

**AMENDMENT IN THE NATURE OF A SUBSTITUTE
TO H.R. 7024
OFFERED BY MR. SMITH OF MISSOURI**

Strike all after the enacting clause and insert the following:

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

2 (a) SHORT TITLE.—This Act may be cited as the
3 “Tax Relief for American Families and Workers Act of
4 2024”.

5 (b) AMENDMENT OF 1986 CODE.—Except as other-
6 wise expressly provided, whenever in this Act an amend-
7 ment or repeal is expressed in terms of an amendment
8 to, or repeal of, a section or other provision, the reference
9 shall be considered to be made to a section or other provi-
10 sion of the Internal Revenue Code of 1986.

11 (c) TABLE OF CONTENTS.—The table of contents of
12 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

Sec. 311. Short title.

Sec. 312. Definitions.

Sec. 313. Authorization to negotiate and enter into agreement.

Sec. 314. Consultations with Congress.

Sec. 315. Approval and implementation of agreement.

Sec. 316. Submission to Congress of agreement and implementation policy.

Sec. 317. Consideration of approval legislation and implementing legislation.

Sec. 318. Relationship of agreement to Internal Revenue Code of 1986.

Sec. 319. Authorization of subsequent tax agreements relative to Taiwan.

Sec. 320. United States treatment of double taxation matters with respect to Taiwan.

TITLE IV—ASSISTANCE FOR DISASTER-IMPACTED COMMUNITIES

Sec. 401. Short title.

Sec. 402. Extension of rules for treatment of certain disaster-related personal casualty losses.

Sec. 403. Exclusion from gross income for compensation for losses or damages resulting from certain wildfires.

Sec. 404. East Palestine disaster relief payments.

TITLE V—MORE AFFORDABLE HOUSING

Sec. 501. State housing credit ceiling increase for low-income housing credit.

Sec. 502. Tax-exempt bond financing requirement.

TITLE VI—TAX ADMINISTRATION AND ELIMINATING FRAUD

Sec. 601. Increase in threshold for requiring information reporting with respect to certain payees.

Sec. 602. Enforcement provisions with respect to COVID-related employee retention credits.

1 **TITLE I—TAX RELIEF FOR**
2 **WORKING FAMILIES**

3 **SEC. 101. PER-CHILD CALCULATION OF REFUNDABLE POR-**
4 **TION OF CHILD TAX CREDIT.**

5 (a) IN GENERAL.—Subparagraph (A) of section
6 24(h)(5) is amended to read as follows:

7 “(A) IN GENERAL.—In applying subsection
8 (d)—

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

15 “(ii) paragraph (1)(B) of such sub-
16 section shall be applied by multiplying each
17 of—

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

20 “(II) the excess determined
21 under clause (ii) thereof,

22 by the number of qualifying children of the
23 taxpayer.”.

24 (b) CONFORMING AMENDMENT.—The heading of
25 paragraph (5) of section 24(h) is amended by striking

1 “MAXIMUM AMOUNT OF” and inserting “SPECIAL RULES
2 FOR”.

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

6 **SEC. 102. INCREASE IN REFUNDABLE PORTION.**

7 (a) IN GENERAL.—Paragraph (5) of section 24(h) is
8 amended by redesignating subparagraph (B) as subpara-
9 graph (C) and by inserting after subparagraph (A) the
10 following new subparagraph:

11 “(B) AMOUNTS FOR 2023, 2024, AND
12 2025.—In the case of a taxable year beginning
13 after 2022, subparagraph (A) shall be applied
14 by substituting for ‘\$1,400’—

15 “(i) in the case of taxable year 2023,
16 ‘\$1,800’,

17 “(ii) in the case of taxable year 2024,
18 ‘\$1,900’, and

19 “(iii) in the case of taxable year 2025,
20 ‘\$2,000’.”.

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

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

4 **SEC. 103. INFLATION OF CREDIT AMOUNT.**

5 (a) IN GENERAL.—Paragraph (2) of section 24(h) is
6 amended—

7 (1) by striking “AMOUNT.—Subsection” and in-
8 serting “AMOUNT.—

9 “(A) IN GENERAL.—Subsection”, and

10 (2) by adding at the end the following new sub-
11 paragraph:

12 “(B) ADJUSTMENT FOR INFLATION.—In
13 the case of a taxable year beginning after 2023,
14 the \$2,000 amounts in subparagraph (A) and
15 paragraph (5)(B)(iii) shall each be increased by
16 an amount equal to—

17 “(i) such dollar amount, multiplied by

18 “(ii) the cost-of-living adjustment de-
19 termined under section 1(f)(3) for the cal-
20 endar year in which the taxable year be-
21 gins, determined by substituting ‘2022’ for
22 ‘2016’ in subparagraph (A)(ii) thereof.

23 If any increase under this clause is not a mul-
24 tiple of \$100, such increase shall be rounded to
25 the next lowest multiple of \$100.”.

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

4 **SEC. 104. RULE FOR DETERMINATION OF EARNED INCOME.**

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

7 (1) by striking “**CREDIT.**—Subsection” and in-
8 serting “**CREDIT.**—

9 “(A) **IN GENERAL.**—Subsection”, and

10 (2) by adding at the end the following new sub-
11 paragraphs

12 “(B) **RULE FOR DETERMINATION OF**
13 **EARNED INCOME.**—

14 “(i) **IN GENERAL.**—In the case of a
15 taxable year beginning after 2023, if the
16 earned income of the taxpayer for such
17 taxable year is less than the earned income
18 of the taxpayer for the preceding taxable
19 year, subsection (d)(1)(B)(i) may, at the
20 election of the taxpayer, be applied by sub-
21 stituting—

22 “(I) the earned income for such
23 preceding taxable year, for

24 “(II) the earned income for the
25 current taxable year.

1 “(ii) APPLICATION TO JOINT RE-
2 TURNS.—For purposes of clause (i), in the
3 case of a joint return, the earned income
4 of the taxpayer for the preceding taxable
5 year shall be the sum of the earned income
6 of each spouse for such preceding taxable
7 year.”.

8 (b) ERRORS TREATED AS MATHEMATICAL ER-
9 RORS.—Paragraph (2) of section 6213(g) of the Internal
10 Revenue Code of 1986 is amended by striking “and” at
11 the end of subparagraph (U), by striking the period at
12 the end of subparagraph (V) and inserting “, and”, and
13 by inserting after subparagraph (V) the following new sub-
14 paragraph:

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

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

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

3 In the case of an individual who claims, on the tax-
4 payer's return of tax for the first taxable year beginning
5 after December 31, 2022, a credit under section 24 of the
6 Internal Revenue Code of 1986 which is determined with-
7 out regard to the amendments made by sections 101 and
8 102 of this Act, the Secretary of the Treasury (or the Sec-
9 retary's delegate) shall, to the maximum extent prac-
10 ticable—

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

15 (2) to the extent that such redetermination re-
16 sults in an overpayment of tax, credit or refund such
17 overpayment as expeditiously as possible.

18 **TITLE II—AMERICAN**
19 **INNOVATION AND GROWTH**

20 **SEC. 201. DEDUCTION FOR DOMESTIC RESEARCH AND EX-**
21 **PERIMENTAL EXPENDITURES.**

22 (a) DELAY OF AMORTIZATION OF DOMESTIC RE-
23 SEARCH AND EXPERIMENTAL EXPENDITURES.—Section
24 174 is amended by adding at the end the following new
25 subsection:

1 “(e) SUSPENSION OF APPLICATION OF SECTION TO
2 DOMESTIC RESEARCH AND EXPERIMENTAL EXPENDI-
3 TURES.—In the case of any domestic research or experi-
4 mental expenditures (as defined in section 174A(b)), this
5 section—

6 “(1) shall apply to such expenditures paid or
7 incurred in taxable years beginning after December
8 31, 2025, and

9 “(2) shall not apply to such expenditures paid
10 or incurred in taxable years beginning on or before
11 such date.”.

12 (b) REINSTATEMENT OF EXPENSING FOR DOMESTIC
13 RESEARCH AND EXPERIMENTAL EXPENDITURES.—Part
14 VI of subchapter B of chapter 1 is amended by inserting
15 after section 174 the following new section:

16 **“SEC. 174A. TEMPORARY RULES FOR DOMESTIC RESEARCH**
17 **AND EXPERIMENTAL EXPENDITURES.**

18 “(a) TREATMENT AS EXPENSES.—Notwithstanding
19 section 263, there shall be allowed as a deduction any do-
20 mestic research or experimental expenditures which are
21 paid or incurred by the taxpayer during the taxable year.

