELIEF PAYMENTS TO VICTIMS OF EAST PALESTINE TRAIN DERAILMENT.—East Palestine train derailment payments shall be treated as qualified disaster relief payments for purposes of section 139(b) of the Internal Revenue Code of 1986.

(b) EAST PALESTINE TRAIN DERAILMENT PAYMENTS.—For purposes of this section, the term “East Palestine train derailment payment” means any amount received by or on behalf of an individual as compensation for loss, damages, expenses, loss in real property value, closing costs with respect to real property (including realtor commissions), or inconvenience (including access to
real property) resulting from the East Palestine train derailment if such amount was provided by—

(1) a Federal, State, or local government agency,

(2) Norfolk Southern Railway, or

(3) any subsidiary, insurer, or agent of Norfolk Southern Railway or any related person.

(c) TRAIN DERAILMENT.—For purposes of this section, the term “East Palestine train derailment” means the derailment of a train in East Palestine, Ohio, on February 3, 2023.

(d) EFFECTIVE DATE.—This section shall apply to amounts received on or after February 3, 2023.

**TITLE V—MORE AFFORDABLE HOUSING**

**SEC. 501. STATE HOUSING CREDIT CEILING INCREASE FOR LOW-INCOME HOUSING CREDIT.**

(a) IN GENERAL.—Section 42(h)(3)(I) is amended—

(1) by striking “and 2021,” and inserting “2021, 2023, 2024, and 2025,”, and

(2) by striking “2018, 2019, 2020, AND 2021” in the heading and inserting “CERTAIN CALENDAR YEARS”.

(b) EFFECTIVE DATE.—The amendments made by this section shall apply to calendar years after 2022.
SEC. 502. TAX-EXEMPT BOND FINANCING REQUIREMENT.

(a) In General.—Section 42(h)(4) is amended by striking subparagraph (B) and inserting the following:

“(B) SPECIAL RULE WHERE MINIMUM PERCENT OF BUILDINGS IS FINANCED WITH TAX-EXEMPT BONDS SUBJECT TO VOLUME CAP.—For purposes of subparagraph (A), paragraph (1) shall not apply to any portion of the credit allowable under subsection (a) with respect to a building if—

“(i) 50 percent or more of the aggregate basis of such building and the land on which the building is located is financed by 1 or more obligations described in subparagraph (A), or

“(ii)(I) 30 percent or more of the aggregate basis of such building and the land on which the building is located is financed by 1 or more qualified obligations, and

“(II) 1 or more of such qualified obligations—

“(aa) are part of an issue the issue date of which is after December 31, 2023, and

“(bb) provide the financing for not less than 5 percent of the aggreg-
gate basis of such building and the land on which the building is located.

“(C) QUALIFIED OBLIGATION.—For purposes of subparagraph (B)(ii), the term ‘qualified obligation’ means an obligation which is described in subparagraph (A) and which is part of an issue the issue date of which is before January 1, 2026.”.

(b) EFFECTIVE DATE.—

(1) IN GENERAL.—The amendment made by this section shall apply to buildings placed in service in taxable years beginning after December 31, 2023.

(2) REHABILITATION EXPENDITURES TREATED AS SEPARATE NEW BUILDING.—In the case of any building with respect to which any expenditures are treated as a separate new building under section 42(e) of the Internal Revenue Code of 1986, for purposes of paragraph (1), both the existing building and the separate new building shall be treated as having been placed in service on the date such expenditures are treated as placed in service under section 42(e)(4) of such Code.
TITLE VI—TAX ADMINISTRATION AND ELIMINATING FRAUD

SEC. 601. INCREASE IN THRESHOLD FOR REQUIRING INFORMATION REPORTING WITH RESPECT TO CERTAIN PAYEES.

(a) In General.—Sections 6041(a) is amended by striking "$600" and inserting "$1,000".

(b) Inflation Adjustment.—Section 6041 is amended by adding at the end the following new subsection:

"(h) Inflation Adjustment.—In the case of any calendar year after 2024, the dollar amount in subsection (a) shall be increased by an amount equal to—

"(1) such dollar amount, multiplied by

"(2) the cost-of-living adjustment determined under section 1(f)(3) for such calendar year, determined by substituting ‘calendar year 2023’ for ‘calendar year 2016’ in subparagraph (A)(ii) thereof.

