

119TH CONGRESS  
1ST SESSION

# S. 199

To amend the Internal Revenue Code of 1986 to provide special rules for the taxation of certain residents of Taiwan with income from sources within the United States.

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IN THE SENATE OF THE UNITED STATES

JANUARY 23, 2025

Mr. CRAPO (for himself, Mr. RISCH, Mr. WYDEN, and Mrs. SHAHEEN) introduced the following bill; which was read twice and referred to the Committee on Finance

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## A BILL

To amend the Internal Revenue Code of 1986 to provide special rules for the taxation of certain residents of Taiwan with income from sources within the United States.

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

3 **TITLE I—UNITED STATES-TAI-**  
4 **WAN EXPEDITED DOUBLE-**  
5 **TAX RELIEF ACT**

6 **SEC. 101. SHORT TITLE.**

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

1 **SEC. 102. SPECIAL RULES FOR TAXATION OF CERTAIN**  
 2 **RESIDENTS OF TAIWAN.**

3 (a) IN GENERAL.—Subpart D of part II of sub-  
 4 chapter N of chapter 1 of the Internal Revenue Code of  
 5 1986 is amended by inserting after section 894 the fol-  
 6 lowing new section:

7 **“SEC. 894A. SPECIAL RULES FOR QUALIFIED RESIDENTS OF**  
 8 **TAIWAN.**

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

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

13 “(A) IN GENERAL.—In the case of interest  
 14 (other than original issue discount), dividends,  
 15 royalties, amounts described in section  
 16 871(a)(1)(C), and gains described in section  
 17 871(a)(1)(D) received by or paid to a qualified  
 18 resident of Taiwan—

19 “(i) sections 871(a), 881(a), 1441(a),  
 20 1441(c)(5), and 1442(a) shall each be ap-  
 21 plied by substituting ‘the applicable per-  
 22 centage (as defined in section  
 23 894A(a)(1)(C))’ for ‘30 percent’ each place  
 24 it appears, and

25 “(ii) sections 871(a), 881(a), and  
 26 1441(c)(1) shall each be applied by sub-

1           stituting ‘a United States permanent es-  
2           tablishment of a qualified resident of Tai-  
3           wan’ for ‘a trade or business within the  
4           United States’ each place it appears.

5           “(B) EXCEPTIONS.—

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

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

12                          “(II) any amount subject to sec-  
13                          tion 897,

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

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

24                          “(ii) QUALIFIED REIT DIVIDEND.—

25           For purposes of clause (i)(I), the term

1 ‘qualified REIT dividend’ means any divi-  
2 dend received from or paid by a real estate  
3 investment trust if such dividend is paid  
4 with respect to a class of shares that is  
5 publicly traded and the recipient of the  
6 dividend is a person who holds an interest  
7 in any class of shares of the real estate in-  
8 vestment trust of not more than 5 percent.

9 “(C) APPLICABLE PERCENTAGE.—For  
10 purposes of applying subparagraph (A)(i)—

11 “(i) IN GENERAL.—Except as pro-  
12 vided in clause (ii), the term ‘applicable  
13 percentage’ means 10 percent.

14 “(ii) SPECIAL RULES FOR DIVI-  
15 DENDS.—In the case of any dividend in re-  
16 spect of stock received by or paid to a  
17 qualified resident of Taiwan, the applicable  
18 percentage shall be 15 percent (10 percent  
19 in the case of a dividend which meets the  
20 requirements of subparagraph (D) and is  
21 received by or paid to an entity taxed as  
22 a corporation in Taiwan).

23 “(D) REQUIREMENTS FOR LOWER DIVI-  
24 DEND RATE.—

1           “(i) IN GENERAL.—The requirements  
2 of this subparagraph are met with respect  
3 to any dividend in respect of stock in a  
4 corporation if, at all times during the 12-  
5 month period ending on the date such  
6 stock becomes ex-dividend with respect to  
7 such dividend—

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

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

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

24           “(ii) EXCEPTION FOR RICS AND  
25 REITS.—Notwithstanding clause (i), the re-

1            requirements of this subparagraph shall not  
2            be treated as met with respect to any divi-  
3            dend paid by a regulated investment com-  
4            pany or a real estate investment trust.