22 “(b) DOMESTIC RESEARCH OR EXPERIMENTAL EX-
23 PENDITURES.—For purposes of this section, the term ‘do-
24 mestic research or experimental expenditures’ means re-
25 search or experimental expenditures paid or incurred by

1 the taxpayer in connection with the taxpayer's trade or
2 business other than such expenditures which are attrib-
3 utable to foreign research (within the meaning of section
4 41(d)(4)(F)).

5 “(c) AMORTIZATION OF CERTAIN DOMESTIC RE-
6 SEARCH AND EXPERIMENTAL EXPENDITURES.—

7 “(1) IN GENERAL.—At the election of the tax-
8 payer, made in accordance with regulations or other
9 guidance provided by the Secretary, in the case of
10 domestic research or experimental expenditures
11 which would (but for subsection (a)) be chargeable
12 to capital account but not chargeable to property of
13 a character which is subject to the allowance under
14 section 167 (relating to allowance for depreciation,
15 etc.) or section 611 (relating to allowance for deple-
16 tion), subsection (a) shall not apply and the tax-
17 payer shall—

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

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

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

16 “(d) ELECTION TO CAPITALIZE EXPENSES.—In the
17 case of a taxpayer which elects (at such time and in such
18 manner as the Secretary may provide) the application of
19 this subsection, subsections (a) and (e) shall not apply and
20 domestic research or experimental expenditures shall be
21 chargeable to capital account. Such election shall not
22 apply to any expenditure paid or incurred during any tax-
23 able year before the taxable year for which the taxpayer
24 makes the election and may be made with respect to part

1 of the expenditures paid or incurred during any taxable
2 year only with the approval of the Secretary.

3 “(e) SPECIAL RULES.—

4 “(1) LAND AND OTHER PROPERTY.—This sec-
5 tion shall not apply to any expenditure for the acqui-
6 sition or improvement of land, or for the acquisition
7 or improvement of property to be used in connection
8 with the research or experimentation and of a char-
9 acter which is subject to the allowance under section
10 167 (relating to allowance for depreciation, etc.) or
11 section 611 (relating to allowance for depletion); but
12 for purposes of this section allowances under section
13 167, and allowances under section 611, shall be con-
14 sidered as expenditures.

15 “(2) EXPLORATION EXPENDITURES.—This sec-
16 tion shall not apply to any expenditure paid or in-
17 curred for the purpose of ascertaining the existence,
18 location, extent, or quality of any deposit of ore or
19 other mineral (including oil and gas).

20 “(3) SOFTWARE DEVELOPMENT.—For purposes
21 of this section, any amount paid or incurred in con-
22 nection with the development of any software shall
23 be treated as a research or experimental expendi-
24 ture.

25 “(f) TERMINATION.—

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

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

10 “(A) such change shall be treated as initi-
11 ated by the taxpayer,

12 “(B) such change shall be treated as made
13 with the consent of the Secretary, and

14 “(C) such change shall be applied only on
15 a cut-off basis for any domestic research or ex-
16 perimental expenditures paid or incurred in tax-
17 able years beginning after December 31, 2025,
18 and no adjustment under section 481(a) shall
19 be made.”.

20 (c) COORDINATION WITH CERTAIN OTHER PROVI-
21 SIONS.—

22 (1) RESEARCH CREDIT.—

23 (A) Section 41(d)(1)(A) is amended by in-
24 serting “or domestic research or experimental

1 expenditures under section 174A” after “sec-
2 tion 174”.

3 (B) Section 280C(c)(1) is amended to read
4 as follows:

5 “(1) IN GENERAL.—The domestic research or
6 experimental expenditures otherwise taken into ac-
7 count under section 174 or 174A (as the case may
8 be) shall be reduced by the amount of the credit al-
9 lowed under section 41(a).”.

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

13 (3) OPTIONAL 10-YEAR WRITEOFF.—Section
14 59(e)(2)(B) is amended by striking “section 174(a)
15 (relating to research and experimental expendi-
16 tures)” and inserting “section 174A(a) (relating to
17 temporary rules for domestic research and experi-
18 mental expenditures)”.

19 (4) QUALIFIED SMALL ISSUE BONDS.—Section
20 144(a)(4)(C)(iv) is amended by striking “174(a)”
21 and inserting “174A(a)”.

22 (5) START-UP EXPENDITURES.—Section
23 195(c)(1) is amended by striking “or 174” in the
24 last sentence and inserting “174, or 174A”.

25 (6) CAPITAL EXPENDITURES.—

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

3 (B) Section 263A(c)(2) is amended by in-
4 serting “or 174A” after “174”.

5 (7) ACTIVE BUSINESS COMPUTER SOFTWARE
6 ROYALTIES.—Section 543(d)(4)(A)(i) is amended by
7 inserting “174A,” after “174,”.

8 (8) SOURCE RULES.—Section 864(g)(2) is
9 amended in the last sentence—

10 (A) by striking “treated as deferred ex-
11 penses under subsection (b) of section 174” and
12 inserting “allowed as an amortization deduction
13 under section 174(a) or section 174A(c),” and

14 (B) by striking “such subsection” and in-
15 serting “such section (as the case may be)”.

16 (9) BASIS ADJUSTMENT.—Section 1016(a)(14)
17 is amended by striking “deductions as deferred ex-
18 penses under section 174(b)(1) (relating to research
19 and experimental expenditures)” and inserting “de-
20 ductions under section 174 or 174A”.

21 (10) SMALL BUSINESS STOCK.—Section
22 1202(e)(2)(B) is amended by striking “research and
23 experimental expenditures under section 174” and
24 inserting “specified research or experimental expend-

1 itures under section 174 or domestic research or ex-
2 perimental expenditures under section 174A”.

3 (d) CONFORMING AMENDMENTS.—

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

7 (2) The table of sections for part VI of sub-
8 chapter B of chapter 1 is amended by inserting after
9 the item relating to section 174 the following new
10 item:

“Sec. 174A. Temporary rules for domestic research and experi-
mentals.”.

11 (e) EFFECTIVE DATE.—

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

16 (2) COORDINATION WITH RESEARCH CREDIT.—
17 The amendment made by subsection (c)(1)(B) shall
18 apply to taxable years beginning after December 31,
19 2022.

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

1 (4) NO INFERENCE WITH RESPECT TO COORDI-
2 NATION WITH RESEARCH CREDIT FOR PRIOR PERI-
3 ODS.—The amendment made by subsection
4 (c)(1)(B) shall not be construed to create any infer-
5 ence with respect to the proper application of section
6 280C(e) of the Internal Revenue Code of 1986 with
7 respect to taxable years beginning before January 1,
8 2023.

9 (f) TRANSITION RULES.—

10 (1) IN GENERAL.—Except as otherwise pro-
11 vided by the Secretary, an election made under sub-
12 section (c) or (d) of section 174A of the Internal
13 Revenue Code of 1986 (as added by this section) for
14 the taxpayer’s first taxable year beginning after De-
15 cember 31, 2021, shall not fail to be treated as time-
16 ly made (or as made on the return) if made during
17 the 1-year period beginning on the date of the enact-
18 ment of this Act on an amended return for the tax-
19 payer’s first taxable year beginning after December
20 31, 2021, or in such other manner as the Secretary
21 may provide.

22 (2) ELECTION REGARDING TREATMENT AS
23 CHANGE IN METHOD OF ACCOUNTING.—In the case
24 of any taxpayer which (as of the date of the enact-
25 ment of this Act) had adopted a method of account-

1 ing provided by section 174 of the Internal Revenue
2 Code of 1986 (as in effect prior to the amendments
3 made by this section) for the taxpayer's first taxable
4 year beginning after December 31, 2021, and elects
5 the application of this paragraph—

6 (A) the amendments made by this section
7 shall be treated as a change in method of ac-
8 counting for purposes of section 481 of such
9 Code,

10 (B) such change shall be treated as initi-
11 ated by the taxpayer for the taxpayer's imme-
12 diately succeeding taxable year,

13 (C) such change shall be treated as made
14 with the consent of the Secretary,

15 (D) such change shall be applied on a
16 modified cut-off basis, taking into account for
17 purposes of section 481(a) of such Code only
18 the domestic research or experimental expendi-
19 tures (as defined in section 174A(b) of such
20 Code (as added by this section) and determined
21 by applying the rules of section 174A(e) of such
22 Code) paid or incurred in the taxpayer's first
23 taxable year beginning after December 31,
24 2021, and not allowed as a deduction in such
25 taxable year, and

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

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

10 (A) IN GENERAL.—Except as otherwise
11 provided by the Secretary, an eligible taxpayer
12 which files, during the 1-year period beginning
13 on the date of the enactment of this Act, an
14 amended income tax return for the taxable year
15 described in subparagraph (B)(ii) may elect the
16 application of section 59(e) of the Internal Rev-
17 enue Code of 1986 with respect to qualified ex-
18 penditures described in section 59(e)(2)(B) of
19 such Code (as amended by subsection (c)(3))
20 with respect to such taxable year. Such election
21 shall be filed with such amended income tax re-
22 turn and shall be effective only to the extent
23 that such election would have been effective if
24 filed with the original income tax return for
25 such taxable year (determined after taking into

1 account the amendment made by subsection
2 (c)(3).

