Congressional Budget Office
Cost Estimate

November 9, 2023

S. 3084, United States-Taiwan Expedited Double-Tax Relief Act

As reported by the Senate Committee on Finance on October 19, 2023

By Fiscal Year, Millions of Dollars	2024	2024-2028	2024-2033
Direct Spending (Outlays)	0	0	0
Revenues	0	0	0
Increase or Decrease (-) in the Deficit	0	0	0
Spending Subject to Appropriation (Outlays)	0	*	not estimated

Increases *net direct spending* in any of the four consecutive 10-year periods beginning in 2034?	No	Statutory pay-as-you-go procedures apply?	No
		Mandate Effects	
Increases *on-budget deficits* in any of the four consecutive 10-year periods beginning in 2034?	No	Contains intergovernmental mandate?	No
		Contains private-sector mandate?	No

* = between zero and $500,000.

S. 3084 would amend portions of the Internal Revenue Code to specify the tax treatment of income from U.S. sources that is earned or received by qualified residents of Taiwan. Those changes would define which sources of income would be subject to taxation, the relevant tax rates for each source, and anti-abuse and anti-avoidance provisions. The changes would be intended to align the tax treatment of income in the United States and Taiwan with the typical treatment offered by the United States under bilateral tax treaties. The changes in the bill would include language based on the U.S. Model Tax Treaty, a framework used to relieve double taxation when jurisdictions' rules overlap.[1] The bill's provisions would take effect only after Taiwan provides comparable tax relief for income from Taiwanese sources that is earned or received by U.S. residents.

Income sources that would be subject to U.S. taxation under S. 3084 include interest, royalties, and capital gains as well as dividends and income from employment. The bill also would specify the treatment of income that is considered to be effectively connected with a U.S. permanent establishment. S. 3084 also would define the requirements for someone to be considered a qualified resident of Taiwan, specify reciprocity requirements necessary for the

1. For more information, see Internal Revenue Service, "United States Tax Model—Tax Treaty Documents," (September 19, 2023), https://tinyurl.com/5n9yt3ke.

See also
CBO's Cost Estimates Explained, *CBO Describes Its Cost-Estimating Process*, *Glossary*

changes to come into effect, and authorize the Secretary of the Treasury to develop and issue regulations as necessary.

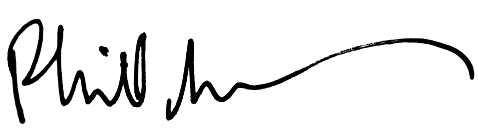
The Congressional Budget Act of 1974, as amended, stipulates that revenue estimates provided by the staff of the Joint Committee on Taxation (JCT) are the official estimates for all tax legislation considered by the Congress. CBO therefore incorporates such estimates into its cost estimates of the effects of legislation. The revenue estimates for the bill were provided by JCT.[2]

Because the changes in taxation specified by the bill would not take effect unless Taiwan implemented comparable relief for U.S. residents, JCT estimates that the bill would have no effect on federal revenues over the 2024-2033 period. However, CBO and JCT anticipate that if Taiwan made the required reciprocal actions and the provisions of the bill took effect, U.S. taxes on income from U.S. sources earned by qualified Taiwanese residents would be reduced. Taiwanese taxes on income from Taiwanese sources earned by U.S. residents also would be reduced, thus decreasing foreign tax credits claimed by those U.S. taxpayers.

CBO estimates that implementing the bill would increase federal costs by less than $500,000 over the 2024-2028 period; any spending would be subject to the availability of appropriated funds.

On August 10, 2023, CBO transmitted a cost estimate for S. 1457, the Taiwan Tax Agreement Act of 2023, as ordered reported by the Senate Committee on Foreign Relations on July 25, 2023. Both bills would establish a process for aligning the income tax treatment of residents and businesses in the United States and Taiwan to be consistent with typical bilateral tax treaties. Neither bill would affect federal revenues unless some further action was taken by the Congress, in the case of S. 1457, or by Taiwan in the case of S. 3084. Both bills would require an increase of less than $500,000 in federal spending to meet the requirements of the bill, but neither bill would appropriate any funding.

The CBO staff contact for this estimate is Jennifer Shand. The estimate was reviewed by John McClelland, Director of Tax Analysis, and H. Samuel Papenfuss, Deputy Director of Budget Analysis.



Phillip L. Swagel
Director, Congressional Budget Office

2. For JCT's discussion and estimates of the bill, see Joint Committee on Taxation, *Description of the Chairman's Mark of the "United States-Taiwan Expedited Double-Tax Relief Act,"* JCX-37-23 (September 12, 2023), www.jct.gov/publications/2023/jcx-37-23.