5            “(2) QUALIFIED WAGES.—

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

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

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

17          “(B) QUALIFIED WAGES.—

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

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

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

5                   “(ii) EXCEPTIONS.—Such term shall  
6                   not include directors’ fees, income derived  
7                   as an entertainer or athlete, income de-  
8                   rived as a student or trainee, pensions,  
9                   amounts paid with respect to employment  
10                  with the United States, any State (or polit-  
11                  ical subdivision thereof), or any possession  
12                  of the United States (or any political sub-  
13                  division thereof), or other amounts speci-  
14                  fied in regulations or guidance under sub-  
15                  section (f)(1)(F).

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

18                  “(A) IN GENERAL.—No tax shall be im-  
19                  posed under this chapter (and no amount shall  
20                  be withheld under section 1441(a) or chapter  
21                  24) with respect to income derived by an enter-  
22                  tainer or athlete who is a qualified resident of  
23                  Taiwan from personal activities as such per-  
24                  formed in the United States if the aggregate

1 amount of gross receipts from such activities  
 2 for the taxable year do not exceed \$30,000.

3 “(B) EXCEPTION.—Subparagraph (A)  
 4 shall not apply with respect to—

5 “(i) income which is qualified wages  
 6 (as defined in paragraph (2)(B), deter-  
 7 mined without regard to clause (ii) there-  
 8 of), or

9 “(ii) income which is effectively con-  
 10 nected with a United States permanent es-  
 11 tablishment.

12 “(b) INCOME CONNECTED WITH A UNITED STATES  
 13 PERMANENT ESTABLISHMENT OF A QUALIFIED RESI-  
 14 DENT OF TAIWAN.—

15 “(1) IN GENERAL.—

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

24 “(B) DETERMINATION OF TAXABLE IN-  
 25 COME.—In determining taxable income for pur-

1           poses of paragraph (1), gross income includes  
2           only gross income which is effectively connected  
3           with the permanent establishment.

4           “(2) TREATMENT OF DISPOSITIONS OF UNITED  
5           STATES REAL PROPERTY.—In the case of a qualified  
6           resident of Taiwan, section 897(a) shall be applied—

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

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

15           “(3) TREATMENT OF BRANCH PROFITS  
16           TAXES.—In the case of any corporation which is a  
17           qualified resident of Taiwan, section 884 shall be ap-  
18           plied—

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

21                   “(B) by substituting ‘a United States per-  
22                   manent establishment of a qualified resident of  
23                   Taiwan’ for ‘the conduct of a trade or business  
24                   within the United States’ in subsection (d)(1)  
25                   thereof.

1           “(4) SPECIAL RULE WITH RESPECT TO INCOME  
2           DERIVED FROM CERTAIN ENTERTAINMENT OR ATH-  
3           LETIC ACTIVITIES.—

4                   “(A) IN GENERAL.—Paragraph (1) shall  
5           not apply to the extent that the income is de-  
6           rived—

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

10                           “(ii) by a qualified resident of Taiwan  
11                           who is not the entertainer or athlete per-  
12                           forming such activities.

13                   “(B) EXCEPTION.—Subparagraph (A)  
14           shall not apply if the person described in sub-  
15           paragraph (A)(ii) is contractually authorized to  
16           designate the individual who is to perform such  
17           activities.

18           “(5) SPECIAL RULE WITH RESPECT TO CER-  
19           TAIN AMOUNTS.—Paragraph (1) shall not apply to  
20           any income which is wages, salaries, or similar re-  
21           muneration with respect to employment or with re-  
22           spect to any amount which is described in subsection  
23           (a)(2)(B)(ii).

24           “(c) QUALIFIED RESIDENT OF TAIWAN.—For pur-  
25           poses of this section—

1           “(1) IN GENERAL.—The term ‘qualified resi-  
2           dent of Taiwan’ means any person who—

3                   “(A) is liable to tax under the laws of Tai-  
4                   wan by reason of such person’s domicile, resi-  
5                   dence, place of management, place of incorpora-  
6                   tion, or any similar criterion,

7                   “(B) is not a United States person (deter-  
8                   mined without regard to paragraph (3)(E)),  
9                   and

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

13           “(2) LIMITATION ON BENEFITS FOR COR-  
14           PORATE ENTITIES OF TAIWAN.—

15                   “(A) IN GENERAL.—Subject to subpara-  
16                   graphs (E) and (F), an entity meets the re-  
17                   quirements of this paragraph only if it—

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

20                           “(ii) meets the publicly traded re-  
21                           quirements of subparagraph (C), or

22                           “(iii) meets the qualified subsidiary  
23                           requirements of subparagraph (D).