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

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

8 (ii) filed an income tax return for
9 such taxpayer’s first taxable year begin-
10 ning after December 31, 2021, before the
11 earlier of—

12 (I) the due date for such return,
13 and

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

16 (4) ELECTION REGARDING COORDINATION
17 WITH RESEARCH CREDIT.—Except as otherwise pro-
18 vided by the Secretary, an eligible taxpayer (as de-
19 fined in paragraph (3)(B) without regard to clause
20 (i) thereof) which files, during the 1-year period be-
21 ginning on the date of the enactment of this Act, an
22 amended income tax return for the taxpayer’s first
23 taxable year beginning after December 31, 2021,
24 may, notwithstanding subparagraph (C) of section
25 280C(c)(2) of the Internal Revenue Code of 1986

1 make, or revoke, on such amended return the elec-
2 tion under such section for such taxable year.

3 **SEC. 202. EXTENSION OF ALLOWANCE FOR DEPRECIATION,**
4 **AMORTIZATION, OR DEPLETION IN DETER-**
5 **MINING THE LIMITATION ON BUSINESS IN-**
6 **TEREST.**

7 (a) IN GENERAL.—Section 163(j)(8)(A)(v) is amend-
8 ed by striking “January 1, 2022” and inserting “January
9 1, 2026”.

10 (b) EFFECTIVE DATE.—

11 (1) IN GENERAL.—Except as otherwise pro-
12 vided in this subsection, the amendment made by
13 this section shall apply to taxable years beginning
14 after December 31, 2023.

15 (2) ELECTION TO APPLY EXTENSION RETRO-
16 ACTIVELY.—In the case of a taxpayer which elects
17 (at such time and in such manner as the Secretary
18 may provide) the application of this paragraph,
19 paragraph (1) shall be applied by substituting “De-
20 cember 31, 2021” for “December 31, 2023”.

21 **SEC. 203. EXTENSION OF 100 PERCENT BONUS DEPRECIA-**
22 **TION.**

23 (a) IN GENERAL.—Section 168(k)(6)(A) is amend-
24 ed—

25 (1) in clause (i)—

1 (A) by striking “2023” and inserting
2 “2026”, and

3 (B) by adding “and” at the end, and
4 (2) by striking clauses (ii), (iii), and (iv), and
5 redesignating clause (v) as clause (ii).

6 (b) PROPERTY WITH LONGER PRODUCTION PERI-
7 ODS.—Section 168(k)(6)(B) is amended—

8 (1) in clause (i)—

9 (A) by striking “2024” and inserting
10 “2027”, and

11 (B) by adding “and” at the end, and
12 (2) by striking clauses (ii), (iii), and (iv), and
13 redesignating clause (v) as clause (ii).

14 (c) PLANTS BEARING FRUITS AND NUTS.—Section
15 168(k)(6)(C) is amended—

16 (1) in clause (i)—

17 (A) by striking “2023” and inserting
18 “2026”, and

19 (B) by adding “and” at the end, and
20 (2) by striking clauses (ii), (iii), and (iv), and
21 redesignating clause (v) as clause (ii).

22 (d) EFFECTIVE DATES.—

23 (1) IN GENERAL.—Except as otherwise pro-
24 vided in this subsection, the amendments made by

1 this section shall apply to property placed in service
2 after December 31, 2022.

3 (2) PLANTS BEARING FRUITS AND NUTS.—The
4 amendments made by subsection (c) shall apply to
5 specified plants planted or grafted after December
6 31, 2022.

7 **SEC. 204. INCREASE IN LIMITATIONS ON EXPENSING OF DE-**
8 **PRECIABLE BUSINESS ASSETS.**

9 (a) IN GENERAL.—Section 179(b) is amended—

10 (1) by striking “\$1,000,000” in paragraph (1)
11 and inserting “\$1,290,000”, and

12 (2) by striking “\$2,500,000” in paragraph (2)
13 and inserting “\$3,220,000”.

14 (b) INFLATION ADJUSTMENT.—Section 179(b)(6) is
15 amended—

16 (1) by striking “2018” and inserting “2024
17 (2018 in the case of the dollar amount in paragraph
18 (5)(A))”, and

19 (2) by striking “‘calendar year 2017’” and in-
20 serting “‘calendar year 2024’ (‘calendar year 2017’
21 in the case of the dollar amount in paragraph
22 (5)(A))”.

23 (c) EFFECTIVE DATE.—The amendments made by
24 this section shall apply to property placed in service in
25 taxable years beginning after December 31, 2023.

1 **TITLE III—INCREASING GLOBAL**
2 **COMPETITIVENESS**

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

5 **SEC. 301. SHORT TITLE.**

6 This subtitle may be cited as the “United States-Tai-
7 wan Expedited Double-Tax Relief Act”.

8 **SEC. 302. SPECIAL RULES FOR TAXATION OF CERTAIN**
9 **RESIDENTS OF TAIWAN.**

10 (a) IN GENERAL.—Subpart D of part II of sub-
11 chapter N of chapter 1 is amended by inserting after sec-
12 tion 894 the following new section:

13 **“SEC. 894A. SPECIAL RULES FOR QUALIFIED RESIDENTS OF**
14 **TAIWAN.**

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

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

19 “(A) IN GENERAL.—In the case of interest
20 (other than original issue discount), dividends,
21 royalties, amounts described in section
22 871(a)(1)(C), and gains described in section
23 871(a)(1)(D) received by or paid to a qualified
24 resident of Taiwan—

1 “(i) sections 871(a), 881(a), 1441(a),
2 1441(c)(5), and 1442(a) shall each be ap-
3 plied by substituting ‘the applicable per-
4 centage (as defined in section
5 894A(a)(1)(C))’ for ‘30 percent’ each place
6 it appears, and

7 “(ii) sections 871(a), 881(a), and
8 1441(c)(1) shall each be applied by sub-
9 stituting ‘a United States permanent es-
10 tablishment of a qualified resident of Tai-
11 wan’ for ‘a trade or business within the
12 United States’ each place it appears.

13 “(B) EXCEPTIONS.—

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

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

20 “(II) any amount subject to sec-
21 tion 897,

22 “(III) any amount received from
23 or paid by an expatriated entity (as
24 defined in section 7874(a)(2)) to a

1 foreign related person (as defined in
2 section 7874(d)(3)), and

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

8 “(ii) QUALIFIED REIT DIVIDEND.—
9 For purposes of clause (i)(I), the term
10 ‘qualified REIT dividend’ means any divi-
11 dend received from or paid by a real estate
12 investment trust if such dividend is paid
13 with respect to a class of shares that is
14 publicly traded and the recipient of the
15 dividend is a person who holds an interest
16 in any class of shares of the real estate in-
17 vestment trust of not more than 5 percent.

18 “(C) APPLICABLE PERCENTAGE.—For
19 purposes of applying subparagraph (A)(i)—

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

23 “(ii) SPECIAL RULES FOR DIVI-
24 DENDS.— In the case of any dividend in
25 respect of stock received by or paid to a

1 qualified resident of Taiwan, the applicable
2 percentage shall be 15 percent (10 percent
3 in the case of a dividend which meets the
4 requirements of subparagraph (D) and is
5 received by or paid to an entity taxed as
6 a corporation in Taiwan).

7 “(D) REQUIREMENTS FOR LOWER DIVI-
8 DEND RATE.—

9 “(i) IN GENERAL.—The requirements
10 of this subparagraph are met with respect
11 to any dividend in respect of stock in a
12 corporation if, at all times during the 12-
13 month period ending on the date such
14 stock becomes ex-dividend with respect to
15 such dividend—

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

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

23 For purposes of subclause (II), a person
24 shall be treated as directly holding a share
25 of stock during any period described in the

1 preceding sentence if the share was held by
2 a corporation from which such person later
3 acquired that share and such corporation
4 was, at the time the share was acquired,
5 both a connected person to such person
6 and a qualified resident of Taiwan.