If any increase under the preceding sentence is not a multiple of $100, such increase shall be rounded to the nearest multiple of $100."

(c) Application to Reporting on Remuneration for Services and Direct Sales.—Section 6041A is amended—
(1) in subsection (a)(2), by striking “is $600 or more” and inserting “equals or exceeds the dollar amount in effect for such calendar year under section 6041(a)”, and

(2) in subsection (b)(1)(B), by striking “is $5,000 or more” and inserting “equals or exceeds the dollar amount in effect for such calendar year under section 6041(a)”.

(d) Application to Backup Withholding.—Section 3406(b)(6) is amended—

(1) by striking “$600” in subparagraph (A) and inserting “the dollar amount in effect for such calendar year under section 6041(a)”, and

(2) by striking “ONLY WHERE AGGREGATE FOR CALENDAR YEAR IS $600 OR MORE” in the heading and inserting “ONLY IF IN EXCESS OF THRESHOLD”.

(e) Conforming Amendments.—

(1) The heading of section 6041(a) is amended by striking “OF $600 OR MORE” and inserting “EXCEEDING THRESHOLD”.

(2) Section 6041(a) is amended by striking “taxable year” and inserting “calendar year”.

(f) Effective Date.—The amendments made by this section shall apply with respect to payments made after December 31, 2023.
SEC. 602. ENFORCEMENT PROVISIONS WITH RESPECT TO
COVID-RELATED EMPLOYEE RETENTION CREDITS.

(a) INCREASE IN ASSESSABLE PENALTY ON COVID–ERTC PROMOTERS FOR AIDING AND ABETTING UNDERSTATEMENTS OF TAX LIABILITY.—

(1) IN GENERAL.—If any COVID–ERTC promoter is subject to penalty under section 6701(a) of the Internal Revenue Code of 1986 with respect to any COVID–ERTC document, notwithstanding paragraphs (1) and (2) of section 6701(b) of such Code, the amount of the penalty imposed under such section 6701(a) shall be the greater of—

(A) $200,000 ($10,000, in the case of a natural person), or

(B) 75 percent of the gross income derived (or to be derived) by such promoter with respect to the aid, assistance, or advice referred to in section 6701(a)(1) of such Code with respect to such document.

(2) NO INFERENCE.—Paragraph (1) shall not be construed to create any inference with respect to the proper application of the knowledge requirement of section 6701(a)(3) of the Internal Revenue Code of 1986.
(b) Failure to Comply With Due Diligence Requirements Treated as Knowledge for Purposes of Assessable Penalty for Aiding and Abetting Understatement of Tax Liability.—In the case of any COVID–ERTC promoter, the knowledge requirement of section 6701(a)(3) of the Internal Revenue Code of 1986 shall be treated as satisfied with respect to any COVID–ERTC document with respect to which such promoter provided aid, assistance, or advice, if such promoter fails to comply with the due diligence requirements referred to in subsection (c)(1).

(c) Assessable Penalty for Failure to Comply With Due Diligence Requirements.—

(1) In General.—Any COVID–ERTC promoter which provides aid, assistance, or advice with respect to any COVID–ERTC document and which fails to comply with due diligence requirements imposed by the Secretary with respect to determining eligibility for, or the amount of, any COVID-related employee retention tax credit, shall pay a penalty of $1,000 for each such failure.

(2) Due Diligence Requirements.—Except as otherwise provided by the Secretary, the due diligence requirements referred to in paragraph (1)
shall be similar to the due diligence requirements imposed under section 6695(g).

(3) **Restriction to documents used in connection with returns or claims for refund.**—Paragraph (1) shall not apply with respect to any COVID–ERTC document unless such document constitutes, or relates to, a return or claim for refund.

(4) **Treatment as assessable penalty, etc.**—For purposes of the Internal Revenue Code of 1986, the penalty imposed under paragraph (1) shall be treated in the same manner as a penalty imposed under section 6695(g).

(5) **Secretary.**—For purposes of this subsection, the term “Secretary” means the Secretary of the Treasury or the Secretary’s delegate.