1           “(B) OWNERSHIP AND INCOME REQUIRE-  
2           MENTS.—The requirements of this subpara-  
3           graph are met for an entity if—

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

9                   “(ii) less than 50 percent of such enti-  
10                  ty’s gross income (and in the case of an  
11                  entity that is a member of a tested group,  
12                  less than 50 percent of the tested group’s  
13                  gross income) is paid or accrued, directly  
14                  or indirectly, in the form of payments that  
15                  are deductible for purposes of the income  
16                  taxes imposed by Taiwan, to persons who  
17                  are not—

18                   “(I) qualified residents of Tai-  
19                   wan, or

20                   “(II) United States persons who  
21                   meet such requirements with respect  
22                   to the United States as determined by  
23                   the Secretary to be equivalent to the  
24                   requirements of this subsection (deter-  
25                   mined without regard to paragraph

1 (1)(B)) with respect to residents of  
2 Taiwan.

3 “(C) PUBLICLY TRADED REQUIRE-  
4 MENTS.—An entity meets the requirements of  
5 this subparagraph if—

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

11 “(ii) the primary place of manage-  
12 ment and control of the entity is in Taiwan  
13 and all classes of its outstanding shares  
14 described in clause (i) are regularly traded  
15 on an established securities market in Tai-  
16 wan.

17 “(D) QUALIFIED SUBSIDIARY REQUIRE-  
18 MENTS.—An entity meets the requirement of  
19 this subparagraph if—

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

24 “(I) which meet the requirements  
25 of subparagraph (C), or

1                   “(II) which are United States  
 2                   persons the principal class of the  
 3                   shares (and any disproportionate class  
 4                   of shares) of which are primarily and  
 5                   regularly traded on an established se-  
 6                   curities market in the United States,  
 7                   and

8                   “(ii) the entity meets the require-  
 9                   ments of clause (ii) of subparagraph (B).

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

13                   “(i) IN GENERAL.—Stock in an entity  
 14                   owned by a person indirectly through 1 or  
 15                   more other persons shall not be treated as  
 16                   owned by such person in determining  
 17                   whether the person meets the requirements  
 18                   of subparagraph (B)(i) or (D)(i) unless all  
 19                   such other persons are qualifying inter-  
 20                   mediate owners.

21                   “(ii) QUALIFYING INTERMEDIATE  
 22                   OWNERS.—The term ‘qualifying inter-  
 23                   mediate owner’ means a person that is—

24                   “(I) a qualified resident of Tai-  
 25                   wan, or

1                   “(II) a resident of any other for-  
2                   eign country (other than a foreign  
3                   country that is a foreign country of  
4                   concern) that has in effect a com-  
5                   prehensive convention with the United  
6                   States for the avoidance of double tax-  
7                   ation.

8                   “(iii) SPECIAL RULE FOR QUALIFIED  
9                   SUBSIDIARIES.—For purposes of applying  
10                  subparagraph (D)(i), the term ‘qualifying  
11                  intermediate owner’ shall include any per-  
12                  son who is a United States person who  
13                  meets such requirements with respect to  
14                  the United States as determined by the  
15                  Secretary to be equivalent to the require-  
16                  ments of this subsection (determined with-  
17                  out regard to paragraph (1)(B)) with re-  
18                  spect to residents of Taiwan.

19                  “(F) CERTAIN PAYMENTS NOT IN-  
20                  CLUDED.—In determining whether the require-  
21                  ments of subparagraph (B)(ii) or (D)(ii) are  
22                  met with respect to an entity, the following pay-  
23                  ments shall not be taken into account:

1           “(i) Arm’s-length payments by the en-  
2           tity in the ordinary course of business for  
3           services or tangible property.

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

6           “(3) DUAL RESIDENTS.—

7           “(A) RULES FOR DETERMINATION OF STA-  
8           TUS.—

9           “(i) IN GENERAL.—An individual who  
10           is an applicable dual resident and who is  
11           described in subparagraph (B), (C), or (D)  
12           shall be treated as a qualified resident of  
13           Taiwan.

14           “(ii) APPLICABLE DUAL RESIDENT.—  
15           For purposes of this paragraph, the term  
16           ‘applicable dual resident’ means an indi-  
17           vidual who—

18                   “(I) is not a United States citi-  
19                   izen,

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

23                   “(III) would be a qualified resi-  
24                   dent of Taiwan but for paragraph  
25                   (1)(B).