7 “(ii) EXCEPTION FOR RICS AND
8 REITS.—Notwithstanding clause (i), the re-
9 quirements of this subparagraph shall not
10 be treated as met with respect to any divi-
11 dend paid by a regulated investment com-
12 pany or a real estate investment trust.

13 “(2) QUALIFIED WAGES.—

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

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

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

25 “(B) QUALIFIED WAGES.—

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

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

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

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

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

1 “(A) IN GENERAL.—No tax shall be im-
2 posed under this chapter (and no amount shall
3 be withheld under section 1441(a) or chapter
4 24) with respect to income derived by an enter-
5 tainer or athlete who is a qualified resident of
6 Taiwan from personal activities as such per-
7 formed in the United States if the aggregate
8 amount of gross receipts from such activities
9 for the taxable year do not exceed \$30,000.

10 “(B) EXCEPTION.—Subparagraph (A)
11 shall not apply with respect to—

12 “(i) income which is qualified wages
13 (as defined in paragraph (2)(B), deter-
14 mined without regard to clause (ii) there-
15 of), or

16 “(ii) income which is effectively con-
17 nected with a United States permanent es-
18 tablishment.

19 “(b) INCOME CONNECTED WITH A UNITED STATES
20 PERMANENT ESTABLISHMENT OF A QUALIFIED RESI-
21 DENT OF TAIWAN.—

22 “(1) IN GENERAL.—

23 “(A) IN GENERAL.—In lieu of applying
24 sections 871(b) and 882, a qualified resident of
25 Taiwan that carries on a trade or business

1 within the United States through a United
2 States permanent establishment shall be taxable
3 as provided in section 1, 11, 55, or 59A, on its
4 taxable income which is effectively connected
5 with such permanent establishment.

6 “(B) DETERMINATION OF TAXABLE IN-
7 COME.—In determining taxable income for pur-
8 poses of paragraph (1), gross income includes
9 only gross income which is effectively connected
10 with the permanent establishment.

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

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

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

22 “(3) TREATMENT OF BRANCH PROFITS
23 TAXES.—In the case of any corporation which is a
24 qualified resident of Taiwan, section 884 shall be ap-
25 plied—

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

3 “(B) by substituting ‘a United States per-
4 manent establishment of a qualified resident of
5 Taiwan’ for ‘the conduct of a trade or business
6 within the United States’ in subsection (d)(1)
7 thereof.

8 “(4) SPECIAL RULE WITH RESPECT TO INCOME
9 DERIVED FROM CERTAIN ENTERTAINMENT OR ATH-
10 LETIC ACTIVITIES.—

11 “(A) IN GENERAL.—Paragraph (1) shall
12 not apply to the extent that the income is de-
13 rived—

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

17 “(ii) by a qualified resident of Taiwan
18 who is not the entertainer or athlete per-
19 forming such activities.

20 “(B) EXCEPTION.—Subparagraph (A)
21 shall not apply if the person described in sub-
22 paragraph (A)(ii) is contractually authorized to
23 designate the individual who is to perform such
24 activities.

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

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

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

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

15 “(B) is not a United States person (deter-
16 mined without regard to paragraph (3)(E)),
17 and

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

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

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

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

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

5 “(iii) meets the qualified subsidiary
6 requirements of subparagraph (D).

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

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

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

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

1 “(II) United States persons who
2 meet such requirements with respect
3 to the United States as determined by
4 the Secretary to be equivalent to the
5 requirements of this subsection (deter-
6 mined without regard to paragraph
7 (1)(B)) with respect to residents of
8 Taiwan.

9 “(C) PUBLICLY TRADED REQUIRE-
10 MENTS.—An entity meets the requirements of
11 this subparagraph if—

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

17 “(ii) the primary place of manage-
18 ment and control of the entity is in Taiwan
19 and all classes of its outstanding shares
20 described in clause (i) are regularly traded
21 on an established securities market in Tai-
22 wan.

23 “(D) QUALIFIED SUBSIDIARY REQUIRE-
24 MENTS.—An entity meets the requirement of
25 this subparagraph if—

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

5 “(I) which meet the requirements
6 of subparagraph (C), or

7 “(II) which are United States
8 persons the principal class of the
9 shares (and any disproportionate class
10 of shares) of which are primarily and
11 regularly traded on an established se-
12 curities market in the United States,
13 and

14 “(ii) the entity meets the require-
15 ments of clause (ii) of subparagraph (B).

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

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

1 such other persons are qualifying inter-
2 mediate owners.

3 “(ii) QUALIFYING INTERMEDIATE
4 OWNERS.—The term ‘qualifying inter-
5 mediate owner’ means a person that is—

6 “(I) a qualified resident of Tai-
7 wan, or

8 “(II) a resident of any other for-
9 eign country (other than a foreign
10 country that is a foreign country of
11 concern) that has in effect a com-
12 prehensive convention with the United
13 States for the avoidance of double tax-
14 ation.

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

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

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

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

11 “(3) DUAL RESIDENTS.—

12 “(A) RULES FOR DETERMINATION OF STA-
13 TUS.—

14 “(i) IN GENERAL.—An individual who
15 is an applicable dual resident and who is
16 described in subparagraph (B), (C), or (D)
17 shall be treated as a qualified resident of
18 Taiwan.

19 “(ii) APPLICABLE DUAL RESIDENT.—
20 For purposes of this paragraph, the term
21 ‘applicable dual resident’ means an indi-
22 vidual who—

23 “(I) is not a United States cit-
24 izen,

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

4 “(III) would be a qualified resi-
5 dent of Taiwan but for paragraph
6 (1)(B).

7 “(B) PERMANENT HOME.—An individual
8 is described in this subparagraph if such indi-
9 vidual—

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

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

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

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

20 “(ii) such individual’s personal and
21 economic relations (center of vital inter-
22 ests) are closer to Taiwan than to the
23 United States.

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

1 “(i) such individual—

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

5 “(II) has a permanent home
6 available to such individual in both
7 Taiwan and the United States but
8 such individual’s center of vital inter-
9 ests under subparagraph (C)(ii) can-
10 not be determined, and

11 “(ii) such individual has a habitual
12 abode in Taiwan and not the United
13 States.

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

24 “(4) RULES OF SPECIAL APPLICATION.—

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

5 “(B) ITEMS OF INCOME EMANATING FROM
6 AN ACTIVE TRADE OR BUSINESS IN TAIWAN.—
7 For purposes of this section—

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

18 “(ii) QUALIFIED ITEMS OF INCOME.—

19 “(I) IN GENERAL.—The term
20 ‘qualified item of income’ means any
21 item of income which emanates from,
22 or is incidental to, the conduct of an
23 active trade or business in Taiwan
24 (other than operating as a holding
25 company, providing overall supervision

1 or administration of a group of com-
2 panies, providing group financing, or
3 making or managing investments (un-
4 less such making or managing invest-
5 ments is carried on by a bank, insur-
6 ance company, or registered securities
7 dealer in the ordinary course of its
8 business as such)).

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

1 “(iii) EXCEPTION.—This subpara-
2 graph shall not apply to any item of in-
3 come derived by an entity if at least 50
4 percent (by vote or value) of such entity is
5 owned (directly or indirectly) or controlled
6 by residents of a foreign country of con-
7 cern.

8 “(d) OTHER DEFINITIONS AND SPECIAL RULES.—
9 For purposes of this section—

10 “(1) UNITED STATES PERMANENT ESTABLISH-
11 MENT.—

12 “(A) IN GENERAL.—The term ‘United
13 States permanent establishment’ means, with
14 respect to a qualified resident of Taiwan, a per-
15 manent establishment of such resident which is
16 within the United States.

17 “(B) SPECIAL RULE.—The determination
18 of whether there is a permanent establishment
19 of a qualified resident of Taiwan within the
20 United States shall be made without regard to
21 whether an entity which is taxed as a corpora-
22 tion in Taiwan and which is a qualified resident
23 of Taiwan controls or is controlled by—

24 “(i) a domestic corporation, or

1 “(ii) any other person that carries on
2 business in the United States (whether
3 through a permanent establishment or oth-
4 erwise).

