

1 OPEN EXECUTIVE SESSION TO CONSIDER THE UNITED
2 STATES-TAIWAN EXPEDITED DOUBLE-TAX RELIEF ACT
3 THURSDAY, SEPTEMBER 14, 2023
4 U.S. Senate,
5 Committee on Finance,
6 Washington, DC.

7

8 The hearing was convened, pursuant to notice, at
9 10:04 a.m., in Room SD-215, Dirksen Senate Office
10 Building, Hon. Ron Wyden (chairman of the committee)
11 presiding.

12 Present: Senators Stabenow, Menendez, Carper,
13 Cardin, Brown, Casey, Warner, Whitehouse, Hassan, Cortez
14 Masto, Warren, Crapo, Grassley, Cornyn, Thune, Scott,
15 Cassidy, Lankford, Daines, Young, Barrasso, Johnson,
16 Tillis, and Blackburn.

17 Also present: Democratic staff: Shawn Bishop, Chief
18 Health Advisor; Nicole Brussel Faria, Investigator;
19 Joshua Sheinkman, Staff Director; and Tiffany Smith,
20 Deputy Staff Director and Chief Counsel. Republican
21 staff: Becky Cole, Chief Economist; Kellie McConnell,
22 Health Policy Director; and Stuart Portman, Senior
23 Health Policy Advisor.

1 The Chairman. The Committee will come to order.
2 We meet today to consider the United States-Taiwan
3 Expedited Double-Tax Relief Act. This is a busy day in
4 the Senate, with many committees conducting business.
5 So, for the information centers and staff, let me
6 explain how I and Ranking Member Crapo will proceed.

7 We're each going to deliver an opening statement.
8 Other members are then welcome to deliver opening
9 statements of up to two minutes. Once opening
10 statements have been given, we'll introduce the Panel,
11 and allow Members to ask questions of the Committee
12 staff.

13 After that, we'll consider amendments to the mark.
14 We will then vote on whether to report the mark for the
15 information of Members and staff, and we've discussed
16 this with Members on both sides. We plan to hold the
17 vote to report the bill around 10:45, and we'll let
18 Members know if the time for that vote changes.

19 If a quorum for a vote is not present, we will
20 vote when we have a quorum. With that, we will turn to
21 opening statements.

1 OPENING STATEMENT OF HON. RON WYDEN, A U.S. SENATOR FROM
2 OREGON, CHAIRMAN, COMMITTEE ON FINANCE

3

4 The Chairman. Now the Committee is convened today
5 to vote on bipartisan tax legislation, the U.S.-Taiwan
6 Expedited Double-Tax Relief Act. This legislation
7 relieves double taxation on investment between the
8 United States and Taiwan. Today's legislation has been
9 developed jointly by myself and Ranking Member Crapo,
10 along with the Ranking Member of the Ways and Means
11 Committee, Chairman Jason Smith, and Ranking Member
12 Neal.

13 For months leading up to today, the four of us
14 have been working closely together to get this done, and
15 I want to thank those three colleagues for their strong
16 support. It is not every day that the bipartisan
17 leadership of both tax writing committees come together
18 in this kind of fashion, but this legislation is hugely
19 important to American workers and national security.

20 Let me highlight the reason why the bill has
21 generated such strong bipartisan support. First and
22 foremost, the momentum behind the proposal comes from
23 the fact that the Senate, on a bipartisan basis, fully
24 supports strengthening America's economic partnership
25 with Taiwan. Taiwan is a critical trading partner.

1 For example, there are deep ties between Oregon
2 and Taiwan developed through decades of trade along the
3 Pacific Rim. My state has understood the importance of
4 supporting Taiwan for a long time. The Senate recently
5 demonstrated its strong support for Taiwan when it
6 unanimously passed the first trade agreement signed
7 under the U.S.-Taiwan Initiative on 21st Century Trade.

8 This legislation is part of a plan to strengthen
9 America for generations to come, particularly by
10 super-charging chips making in America. This has been
11 especially important to this Committee, where we
12 authored on a bipartisan basis the \$24 billion in the
13 new CHIPS tax credit to support fab construction here in
14 our country.

15 Taiwan is a critical partner in this venture.
16 Over the last five years, \$45 billion were invested in
17 the United States through Taiwan in the semiconductor
18 sector. We anticipate billions of dollars more,
19 translating into good-paying jobs across the country.

20 To ensure that our country continues to grow these
21 investments in America, relief from double taxation
22 between the United States and Taiwan is a crucial next
23 step. We do not want these investments to fall through
24 or go to other countries because we are not providing
25 double tax relief. This is the same type of double tax

1 relief provided to other major trading partners who are
2 providing this relief to Taiwan already.

3 We cannot allow double tax issues to hamper any
4 growth in our domestic semiconductor industry, and this
5 is why Senator Crapo and I have felt so strongly about
6 this issue. For U.S. workers, who need to occasionally
7 travel abroad, our bill can provide especially strong
8 benefits. Let us say somebody from Portland needs to go
9 to Taipei for three weeks as part of their job training.