1           “(B) PERMANENT HOME.—An individual  
2 is described in this subparagraph if such indi-  
3 vidual—

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

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

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

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

14           “(ii) such individual’s personal and  
15 economic relations (center of vital inter-  
16 ests) are closer to Taiwan than to the  
17 United States.

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

20           “(i) such individual—

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

24           “(II) has a permanent home  
25 available to such individual in both

1           Taiwan and the United States but  
2           such individual's center of vital inter-  
3           ests under subparagraph (C)(ii) can-  
4           not be determined, and

5           “(ii) such individual has a habitual  
6           abode in Taiwan and not the United  
7           States.

8           “(E) UNITED STATES TAX TREATMENT OF  
9           QUALIFIED RESIDENT OF TAIWAN.—Notwith-  
10          standing section 7701, an individual who is  
11          treated as a qualified resident of Taiwan by  
12          reason of this paragraph for all or any portion  
13          of a taxable year shall not be treated as a resi-  
14          dent of the United States for purposes of com-  
15          puting such individual's United States income  
16          tax liability for such taxable year or portion  
17          thereof.

18          “(4) RULES OF SPECIAL APPLICATION.—

19                 “(A) DIVIDENDS.—For purposes of apply-  
20                 ing this section to any dividend, paragraph  
21                 (2)(D) shall be applied without regard to clause  
22                 (ii) thereof.

23                 “(B) ITEMS OF INCOME EMANATING FROM  
24                 AN ACTIVE TRADE OR BUSINESS IN TAIWAN.—  
25                 For purposes of this section—

1           “(i) IN GENERAL.—Notwithstanding  
2           the preceding paragraphs of this sub-  
3           section, if an entity taxed as a corporation  
4           in Taiwan is not a qualified resident of  
5           Taiwan but meets the requirements of sub-  
6           paragraphs (A) and (B) of paragraph (1),  
7           any qualified item of income such entity  
8           derived from the United States shall be  
9           treated as income of a qualified resident of  
10          Taiwan.

11          “(ii) QUALIFIED ITEMS OF INCOME.—

12                 “(I) IN GENERAL.—The term  
13                 ‘qualified item of income’ means any  
14                 item of income which emanates from,  
15                 or is incidental to, the conduct of an  
16                 active trade or business in Taiwan  
17                 (other than operating as a holding  
18                 company, providing overall supervision  
19                 or administration of a group of com-  
20                 panies, providing group financing, or  
21                 making or managing investments (un-  
22                 less such making or managing invest-  
23                 ments is carried on by a bank, insur-  
24                 ance company, or registered securities

1 dealer in the ordinary course of its  
2 business as such)).

3 “(II) SUBSTANTIAL ACTIVITY RE-  
4 QUIREMENT.—An item of income  
5 which is derived from a trade or busi-  
6 ness conducted in the United States  
7 or from a connected person shall be a  
8 qualified item of income only if the  
9 trade or business activity conducted in  
10 Taiwan to which the item is related is  
11 substantial in relation to the same or  
12 a complementary trade or business ac-  
13 tivity carried on in the United States.  
14 For purposes of applying this sub-  
15 clause, activities conducted by persons  
16 that are connected to the entity de-  
17 scribed in clause (i) shall be deemed  
18 to be conducted by such entity.

19 “(iii) EXCEPTION.—This subpara-  
20 graph shall not apply to any item of in-  
21 come derived by an entity if at least 50  
22 percent (by vote or value) of such entity is  
23 owned (directly or indirectly) or controlled  
24 by residents of a foreign country of con-  
25 cern.

1 “(d) OTHER DEFINITIONS AND SPECIAL RULES.—

2 For purposes of this section—

3 “(1) UNITED STATES PERMANENT ESTABLISH-  
4 MENT.—

5 “(A) IN GENERAL.—The term ‘United  
6 States permanent establishment’ means, with  
7 respect to a qualified resident of Taiwan, a per-  
8 manent establishment of such resident which is  
9 within the United States.

10 “(B) SPECIAL RULE.—The determination  
11 of whether there is a permanent establishment  
12 of a qualified resident of Taiwan within the  
13 United States shall be made without regard to  
14 whether an entity which is taxed as a corpora-  
15 tion in Taiwan and which is a qualified resident  
16 of Taiwan controls or is controlled by—

17 “(i) a domestic corporation, or

18 “(ii) any other person that carries on  
19 business in the United States (whether  
20 through a permanent establishment or oth-  
21 erwise).