5 “(2) PERMANENT ESTABLISHMENT.—

6 “(A) IN GENERAL.—The term ‘permanent
7 establishment’ means a fixed place of business
8 through which a trade or business is wholly or
9 partly carried on. Such term shall include—

10 “(i) a place of management,

11 “(ii) a branch,

12 “(iii) an office,

13 “(iv) a factory,

14 “(v) a workshop, and

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

18 “(B) SPECIAL RULES FOR CERTAIN TEM-
19 PORARY PROJECTS.—

20 “(i) IN GENERAL.—A building site or
21 construction or installation project, or an
22 installation or drilling rig or ship used for
23 the exploration or exploitation of the sea
24 bed and its subsoil and their natural re-
25 sources, constitutes a permanent establish-

1 ment only if it lasts, or the activities of the
2 rig or ship lasts, for more than 12 months.

3 “(ii) DETERMINATION OF 12-MONTH
4 PERIOD.—For purposes of clause (i), the
5 period over which a building site or con-
6 struction or installation project of a person
7 lasts shall include any period of more than
8 30 days during which such person does not
9 carry on activities at such building site or
10 construction or installation project but
11 connected activities are carried on at such
12 building site or construction or installation
13 project by one or more connected persons.

14 “(C) HABITUAL EXERCISE OF CONTRACT
15 AUTHORITY TREATED AS PERMANENT ESTAB-
16 LISHMENT.—Notwithstanding subparagraphs
17 (A) and (B), where a person (other than an
18 agent of an independent status to whom sub-
19 paragraph (D)(ii) applies) is acting on behalf of
20 a trade or business of a qualified resident of
21 Taiwan and has and habitually exercises an au-
22 thority to conclude contracts that are binding
23 on the trade or business, that trade or business
24 shall be deemed to have a permanent establish-
25 ment in the country in which such authority is

1 exercised in respect of any activities that the
2 person undertakes for the trade or business, un-
3 less the activities of such person are limited to
4 those described in subparagraph (D)(i) that, if
5 exercised through a fixed place of business,
6 would not make this fixed place of business a
7 permanent establishment under the provisions
8 of that subparagraph.

9 “(D) EXCLUSIONS.—

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

13 “(I) the use of facilities solely for
14 the purpose of storage, display, or de-
15 livery of goods or merchandise belong-
16 ing to the trade or business,

17 “(II) the maintenance of a stock
18 of goods or merchandise belonging to
19 the trade or business solely for the
20 purpose of storage, display, or deliv-
21 ery,

22 “(III) the maintenance of a stock
23 of goods or merchandise belonging to
24 the trade or business solely for the

1 purpose of processing by another
2 trade or business,

3 “(IV) the maintenance of a fixed
4 place of business solely for the pur-
5 pose of purchasing goods or merchan-
6 dise, or of collecting information, for
7 the trade or business,

8 “(V) the maintenance of a fixed
9 place of business solely for the pur-
10 pose of carrying on, for the trade or
11 business, any other activity of a pre-
12 paratory or auxiliary character, or

13 “(VI) the maintenance of a fixed
14 place of business solely for any com-
15 bination of the activities mentioned in
16 subclauses (I) through (V), provided
17 that the overall activity of the fixed
18 place of business resulting from this
19 combination is of a preparatory or
20 auxiliary character.

21 “(ii) BROKERS AND OTHER INDE-
22 PENDENT AGENTS.—A trade or business
23 shall not be considered to have a perma-
24 nent establishment in a country merely be-
25 cause it carries on business in such coun-

1 try through a broker, general commission
2 agent, or any other agent of an inde-
3 pendent status, provided that such persons
4 are acting in the ordinary course of their
5 business as independent agents.

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

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

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

17 “(4) CONNECTED PERSON.—Two persons shall
18 be ‘connected persons’ if one owns, directly or indi-
19 rectly, at least 50 percent of the interests in the
20 other (or, in the case of a corporation, at least 50
21 percent of the aggregate vote and value of the cor-
22 poration’s shares) or another person owns, directly
23 or indirectly, at least 50 percent of the interests (or,
24 in the case of a corporation, at least 50 percent of
25 the aggregate vote and value of the corporation’s

1 shares) in each person. In any case, a person shall
2 be connected to another if, based on all the relevant
3 facts and circumstances, one has control of the other
4 or both are under the control of the same person or
5 persons.

6 “(5) FOREIGN COUNTRY OF CONCERN.—The
7 term ‘foreign country of concern’ has the meaning
8 given such term under paragraph (7) of section
9 9901 of the William M. (Mac) Thornberry National
10 Defense Authorization Act for Fiscal Year 2021 (15
11 U.S.C. 4651(7)), as added by section 103(a)(4) of
12 the CHIPS Act of 2022).

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

15 “(A) a qualified resident of Taiwan which
16 is a partner of a partnership which carries on
17 a trade or business within the United States
18 through a United States permanent establish-
19 ment shall be treated as carrying on such trade
20 or business through such permanent establish-
21 ment, and

22 “(B) a qualified resident of Taiwan which
23 is a beneficiary of an estate or trust which car-
24 ries on a trade or business within the United
25 States through a United States permanent es-

1 tablishment shall be treated as carrying on such
2 trade or business through such permanent es-
3 tablishment.

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

8 “(e) APPLICATION.—

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

15 “(2) PROVISION OF RECIPROCITY.—The Presi-
16 dent or his designee is authorized to exchange let-
17 ters, enter into an agreement, or take other nec-
18 essary and appropriate steps relative to Taiwan for
19 the reciprocal provision of the benefits described in
20 this section.

21 “(f) REGULATIONS OR OTHER GUIDANCE.—

22 “(1) IN GENERAL.—The Secretary shall issue
23 such regulations or other guidance as may be nec-
24 essary or appropriate to carry out the provisions of

1 this section, including such regulations or guidance
2 for—

3 “(A) determining—

4 “(i) what constitutes a United States
5 permanent establishment of a qualified
6 resident of Taiwan, and

7 “(ii) income that is effectively con-
8 nected with such a permanent establish-
9 ment,

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

14 “(C) requirements for record keeping and
15 reporting,

16 “(D) rules to assist withholding agents or
17 employers in determining whether a foreign per-
18 son is a qualified resident of Taiwan for pur-
19 poses of determining whether withholding or re-
20 porting is required for a payment (and, if with-
21 holding is required, whether it should be applied
22 at a reduced rate),

23 “(E) the application of subsection
24 (a)(1)(D)(i) to stock held by predecessor own-
25 ers,

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

4 “(G) determining the amounts to which
5 subsection (a)(3) applies,

6 “(H) defining established securities market
7 for purposes of subsection (c),

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

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

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

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

20 “(2) REGULATIONS TO BE CONSISTENT WITH
21 MODEL TREATY.—Any regulations or other guidance
22 issued under this section shall, to the extent prac-
23 tical, be consistent with the provisions of the United
24 States model income tax convention dated February
25 7, 2016.”.

1 (b) CONFORMING AMENDMENT TO WITHHOLDING
2 TAX.—Subchapter A of chapter 3 is amended by adding
3 at the end the following new section:

4 **“SEC. 1447. WITHHOLDING FOR QUALIFIED RESIDENTS OF**
5 **TAIWAN.**

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

8 (c) CLERICAL AMENDMENTS.—

9 (1) The table of sections for subpart D of part
10 II of subchapter N of chapter 1 is amended by in-
11 sserting after the item relating to section 894 the fol-
12 lowing new item:

“Sec. 894A. Special rules for qualified residents of Taiwan.”.

13 (2) The table of sections for subchapter A of
14 chapter 3 is amended by adding at the end the fol-
15 lowing new item:

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

16 **Subtitle B—United States-Taiwan**
17 **Tax Agreement Authorization Act**

18 **SEC. 311. SHORT TITLE.**

19 This subtitle may be cited as the “United States-Tai-
20 wan Tax Agreement Authorization Act”.

21 **SEC. 312. DEFINITIONS.**

22 In this subtitle:

1 (1) AGREEMENT.—The term “Agreement”
2 means the tax agreement authorized by section
3 313(a).

4 (2) APPROPRIATE CONGRESSIONAL COMMIT-
5 TEES.—The term “appropriate congressional com-
6 mittees” means—

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

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

12 (3) APPROVAL LEGISLATION.—The term “ap-
13 proval legislation” means legislation that approves
14 the Agreement.

15 (4) IMPLEMENTING LEGISLATION.—The term
16 “implementing legislation” means legislation that
17 makes any changes to the Internal Revenue Code of
18 1986 necessary to implement the Agreement.