(d) **Assessable penalties for failure to disclose information, maintain client lists, etc.**—For purposes of sections 6111, 6112, 6707 and 6708 of the Internal Revenue Code of 1986—

(1) any COVID-related employee retention tax credit (whether or not the taxpayer claims such COVID-related employee retention tax credit) shall be treated as a listed transaction (and as a reportable transaction) with respect to any COVID–ERTC
promoter if such promoter provides any aid, assistance, or advice with respect to any COVID–ERTC document relating to such COVID-related employee retention tax credit, and

(2) such COVID–ERTC promoter shall be treated as a material advisor with respect to such transaction.

e) COVID–ERTC PROMOTER.—For purposes of this section—

(1) In general.—The term “COVID–ERTC promoter” means, with respect to any COVID–ERTC document, any person which provides aid, assistance, or advice with respect to such document if—

(A) such person charges or receives a fee for such aid, assistance, or advice which is based on the amount of the refund or credit with respect to such document and, with respect to such person’s taxable year in which such person provided such assistance or the preceding taxable year, the aggregate gross receipts of such person for aid, assistance, and advice with respect to all COVID-ERTC documents exceeds 20 percent of the gross receipts of such person for such taxable year, or
(B) with respect to such person’s taxable year in which such person provided such assistance or the preceding taxable year—

(i) the aggregate gross receipts of such person for aid, assistance, and advice with respect to all COVID–ERTC documents exceeds 50 percent of the gross receipts of such person for such taxable year, or

(ii) both—

(I) such aggregate gross receipts exceed 20 percent of the gross receipts of such person for such taxable year, and

(II) the aggregate gross receipts of such person for aid, assistance, and advice with respect to all COVID–ERTC documents (determined after application of paragraph (3)) exceeds $500,000.

(2) EXCEPTION FOR CERTIFIED PROFESSIONAL EMPLOYER ORGANIZATIONS.—The term “COVID–ERTC promoter” shall not include a certified professional employer organization (as defined in section 7705).
(3) AGGREGATION RULE.—For purposes of paragraph (1)(B)(ii)(II), all persons treated as a single employer under subsection (a) or (b) of section 52 of the Internal Revenue Code of 1986, or subsection (m) or (o) of section 414 of such Code, shall be treated as 1 person.

(4) SHORT TAXABLE YEARS.—In the case of any taxable year of less than 12 months, paragraph (1) shall be applied with respect to the calendar year in which such taxable year begins (in addition to applying to such taxable year).

(f) COVID–ERTC DOCUMENT.—For purposes of this section, the term “COVID–ERTC document” means any return, affidavit, claim, or other document related to any COVID-related employee retention tax credit, including any document related to eligibility for, or the calculation or determination of any amount directly related to any COVID-related employee retention tax credit.

(g) COVID-RELATED EMPLOYEE RETENTION TAX CREDIT.—For purposes of this section, the term “COVID-related employee retention tax credit” means—

(1) any credit, or advance payment, under section 3134 of the Internal Revenue Code of 1986, and
(2) any credit, or advance payment, under section 2301 of the CARES Act.

(h) LIMITATION ON CREDIT AND REFUND OF COVID-RELATED EMPLOYEE RETENTION TAX CREDITS.—Notwithstanding section 6511 of the Internal Revenue Code of 1986 or any other provision of law, no credit or refund of any COVID-related employee retention tax credit shall be allowed or made after January 31, 2024, unless a claim for such credit or refund is filed by the taxpayer on or before such date.

(i) AMENDMENTS TO EXTEND LIMITATION ON ASSESSMENT.—

(1) IN GENERAL.—Section 3134(l) of the Internal Revenue Code of 1986 is amended to read as follows:

“(l) EXTENSION OF LIMITATION ON ASSESSMENT.—

“(1) IN GENERAL.—Notwithstanding section 6501, the limitation on the time period for the assessment of any amount attributable to a credit claimed under this section shall not expire before the date that is 6 years after the latest of—

“(A) the date on which the original return which includes the calendar quarter with respect to which such credit is determined is filed,
“(B) the date on which such return is treated as filed under section 6501(b)(2), or

“(C) the date on which the claim for credit or refund with respect to such credit is made.

“(2) DEDUCTION FOR WAGES TAKEN INTO ACCOUNT IN DETERMINING IMPROPERLY CLAIMED CREDIT.—

“(A) IN GENERAL.—Notwithstanding section 6511, in the case of an assessment attributable to a credit claimed under this section, the limitation on the time period for credit or refund of any amount attributable to a deduction for improperly claimed ERTC wages shall not expire before the time period for such assessment expires under paragraph (1).