22 “(2) PERMANENT ESTABLISHMENT.—

23 “(A) IN GENERAL.—The term ‘permanent  
24 establishment’ means a fixed place of business

1 through which a trade or business is wholly or  
 2 partly carried on. Such term shall include—

3 “(i) a place of management,

4 “(ii) a branch,

5 “(iii) an office,

6 “(iv) a factory,

7 “(v) a workshop, and

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

11 “(B) SPECIAL RULES FOR CERTAIN TEM-  
 12 PORARY PROJECTS.—

13 “(i) IN GENERAL.—A building site or  
 14 construction or installation project, or an  
 15 installation or drilling rig or ship used for  
 16 the exploration or exploitation of the sea  
 17 bed and its subsoil and their natural re-  
 18 sources, constitutes a permanent establish-  
 19 ment only if it lasts, or the activities of the  
 20 rig or ship lasts, for more than 12 months.

21 “(ii) DETERMINATION OF 12-MONTH  
 22 PERIOD.—For purposes of clause (i), the  
 23 period over which a building site or con-  
 24 struction or installation project of a person  
 25 lasts shall include any period of more than

1           30 days during which such person does not  
2           carry on activities at such building site or  
3           construction or installation project but  
4           connected activities are carried on at such  
5           building site or construction or installation  
6           project by one or more connected persons.

7           “(C) HABITUAL EXERCISE OF CONTRACT  
8           AUTHORITY TREATED AS PERMANENT ESTAB-  
9           LISHMENT.—Notwithstanding subparagraphs  
10          (A) and (B), where a person (other than an  
11          agent of an independent status to whom sub-  
12          paragraph (D)(ii) applies) is acting on behalf of  
13          a trade or business of a qualified resident of  
14          Taiwan and has and habitually exercises an au-  
15          thority to conclude contracts that are binding  
16          on the trade or business, that trade or business  
17          shall be deemed to have a permanent establish-  
18          ment in the country in which such authority is  
19          exercised in respect of any activities that the  
20          person undertakes for the trade or business, un-  
21          less the activities of such person are limited to  
22          those described in subparagraph (D)(i) that, if  
23          exercised through a fixed place of business,  
24          would not make this fixed place of business a

1 permanent establishment under the provisions  
2 of that subparagraph.

3 “(D) EXCLUSIONS.—

4 “(i) IN GENERAL.—Notwithstanding  
5 subparagraphs (A) and (B), the term ‘per-  
6 manent establishment’ shall not include—

7 “(I) the use of facilities solely for  
8 the purpose of storage, display, or de-  
9 livery of goods or merchandise belong-  
10 ing to the trade or business,

11 “(II) the maintenance of a stock  
12 of goods or merchandise belonging to  
13 the trade or business solely for the  
14 purpose of storage, display, or deliv-  
15 ery,

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

21 “(IV) the maintenance of a fixed  
22 place of business solely for the pur-  
23 pose of purchasing goods or merchan-  
24 dise, or of collecting information, for  
25 the trade or business,

1                   “(V) the maintenance of a fixed  
2                   place of business solely for the pur-  
3                   pose of carrying on, for the trade or  
4                   business, any other activity of a pre-  
5                   paratory or auxiliary character, or

6                   “(VI) the maintenance of a fixed  
7                   place of business solely for any com-  
8                   bination of the activities mentioned in  
9                   subclauses (I) through (V), provided  
10                  that the overall activity of the fixed  
11                  place of business resulting from this  
12                  combination is of a preparatory or  
13                  auxiliary character.

14                  “(ii) **BROKERS AND OTHER INDE-**  
15                  **PENDENT AGENTS.**—A trade or business  
16                  shall not be considered to have a perma-  
17                  nent establishment in a country merely be-  
18                  cause it carries on business in such coun-  
19                  try through a broker, general commission  
20                  agent, or any other agent of an inde-  
21                  pendent status, provided that such persons  
22                  are acting in the ordinary course of their  
23                  business as independent agents.

24                  “(3) **TESTED GROUP.**—The term ‘tested group’  
25                  includes, with respect to any entity taxed as a cor-

1       poration in Taiwan, such entity and any other entity  
2       taxed as a corporation in Taiwan that—

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

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

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

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

1 given such term under paragraph (7) of section  
2 9901 of the William M. (Mac) Thornberry National  
3 Defense Authorization Act for Fiscal Year 2021 (15  
4 U.S.C. 4651(7)), as added by section 103(a)(4) of  
5 the CHIPS Act of 2022).