19 **SEC. 313. AUTHORIZATION TO NEGOTIATE AND ENTER**
20 **INTO AGREEMENT.**

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

1 (b) ELEMENTS OF AGREEMENT.—

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

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

9 (B) the Agreement does not include ele-
10 ments outside the scope of the 2016 United
11 States Model Income Tax Convention.

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

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

22 (4) ENTRY INTO FORCE.—The Agreement shall
23 include a provision conditioning entry into force
24 upon—

1 (A) enactment of approval legislation and
2 implementing legislation pursuant to section
3 317; and

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

8 **SEC. 314. CONSULTATIONS WITH CONGRESS.**

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

15 (b) CONSULTATIONS DURING NEGOTIATIONS.—

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

24 (2) MEETINGS AND OTHER CONSULTATIONS.—

1 (A) IN GENERAL.—In the course of nego-
2 tiations with respect to the Agreement, the Sec-
3 retary of the Treasury, in coordination with the
4 Secretary of State, shall—

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

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

14 (B) ELEMENTS OF CONSULTATIONS.—The
15 consultations described in subparagraph (A)
16 shall include consultations with respect to—

17 (i) the nature of the contemplated
18 Agreement;

19 (ii) how and to what extent the con-
20 templated Agreement is consistent with the
21 elements set forth in section 313(b); and

22 (iii) the implementation of the con-
23 templated Agreement, including—

24 (I) the general effect of the con-
25 templated Agreement on existing laws;

1 (II) proposed changes to any ex-
2 isting laws to implement the con-
3 templated Agreement; and

4 (III) proposed administrative ac-
5 tions to implement the contemplated
6 Agreement.

7 **SEC. 315. APPROVAL AND IMPLEMENTATION OF AGREE-**
8 **MENT.**

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

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

16 (2) there is enacted into law, with respect to
17 the Agreement, approval legislation and imple-
18 menting legislation pursuant to section 317.

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

21 (1) enactment of approval legislation and imple-
22 menting legislation pursuant to section 317; and

23 (2) confirmation by the Secretary of the Treas-
24 ury that the relevant authority in Taiwan has ap-

1 proved and taken appropriate steps required to im-
2 plement the Agreement.

3 **SEC. 316. SUBMISSION TO CONGRESS OF AGREEMENT AND**
4 **IMPLEMENTATION POLICY.**

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

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

10 (2) a technical explanation of the Agreement.

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

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

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

21 **SEC. 317. CONSIDERATION OF APPROVAL LEGISLATION**
22 **AND IMPLEMENTING LEGISLATION.**

23 (a) IN GENERAL.—The approval legislation with re-
24 spect to the Agreement shall include the following: “Con-
25 gress approves the Agreement submitted to Congress pur-

1 suant to section 316 of the United States-Taiwan Tax
2 Agreement Authorization Act on _____.”, with the
3 blank space being filled with the appropriate date.

4 (b) APPROVAL LEGISLATION COMMITTEE REFER-
5 RAL.—The approval legislation shall—

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

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

10 (c) IMPLEMENTING LEGISLATION COMMITTEE RE-
11 FERRAL.—The implementing legislation shall—

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

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

16 **SEC. 318. RELATIONSHIP OF AGREEMENT TO INTERNAL**
17 **REVENUE CODE OF 1986.**

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

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

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

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

6 **SEC. 319. AUTHORIZATION OF SUBSEQUENT TAX AGREE-**
7 **MENTS RELATIVE TO TAIWAN.**

8 (a) IN GENERAL.—Subsequent to the enactment of
9 approval legislation and implementing legislation pursuant
10 to section 317—

11 (1) the term “tax agreement” in section 313(a)
12 shall be treated as including any tax agreement re-
13 lative to Taiwan which supplements or supersedes
14 the Agreement to which such approval legislation
15 and implementing legislation relates, and

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

18 (b) REQUIREMENTS, ETC., TO APPLY SEPA-
19 RATELY.—The provisions of this subtitle (including sec-
20 tion 314) shall be applied separately with respect to each
21 tax agreement referred to in subsection (a).

22 **SEC. 320. UNITED STATES TREATMENT OF DOUBLE TAX-**
23 **ATION MATTERS WITH RESPECT TO TAIWAN.**

24 (a) FINDINGS.—Congress makes the following find-
25 ings:

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

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

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

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

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

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

7 **TITLE IV—ASSISTANCE FOR DIS-**
8 **ASTER-IMPACTED COMMU-**
9 **NITIES**

10 **SEC. 401. SHORT TITLE.**

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

13 **SEC. 402. EXTENSION OF RULES FOR TREATMENT OF CER-**
14 **TAIN DISASTER-RELATED PERSONAL CAS-**
15 **UALTY LOSSES.**

16 For purposes of applying section 304(b) of the Tax-
17 payer Certainty and Disaster Tax Relief Act of 2020, sec-
18 tion 301 of such Act shall be applied by substituting “the
19 Federal Disaster Tax Relief Act of 2024” for “this Act”
20 each place it appears.

21 **SEC. 403. EXCLUSION FROM GROSS INCOME FOR COM-**
22 **PENSATION FOR LOSSES OR DAMAGES RE-**
23 **SULTING FROM CERTAIN WILDFIRES.**

24 (a) **IN GENERAL.**—For purposes of the Internal Rev-
25 enue Code of 1986, gross income shall not include any

1 amount received by an individual as a qualified wildfire
2 relief payment.

3 (b) QUALIFIED WILDFIRE RELIEF PAYMENT.—For
4 purposes of this section—

5 (1) IN GENERAL.—The term “qualified wildfire
6 relief payment” means any amount received by or on
7 behalf of an individual as compensation for losses,
8 expenses, or damages (including compensation for
9 additional living expenses, lost wages (other than
10 compensation for lost wages paid by the employer
11 which would have otherwise paid such wages), per-
12 sonal injury, death, or emotional distress) incurred
13 as a result of a qualified wildfire disaster, but only
14 to the extent the losses, expenses, or damages com-
15 pensated by such payment are not compensated for
16 by insurance or otherwise.

17 (2) QUALIFIED WILDFIRE DISASTER.—The
18 term “qualified wildfire disaster” means any feder-
19 ally declared disaster (as defined in section
20 165(i)(5)(A) of the Internal Revenue Code of 1986)
21 declared, after December 31, 2014, as a result of
22 any forest or range fire.

23 (c) DENIAL OF DOUBLE BENEFIT.—Notwith-
24 standing any other provision of the Internal Revenue Code
25 of 1986—

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

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

10 (d) **LIMITATION ON APPLICATION.**—This section
11 shall only apply to qualified wildfire relief payments re-
12 ceived by the individual during taxable years beginning
13 after December 31, 2019, and before January 1, 2026.

14 **SEC. 404. EAST PALESTINE DISASTER RELIEF PAYMENTS.**

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

20 (b) **EAST PALESTINE TRAIN DERAILMENT PAY-**
21 **MENTS.**—For purposes of this section, the term “East
22 Palestine train derailment payment” means any amount
23 received by or on behalf of an individual as compensation
24 for loss, damages, expenses, loss in real property value,
25 closing costs with respect to real property (including real-

1 tor commissions), or inconvenience (including access to
2 real property) resulting from the East Palestine train de-
3 railment if such amount was provided by—

4 (1) a Federal, State, or local government agen-
5 cy,

6 (2) Norfolk Southern Railway, or

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

9 (c) TRAIN DERAILMENT.—For purposes of this sec-
10 tion, the term “East Palestine train derailment” means
11 the derailment of a train in East Palestine, Ohio, on Feb-
12 ruary 3, 2023.

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

15 **TITLE V—MORE AFFORDABLE** 16 **HOUSING**

17 **SEC. 501. STATE HOUSING CREDIT CEILING INCREASE FOR** 18 **LOW-INCOME HOUSING CREDIT.**

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

20 (1) by striking “and 2021,” and inserting
21 “2021, 2023, 2024, and 2025,” and

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

1 (b) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to calendar years after 2022.