“(B) IMPROPERLY CLAIMED ERTC WAGES.—For purposes of this paragraph, the term ‘improperly claimed ERTC wages’ means, with respect to an assessment attributable to a credit claimed under this section, the wages with respect to which a deduction would not have been allowed if the portion of the credit to which such assessment relates had been properly claimed.”.
(2) **APPLICATION TO CARES ACT CREDIT.**—Section 2301 of the CARES Act is amended by adding at the end the following new subsection:

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“(o) EXTENSION OF LIMITATION ON ASSESSMENT.—

“(1) IN GENERAL.—Notwithstanding section 6501 of the Internal Revenue Code of 1986, the limitation on the time period for the assessment of any amount attributable to a credit claimed under this section shall not expire before the date that is 6 years after the latest of—

“(A) the date on which the original return which includes the calendar quarter with respect to which such credit is determined is filed,

“(B) the date on which such return is treated as filed under section 6501(b)(2) of such Code, or

“(C) the date on which the claim for credit or refund with respect to such credit is made.

“(2) DEDUCTION FOR WAGES TAKEN INTO ACCOUNT IN DETERMINING IMPROPERLY CLAIMED CREDIT.—

“(A) IN GENERAL.—Notwithstanding section 6511 of such Code, in the case of an assessment attributable to a credit claimed under this section, the limitation on the time period
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for credit or refund of any amount attributable
to a deduction for improperly claimed ERTC
wages shall not expire before the time period
for such assessment expires under paragraph
(1).

“(B) Improperly claimed ERTC
wages.—For purposes of this paragraph, the
term ‘improperly claimed ERTC wages’ means,
with respect to an assessment attributable to a
credit claimed under this section, the wages
with respect to which a deduction would not
have been allowed if the portion of the credit to
which such assessment relates had been prop-
erly claimed.”.

(j) Effective Dates.—

(1) In general.—Except as otherwise pro-
vided in this subsection, the provisions of this sec-
tion shall apply to aid, assistance, and advice pro-
vided after March 12, 2020.

(2) Due diligence requirements.—Sub-
sections (b) and (c) shall apply to aid, assistance,
and advice provided after the date of the enactment
of this Act.

(3) Limitation on credit and refund of
COVID-related employee retention tax cred-
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(4) Amendments to extend limitation on assessment.—The amendments made by subsection (i) shall apply to assessments made after the date of the enactment of this Act.

(k) Transition rule with respect to requirements to disclose information, maintain client lists, etc.—Any return under section 6111 of the Internal Revenue Code of 1986, or list under section 6112 of such Code, required by reason of subsection (d) of this section to be filed or maintained, respectively, with respect to any aid, assistance, or advice provided by a COVID-ERTC promoter with respect to a COVID-ERTC document before the date of the enactment of this Act, shall not be required to be so filed or maintained (with respect to such aid, assistance or advice) before the date which is 90 days after such date.

(l) Provisions not to be construed to create negative inferences.—

(1) No inference with respect to application of knowledge requirement to pre-enactment conduct of COVID-ERTC promoters, etc.—Subsection (b) shall not be construed to create any inference with respect to the proper applica-
tion of section 6701(a)(3) of the Internal Revenue Code of 1986 with respect to any aid, assistance, or advice provided by any COVID-ERTC promoter on or before the date of the enactment of this Act (or with respect to any other aid, assistance, or advice to which such subsection does not apply).

(2) **Requirements to Disclose Information, Maintain Client Lists, Etc.**—Subsections (d) and (k) shall not be construed to create any inference with respect to whether any COVID-related employee retention tax credit is (without regard to subsection (d)) a listed transaction (or reportable transaction) with respect to any COVID–ERTC promoter; and, for purposes of subsection (j), a return or list shall not be treated as required (with respect to such aid, assistance, or advice) by reason of subsection (d) if such return or list would be so required without regard to subsection (d).

(m) **Regulations.**—The Secretary (as defined in subsection (c)(5)) shall issue such regulations or other guidance as may be necessary or appropriate to carry out
the purposes of this section (and the amendments made
by this section).

Passed the House of Representatives January 31, 2024.

Attest:

Clerk.
H.R. 7024

AN ACT

To make improvements to the child tax credit, and for other purposes.