6 “(6) PARTNERSHIPS; BENEFICIARIES OF ES-  
7 TATES AND TRUSTS.—For purposes of this section—

8 “(A) a qualified resident of Taiwan which  
9 is a partner of a partnership which carries on  
10 a trade or business within the United States  
11 through a United States permanent establish-  
12 ment shall be treated as carrying on such trade  
13 or business through such permanent establish-  
14 ment, and

15 “(B) a qualified resident of Taiwan which  
16 is a beneficiary of an estate or trust which car-  
17 ries on a trade or business within the United  
18 States through a United States permanent es-  
19 tablishment shall be treated as carrying on such  
20 trade or business through such permanent es-  
21 tablishment.

22 “(7) DENIAL OF BENEFITS FOR CERTAIN PAY-  
23 MENTS THROUGH HYBRID ENTITIES.—For purposes  
24 of this section, rules similar to the rules of section  
25 894(c) shall apply.

1 “(e) APPLICATION.—

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

8 “(2) PROVISION OF RECIPROCITY.—The Presi-  
9 dent or his designee is authorized to exchange let-  
10 ters, enter into an agreement, or take other nec-  
11 essary and appropriate steps relative to Taiwan for  
12 the reciprocal provision of the benefits described in  
13 this section.

14 “(f) REGULATIONS OR OTHER GUIDANCE.—

15 “(1) IN GENERAL.—The Secretary shall issue  
16 such regulations or other guidance as may be nec-  
17 essary or appropriate to carry out the provisions of  
18 this section, including such regulations or guidance  
19 for—

20 “(A) determining—

21 “(i) what constitutes a United States  
22 permanent establishment of a qualified  
23 resident of Taiwan, and

1           “(ii) income that is effectively con-  
2           nected with such a permanent establish-  
3           ment,

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

8           “(C) requirements for record keeping and  
9           reporting,

10          “(D) rules to assist withholding agents or  
11          employers in determining whether a foreign per-  
12          son is a qualified resident of Taiwan for pur-  
13          poses of determining whether withholding or re-  
14          porting is required for a payment (and, if with-  
15          holding is required, whether it should be applied  
16          at a reduced rate),

17          “(E) the application of subsection  
18          (a)(1)(D)(i) to stock held by predecessor own-  
19          ers,

20          “(F) determining what amounts are to be  
21          treated as qualified wages for purposes of sub-  
22          section (a)(2),

23          “(G) determining the amounts to which  
24          subsection (a)(3) applies,

1           “(H) defining established securities market  
2 for purposes of subsection (c),

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

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

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

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

15           “(2) REGULATIONS TO BE CONSISTENT WITH  
16 MODEL TREATY.—Any regulations or other guidance  
17 issued under this section shall, to the extent prac-  
18 tical, be consistent with the provisions of the United  
19 States model income tax convention dated February  
20 7, 2016.”.

21           (b) CONFORMING AMENDMENT TO WITHHOLDING  
22 TAX.—Subchapter A of chapter 3 of the Internal Revenue  
23 Code of 1986 is amended by adding at the end the fol-  
24 lowing new section:

1 **“SEC. 1447. WITHHOLDING FOR QUALIFIED RESIDENTS OF**  
 2 **TAIWAN.**

3 “For reduced rates of withholding for certain resi-  
 4 dents of Taiwan, see section 894A.”.

5 (c) CLERICAL AMENDMENTS.—

6 (1) The table of sections for subpart D of part  
 7 II of subchapter N of chapter 1 of the Internal Rev-  
 8 enue Code of 1986 is amended by inserting after the  
 9 item relating to section 894 the following new item:  
 “Sec. 894A. Special rules for qualified residents of Taiwan.”.

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

“Sec. 1447. Withholding for qualified residents of Taiwan.”.

13 **TITLE II—UNITED STATES-TAI-**  
 14 **WAN TAX AGREEMENT AU-**  
 15 **THORIZATION ACT**

16 **SEC. 201. SHORT TITLE.**

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

19 **SEC. 202. DEFINITIONS.**

20 In this title:

21 (1) AGREEMENT.—The term “Agreement”  
 22 means the tax agreement authorized by section  
 23 203(a).