3 **SEC. 502. TAX-EXEMPT BOND FINANCING REQUIREMENT.**

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

6 “(B) SPECIAL RULE WHERE MINIMUM
7 PERCENT OF BUILDINGS IS FINANCED WITH
8 TAX-EXEMPT BONDS SUBJECT TO VOLUME
9 CAP.—For purposes of subparagraph (A), para-
10 graph (1) shall not apply to any portion of the
11 credit allowable under subsection (a) with re-
12 spect to a building if—

13 “(i) 50 percent or more of the aggre-
14 gate basis of such building and the land on
15 which the building is located is financed by
16 1 or more obligations described in subpara-
17 graph (A), or

18 “(ii)(I) 30 percent or more of the ag-
19 gregate basis of such building and the land
20 on which the building is located is financed
21 by 1 or more qualified obligations, and

22 “(II) 1 or more of such qualified obli-
23 gations—

1 “(aa) are part of an issue the
2 issue date of which is after December
3 31, 2023, and

4 “(bb) provide the financing for
5 not less than 5 percent of the aggregate
6 basis of such building and the
7 land on which the building is located.

8 “(C) QUALIFIED OBLIGATION.—For pur-
9 poses of subparagraph (B)(ii), the term ‘quali-
10 fied obligation’ means an obligation which is de-
11 scribed in subparagraph (A) and which is part
12 of an issue the issue date of which is before
13 January 1, 2026.”.

14 (b) EFFECTIVE DATE.—

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

18 (2) REHABILITATION EXPENDITURES TREATED
19 AS SEPARATE NEW BUILDING.—In the case of any
20 building with respect to which any expenditures are
21 treated as a separate new building under section
22 42(e) of the Internal Revenue Code of 1986, for
23 purposes of paragraph (1), both the existing building
24 and the separate new building shall be treated as
25 having been placed in service on the date such ex-

1 penditures are treated as placed in service under
2 section 42(e)(4) of such Code.

3 **TITLE VI—TAX ADMINISTRATION**
4 **AND ELIMINATING FRAUD**

5 **SEC. 601. INCREASE IN THRESHOLD FOR REQUIRING IN-**
6 **FORMATION REPORTING WITH RESPECT TO**
7 **CERTAIN PAYEES.**

8 (a) IN GENERAL.—Sections 6041(a) is amended by
9 striking “\$600” and inserting “\$1,000”.

10 (b) INFLATION ADJUSTMENT.—Section 6041 is
11 amended by adding at the end the following new sub-
12 section:

13 “(h) INFLATION ADJUSTMENT.—In the case of any
14 calendar year after 2024, the dollar amount in subsection
15 (a) shall be increased by an amount equal to—

16 “(1) such dollar amount, multiplied by

17 “(2) the cost-of-living adjustment determined
18 under section 1(f)(3) for such calendar year, deter-
19 mined by substituting ‘calendar year 2023’ for ‘cal-
20 endar year 2016’ in subparagraph (A)(ii) thereof.

21 If any increase under the preceding sentence is not a mul-
22 tiple of \$100, such increase shall be rounded to the nearest
23 multiple of \$100.”.

1 (c) APPLICATION TO REPORTING ON REMUNERATION
2 FOR SERVICES AND DIRECT SALES.—Section 6041A is
3 amended—

4 (1) in subsection (a)(2), by striking “is \$600 or
5 more” and inserting “equals or exceeds the dollar
6 amount in effect for such calendar year under sec-
7 tion 6041(a)”, and

8 (2) in subsection (b)(1)(B), by striking “is
9 \$5,000 or more” and inserting “equals or exceeds
10 the dollar amount in effect for such calendar year
11 under section 6041(a)”.

12 (d) APPLICATION TO BACKUP WITHHOLDING.—Sec-
13 tion 3406(b)(6) is amended—

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

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

20 (e) CONFORMING AMENDMENTS.—

21 (1) The heading of section 6041(a) is amended
22 by striking “OF \$600 OR MORE” and inserting “EX-
23 CEEDING THRESHOLD”.

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

1 (f) EFFECTIVE DATE.—The amendments made by
2 this section shall apply with respect to payments made
3 after December 31, 2023.

4 **SEC. 602. ENFORCEMENT PROVISIONS WITH RESPECT TO**
5 **COVID-RELATED EMPLOYEE RETENTION**
6 **CREDITS.**

7 (a) INCREASE IN ASSESSABLE PENALTY ON COVID–
8 ERTC PROMOTERS FOR AIDING AND ABETTING UNDER–
9 STATEMENTS OF TAX LIABILITY.—

10 (1) IN GENERAL.—If any COVID–ERTC pro-
11 moter is subject to penalty under section 6701(a) of
12 the Internal Revenue Code of 1986 with respect to
13 any COVID–ERTC document, notwithstanding
14 paragraphs (1) and (2) of section 6701(b) of such
15 Code, the amount of the penalty imposed under such
16 section 6701(a) shall be the greater of—

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

19 (B) 75 percent of the gross income derived
20 (or to be derived) by such promoter with re-
21 spect to the aid, assistance, or advice referred
22 to in section 6701(a)(1) of such Code with re-
23 spect to such document.

24 (2) NO INFERENCE.—Paragraph (1) shall not
25 be construed to create any inference with respect to

1 the proper application of the knowledge requirement
2 of section 6701(a)(3) of the Internal Revenue Code
3 of 1986.

4 (b) FAILURE TO COMPLY WITH DUE DILIGENCE RE-
5 QUIREMENTS TREATED AS KNOWLEDGE FOR PURPOSES
6 OF ASSESSABLE PENALTY FOR AIDING AND ABETTING
7 UNDERSTATEMENT OF TAX LIABILITY.—In the case of
8 any COVID–ERTC promoter, the knowledge requirement
9 of section 6701(a)(3) of the Internal Revenue Code of
10 1986 shall be treated as satisfied with respect to any
11 COVID–ERTC document with respect to which such pro-
12 moter provided aid, assistance, or advice, if such promoter
13 fails to comply with the due diligence requirements re-
14 ferred to in subsection (c)(1).

15 (c) ASSESSABLE PENALTY FOR FAILURE TO COMPLY
16 WITH DUE DILIGENCE REQUIREMENTS.—

17 (1) IN GENERAL.—Any COVID–ERTC pro-
18 moter which provides aid, assistance, or advice with
19 respect to any COVID–ERTC document and which
20 fails to comply with due diligence requirements im-
21 posed by the Secretary with respect to determining
22 eligibility for, or the amount of, any COVID-related
23 employee retention tax credit, shall pay a penalty of
24 \$1,000 for each such failure.

1 (2) DUE DILIGENCE REQUIREMENTS.—Except
2 as otherwise provided by the Secretary, the due dili-
3 gence requirements referred to in paragraph (1)
4 shall be similar to the due diligence requirements
5 imposed under section 6695(g).

6 (3) RESTRICTION TO DOCUMENTS USED IN
7 CONNECTION WITH RETURNS OR CLAIMS FOR RE-
8 FUND.—Paragraph (1) shall not apply with respect
9 to any COVID-ERTC document unless such docu-
10 ment constitutes, or relates to, a return or claim for
11 refund.

12 (4) TREATMENT AS ASSESSABLE PENALTY,
13 ETC.—For purposes of the Internal Revenue Code of
14 1986, the penalty imposed under paragraph (1) shall
15 be treated in the same manner as a penalty imposed
16 under section 6695(g).

17 (5) SECRETARY.—For purposes of this sub-
18 section, the term “Secretary” means the Secretary
19 of the Treasury or the Secretary’s delegate.

20 (d) ASSESSABLE PENALTIES FOR FAILURE TO DIS-
21 CLOSE INFORMATION, MAINTAIN CLIENT LISTS, ETC.—
22 For purposes of sections 6111, 6112, 6707 and 6708 of
23 the Internal Revenue Code of 1986—

24 (1) any COVID-related employee retention tax
25 credit (whether or not the taxpayer claims such

1 COVID-related employee retention tax credit) shall
2 be treated as a listed transaction (and as a report-
3 able transaction) with respect to any COVID-ERTC
4 promoter if such promoter provides any aid, assist-
5 ance, or advice with respect to any COVID-ERTC
6 document relating to such COVID-related employee
7 retention tax credit, and

8 (2) such COVID-ERTC promoter shall be
9 treated as a material advisor with respect to such
10 transaction.