1           (2) APPROPRIATE CONGRESSIONAL COMMIT-  
2           TEES.—The term “appropriate congressional com-  
3           mittees” means—

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

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

9           (3) APPROVAL LEGISLATION.—The term “ap-  
10           proval legislation” means legislation that approves  
11           the Agreement.

12           (4) IMPLEMENTING LEGISLATION.—The term  
13           “implementing legislation” means legislation that  
14           makes any changes to the Internal Revenue Code of  
15           1986 necessary to implement the Agreement.

16 **SEC. 203. AUTHORIZATION TO NEGOTIATE AND ENTER**  
17 **INTO AGREEMENT.**

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

23           (b) ELEMENTS OF AGREEMENT.—

24                   (1) CONFORMITY WITH BILATERAL INCOME TAX  
25                   CONVENTIONS.—The President shall ensure that—

1 (A) any provisions included in the Agree-  
2 ment conform with provisions customarily con-  
3 tained in United States bilateral income tax  
4 conventions, as exemplified by the 2016 United  
5 States Model Income Tax Convention; and

6 (B) the Agreement does not include ele-  
7 ments outside the scope of the 2016 United  
8 States Model Income Tax Convention.

9 (2) INCORPORATION OF TAX AGREEMENTS AND  
10 LAWS.—Notwithstanding paragraph (1), the Agree-  
11 ment may incorporate and restate provisions of any  
12 agreement, or existing United States law, addressing  
13 double taxation for residents of the United States  
14 and Taiwan.

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

19 (4) ENTRY INTO FORCE.—The Agreement shall  
20 include a provision conditioning entry into force  
21 upon—

22 (A) enactment of approval legislation and  
23 implementing legislation pursuant to section  
24 207; and

1 (B) confirmation by the Secretary of the  
2 Treasury that the relevant authority in Taiwan  
3 has approved and taken appropriate steps re-  
4 quired to implement the Agreement.

5 **SEC. 204. CONSULTATIONS WITH CONGRESS.**

6 (a) NOTIFICATION UPON COMMENCEMENT OF NEGO-  
7 TIATIONS.—The President shall provide written notifica-  
8 tion to the appropriate congressional committees of the  
9 commencement of negotiations between the United States  
10 and Taiwan on the Agreement at least 15 calendar days  
11 before commencing such negotiations.

12 (b) CONSULTATIONS DURING NEGOTIATIONS.—

13 (1) BRIEFINGS.—Not later than 90 days after  
14 commencement of negotiations with respect to the  
15 Agreement, and every 180 days thereafter until the  
16 President enters into the Agreement, the President  
17 shall provide a briefing to the appropriate congress-  
18 sional committees on the status of the negotiations,  
19 including a description of elements under negotia-  
20 tion.

21 (2) MEETINGS AND OTHER CONSULTATIONS.—

22 (A) IN GENERAL.—In the course of nego-  
23 tiations with respect to the Agreement, the Sec-  
24 retary of the Treasury, in coordination with the  
25 Secretary of State, shall—

1 (i) meet, upon request, with the chair-  
2 man or ranking member of any of the ap-  
3 propriate congressional committees regard-  
4 ing negotiating objectives and the status of  
5 negotiations in progress; and

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

10 (B) ELEMENTS OF CONSULTATIONS.—The  
11 consultations described in subparagraph (A)  
12 shall include consultations with respect to—

13 (i) the nature of the contemplated  
14 Agreement;

15 (ii) how and to what extent the con-  
16 templated Agreement is consistent with the  
17 elements set forth in section 203(b); and

18 (iii) the implementation of the con-  
19 templated Agreement, including—

20 (I) the general effect of the con-  
21 templated Agreement on existing laws;

22 (II) proposed changes to any ex-  
23 isting laws to implement the con-  
24 templated Agreement; and

1 (III) proposed administrative ac-  
2 tions to implement the contemplated  
3 Agreement.

4 **SEC. 205. APPROVAL AND IMPLEMENTATION OF AGREE-**  
5 **MENT.**

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

8 (1) the President, at least 60 days before the  
9 day on which the President enters into the Agree-  
10 ment, publishes the text of the contemplated Agree-  
11 ment on a publicly available website of the Depart-  
12 ment of the Treasury; and

13 (2) there is enacted into law, with respect to  
14 the Agreement, approval legislation and imple-  
15 menting legislation pursuant to section 207.

16 (b) ENTRY INTO FORCE.—The President may pro-  
17 vide for the Agreement to enter into force upon—

18 (1) enactment of approval legislation and imple-  
19 menting legislation pursuant to section 207; and

20 (2) confirmation by the Secretary of the Treas-  
21 ury that the relevant authority in Taiwan has ap-  
22 proved and taken appropriate steps required to im-  
23 plement the Agreement.

1 **SEC. 206. SUBMISSION TO CONGRESS OF AGREEMENT AND**  
2 **IMPLEMENTATION POLICY.**

3 (a) SUBMISSION OF AGREEMENT.—Not later than  
4 270 days after the President enters into the Agreement,  
5 the President or the President’s designee shall submit to  
6 Congress—

7 (1) the final text of the Agreement; and

8 (2) a technical explanation of the Agreement.

9 (b) SUBMISSION OF IMPLEMENTATION POLICY.—Not  
10 later than 270 days after the President enters into the  
11 Agreement, the Secretary of the Treasury shall submit to  
12 Congress—

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

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

19 **SEC. 207. CONSIDERATION OF APPROVAL LEGISLATION**  
20 **AND IMPLEMENTING LEGISLATION.**

21 (a) IN GENERAL.—The approval legislation with re-  
22 spect to the Agreement shall include the following: “Con-  
23 gress approves the Agreement submitted to Congress pur-  
24 suant to section 206 of the United States-Taiwan Tax  
25 Agreement Authorization Act on \_\_\_\_\_.”, with the  
26 blank space being filled with the appropriate date.

1 (b) APPROVAL LEGISLATION COMMITTEE REFER-  
2 RAL.—The approval legislation shall—

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

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

7 (c) IMPLEMENTING LEGISLATION COMMITTEE RE-  
8 FERRAL.—The implementing legislation shall—

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

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

13 **SEC. 208. RELATIONSHIP OF AGREEMENT TO INTERNAL**  
14 **REVENUE CODE OF 1986.**

15 (a) INTERNAL REVENUE CODE OF 1986 TO CON-  
16 TROL.—No provision of the Agreement or approval legisla-  
17 tion, nor the application of any such provision to any per-  
18 son or circumstance, which is inconsistent with any provi-  
19 sion of the Internal Revenue Code of 1986, shall have ef-  
20 fect.

21 (b) CONSTRUCTION.—Nothing in this title shall be  
22 construed—

23 (1) to amend or modify any law of the United  
24 States; or

1           (2) to limit any authority conferred under any  
2           law of the United States, unless specifically provided  
3           for in this title.

4 **SEC. 209. AUTHORIZATION OF SUBSEQUENT TAX AGREE-**  
5 **MENTS RELATIVE TO TAIWAN.**

6           (a) IN GENERAL.—Subsequent to the enactment of  
7 approval legislation and implementing legislation pursuant  
8 to section 207—

9           (1) the term “tax agreement” in section 203(a)  
10 shall be treated as including any tax agreement rel-  
11 ative to Taiwan which supplements or supersedes  
12 the Agreement to which such approval legislation  
13 and implementing legislation relates; and

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

16           (b) REQUIREMENTS, ETC., TO APPLY SEPA-  
17 RATELY.—The provisions of this title (including section  
18 204) shall be applied separately with respect to each tax  
19 agreement referred to in subsection (a).

20 **SEC. 210. UNITED STATES TREATMENT OF DOUBLE TAX-**  
21 **ATION MATTERS WITH RESPECT TO TAIWAN.**

22           (a) FINDINGS.—Congress makes the following find-  
23 ings:

24           (1) The United States addresses issues with re-  
25 spect to double taxation with foreign countries by

1 entering into bilateral income tax conventions  
2 (known as tax treaties) with such countries, subject  
3 to the advice and consent of the Senate to ratifica-  
4 tion pursuant to article II of the Constitution.

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

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

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

16 (1) provide for additional bilateral tax relief  
17 with respect to Taiwan, beyond that provided for in  
18 section 894A of the Internal Revenue Code of 1986  
19 (as added by the United States-Taiwan Expedited  
20 Double-Tax Relief Act), only after entry into force  
21 of an Agreement, as provided for in section 205, and  
22 only in a manner consistent with such Agreement;  
23 and

24 (2) continue to provide for bilateral tax relief  
25 with sovereign states to address double taxation and

1 other related matters through entering into bilateral  
2 income tax conventions, subject to the Senate's ad-  
3 vice and consent to ratification pursuant to article II  
4 of the Constitution.

○