11 (e) COVID-ERTC PROMOTER.—For purposes of
12 this section—

13 (1) IN GENERAL.—The term “COVID-ERTC
14 promoter” means, with respect to any COVID-
15 ERTC document, any person which provides aid, as-
16 sistance, or advice with respect to such document
17 if—

18 (A) such person charges or receives a fee
19 for such aid, assistance, or advice which is
20 based on the amount of the refund or credit
21 with respect to such document and, with respect
22 to such person’s taxable year in which such per-
23 son provided such assistance or the preceding
24 taxable year, the aggregate gross receipts of
25 such person for aid, assistance, and advice with

1 respect to all COVID-ERTC documents exceeds
2 20 percent of the gross receipts of such person
3 for such taxable year, or

4 (B) with respect to such person’s taxable
5 year in which such person provided such assist-
6 ance or the preceding taxable year—

7 (i) the aggregate gross receipts of
8 such person for aid, assistance, and advice
9 with respect to all COVID-ERTC docu-
10 ments exceeds 50 percent of the gross re-
11 ceipts of such person for such taxable year,
12 or

13 (ii) both—

14 (I) such aggregate gross receipts
15 exceeds 20 percent of the gross re-
16 ceipts of such person for such taxable
17 year, and

18 (II) the aggregate gross receipts
19 of such person for aid, assistance, and
20 advice with respect to all COVID-
21 ERTC documents (determined after
22 application of paragraph (3)) exceeds
23 \$500,000.

24 (2) EXCEPTION FOR CERTIFIED PROFESSIONAL
25 EMPLOYER ORGANIZATIONS.—The term “COVID-

1 ERTC promoter” shall not include a certified profes-
2 sional employer organization (as defined in section
3 7705).

4 (3) AGGREGATION RULE.—For purposes of
5 paragraph (1)(B)(ii)(II), all persons treated as a
6 single employer under subsection (a) or (b) of sec-
7 tion 52 of the Internal Revenue Code of 1986, or
8 subsection (m) or (o) of section 414 of such Code,
9 shall be treated as 1 person.

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

15 (f) COVID-ERTC DOCUMENT.—For purposes of
16 this section, the term “COVID-ERTC document” means
17 any return, affidavit, claim, or other document related to
18 any COVID-related employee retention tax credit, includ-
19 ing any document related to eligibility for, or the calcula-
20 tion or determination of any amount directly related to
21 any COVID-related employee retention tax credit.

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

1 (1) any credit, or advance payment, under sec-
2 tion 3134 of the Internal Revenue Code of 1986,
3 and

4 (2) any credit, or advance payment, under sec-
5 tion 2301 of the CARES Act.

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

14 (i) AMENDMENTS TO EXTEND LIMITATION ON AS-
15 SESSMENT.—

16 (1) IN GENERAL.—Section 3134(l) of the Inter-
17 nal Revenue Code of 1986 is amended to read as fol-
18 lows:

19 “(l) EXTENSION OF LIMITATION ON ASSESSMENT.—

20 “(1) IN GENERAL.—Notwithstanding section
21 6501, the limitation on the time period for the as-
22 sessment of any amount attributable to a credit
23 claimed under this section shall not expire before the
24 date that is 6 years after the latest of—

1 “(A) the date on which the original return
2 which includes the calendar quarter with re-
3 spect to which such credit is determined is filed,

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

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

8 “(2) DEDUCTION FOR WAGES TAKEN INTO AC-
9 COUNT IN DETERMINING IMPROPERLY CLAIMED
10 CREDIT.—

11 “(A) IN GENERAL.—Notwithstanding sec-
12 tion 6511, in the case of an assessment attrib-
13 utable to a credit claimed under this section,
14 the limitation on the time period for credit or
15 refund of any amount attributable to a deduc-
16 tion for improperly claimed ERTC wages shall
17 not expire before the time period for such as-
18 sessment expires under paragraph (1).

19 “(B) IMPROPERLY CLAIMED ERTC
20 WAGES.—For purposes of this paragraph, the
21 term ‘improperly claimed ERTC wages’ means,
22 with respect to an assessment attributable to a
23 credit claimed under this section, the wages
24 with respect to which a deduction would not
25 have been allowed if the portion of the credit to

1 which such assessment relates had been prop-
2 erly claimed.”.

3 (2) APPLICATION TO CARES ACT CREDIT.—Sec-
4 tion 2301 of the CARES Act is amended by adding
5 at the end the following new subsection:

6 “(o) EXTENSION OF LIMITATION ON ASSESSMENT.—

7 “(1) IN GENERAL.—Notwithstanding section
8 6501 of the Internal Revenue Code of 1986, the lim-
9 itation on the time period for the assessment of any
10 amount attributable to a credit claimed under this
11 section shall not expire before the date that is 6
12 years after the latest of—

13 “(A) the date on which the original return
14 which includes the calendar quarter with re-
15 spect to which such credit is determined is filed,

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

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

21 “(2) DEDUCTION FOR WAGES TAKEN INTO AC-
22 COUNT IN DETERMINING IMPROPERLY CLAIMED
23 CREDIT.—

24 “(A) IN GENERAL.—Notwithstanding sec-
25 tion 6511 of such Code, in the case of an as-

1 assessment attributable to a credit claimed under
2 this section, the limitation on the time period
3 for credit or refund of any amount attributable
4 to a deduction for improperly claimed ERTC
5 wages shall not expire before the time period
6 for such assessment expires under paragraph
7 (1).

8 “(B) IMPROPERLY CLAIMED ERTC
9 WAGES.—For purposes of this paragraph, the
10 term ‘improperly claimed ERTC wages’ means,
11 with respect to an assessment attributable to a
12 credit claimed under this section, the wages
13 with respect to which a deduction would not
14 have been allowed if the portion of the credit to
15 which such assessment relates had been prop-
16 erly claimed.”.

17 (j) EFFECTIVE DATES.—

18 (1) IN GENERAL.—Except as otherwise pro-
19 vided in this subsection, the provisions of this sec-
20 tion shall apply to aid, assistance, and advice pro-
21 vided after March 12, 2020.

22 (2) DUE DILIGENCE REQUIREMENTS.—Sub-
23 sections (b) and (c) shall apply to aid, assistance,
24 and advice provided after the date of the enactment
25 of this Act.

1 (3) LIMITATION ON CREDIT AND REFUND OF
2 COVID-RELATED EMPLOYEE RETENTION TAX CRED-
3 ITS.—Subsection (h) shall apply to credits and re-
4 funds allowed or made after January 31, 2024.

5 (4) AMENDMENTS TO EXTEND LIMITATION ON
6 ASSESSMENT.—The amendments made by subsection
7 (i) shall apply to assessments made after the date of
8 the enactment of this Act.

9 (k) TRANSITION RULE WITH RESPECT TO REQUIRE-
10 MENTS TO DISCLOSE INFORMATION, MAINTAIN CLIENT
11 LISTS, ETC.—Any return under section 6111 of the Inter-
12 nal Revenue Code of 1986, or list under section 6112 of
13 such Code, required by reason of subsection (d) of this
14 section to be filed or maintained, respectively, with respect
15 to any aid, assistance, or advice provided by a COVID-
16 ERTC promoter with respect to a COVID-ERTC docu-
17 ment before the date of the enactment of this Act, shall
18 not be required to be so filed or maintained (with respect
19 to such aid, assistance or advice) before the date which
20 is 90 days after such date.

21 (l) PROVISIONS NOT TO BE CONSTRUED TO CREATE
22 NEGATIVE INFERENCES.—

23 (1) NO INFERENCE WITH RESPECT TO APPLICA-
24 TION OF KNOWLEDGE REQUIREMENT TO PRE-EN-
25 ACTMENT CONDUCT OF COVID-ERTC PROMOTERS,

1 ETC.—Subsection (b) shall not be construed to cre-
2 ate any inference with respect to the proper applica-
3 tion of section 6701(a)(3) of the Internal Revenue
4 Code of 1986 with respect to any aid, assistance, or
5 advice provided by any COVID-ERTC promoter on
6 or before the date of the enactment of this Act (or
7 with respect to any other aid, assistance, or advice
8 to which such subsection does not apply).

9 (2) REQUIREMENTS TO DISCLOSE INFORMA-
10 TION, MAINTAIN CLIENT LISTS, ETC.—Subsections
11 (d) and (k) shall not be construed to create any in-
12 ference with respect to whether any COVID-related
13 employee retention tax credit is (without regard to
14 subsection (d)) a listed transaction (or reportable
15 transaction) with respect to any COVID-ERTC pro-
16 moter; and, for purposes of subsection (j), a return
17 or list shall not be treated as required (with respect
18 to such aid, assistance, or advice) by reason of sub-
19 section (d) if such return or list would be so re-
20 quired without regard to subsection (d).

21 (m) REGULATIONS.—The Secretary (as defined in
22 subsection (c)(5)) shall issue such regulations or other
23 guidance as may be necessary or appropriate to carry out

- 1 the purposes of this section (and the amendments made
- 2 by this section).