10 Right now, they may have to fill out a Taiwanese
11 tax return and deal with all kinds of U.S. tax filing
12 headaches. Once we get this done, they go to Taiwan for
13 short business, they do their job, come home and not
14 worry a bit about it.

15 There is no time to waste. By putting double tax
16 relief directly into the Tax Code, if things go well we
17 are talking about months not years for the relief for
18 U.S. workers, U.S. investments and U.S. companies. Not
19 only is Taiwan a critical trading partner, it is a
20 democracy that shares our values and faces a growing
21 threat.

22 The Chinese Communist Party continues its effort
23 to intimidate and isolate Taiwan through diplomatic and
24 economic coercion, and the use of force. The Chinese
25 have been ratcheting up its military capabilities along

1 Taiwan's coastline, from updating its military bases
2 near the Taiwan Strait to sending warships and war
3 planes near the island on a daily basis.

4 These aggressive activities affect the United
5 States and our allies. As a global leader in
6 manufacturing semiconductors, the chips used in TVs and
7 iPhones, but also in advanced weapons and military
8 equipment. Taiwan plays a key role in the security of
9 democratic nations. I will put the rest of my remarks
10 on these national security issues into the record.

11 Beijing's activities in the region could lead to
12 global disruptions in trade, investment and finance. As
13 cross-strait tensions increase, the United States
14 Congress has to work to help stabilize the region.

15 Let me close by saying Members across this
16 Committee have been strong friends of Taiwan and on this
17 issue, no one has been stronger than Senator Menendez,
18 as Chairman of the Senate Foreign Relations Committee.
19 Senator Menendez and I have been working very closely
20 together on a framework to achieve the goals that I have
21 described here.

22 We have had a long and strong partnership with
23 these kinds of issues working on our Committee, shared
24 priorities in the past, and I very much appreciate his
25 leadership on this issue as well. Our unique

1 relationship with Taiwan requires a unique approach to
2 double tax relief as well.

3 It is novel, but more importantly it is fast. The
4 Congress can get this done. Americans can see more
5 shovels in the ground, more semiconductors coming off
6 the factory line and more good-paying jobs. I hope
7 everyone on the Finance Committee is going to support
8 this bipartisan and bicameral legislation. With that, I
9 will turn things over to Senator Crapo.

1 OPENING STATEMENT OF HON. MIKE CRAPO, A U.S. SENATOR
2 FROM IDAHO

3

4 Senator Crapo. Well, thank you, Mr. Chairman, and
5 thanks to your staff also for their efforts, as we work
6 to craft a solution for this very unique circumstance we
7 are facing today.

8 Without question, deepening ties with Taiwan and
9 its vibrant democracy is in our nation's best interest.
10 More than 90 percent of the world's most advanced memory
11 chips, used in everything from digital devices to AI,
12 enable data centers to cutting edge defense technology
13 are produced in Taiwan.

14 Thus, this Committee has a strong interest in
15 ensuring Taiwan remains economically and defensively
16 secure. This summer, the Senate demonstrated support
17 for Taiwan by unanimously passing legislation that I
18 co-led with the Chairman, approving the first trade
19 agreement signed under the U.S.-Taiwan Initiative on
20 21st Century Trade.

21 Today, we convene to further strengthen the
22 economic partnership between the U.S. and Taiwan by
23 addressing double taxation to encourage cross-border
24 investment. Taiwan is our largest trading partner with
25 whom we do not have an income tax treaty. Normally,

1 Congress enters into a tax treaty with a country to
2 alleviate the double tax burden on cross-border
3 investment.

4 However, Taiwan's unique status precludes it from
5 dealing with double tax issues through a traditional tax
6 treaty. The process we are considering today should not
7 be viewed as a new template to shortcut or end around
8 around tax treaties. Absent this very unique
9 circumstance, the proper path for considering bilateral
10 income tax treaties should be through the Foreign
11 Relations Committee led by Chairman Menendez and Ranking
12 Member Risch, as Senator Wyden has indicated.

13 However, Taiwan's very unique status requires a
14 very unique solution. It requires this Committee's
15 expertise to make direct changes to the Tax Code to
16 deliver treaty-like benefits for American and Taiwanese
17 workers and businesses operating across our borders.

18 These direct changes to the Tax Code will unlock
19 cross-border investment and provide businesses and
20 workers much needed certainty in four main areas, all of
21 which are in the scope of a traditional tax treaty.
22 First, the bill will significantly reduce withholding
23 taxes on dividends, interest and royalties paid on
24 cross-border investments.

25 According to a 2020 survey by the American

1 Institute in Taiwan, almost four out of five Taiwanese
2 companies with a U.S. presence consider the current 30
3 percent dividend withholding tax to be a considerable
4 factor preventing additional U.S. investment. These
5 additional investments are especially crucial in our
6 ability to enhance our onshoring capabilities for
7 advanced manufacturing. Over the past few years, supply
8 chain shortages and surge in demand for computing power
9 have highlighted the critical importance of Taiwan's
10 semiconductor industry to the basic functioning of
11 products we rely on everyday life.

12 While those additional investments by established
13 chipmakers will bolster our economic and national
14 security, those larger companies cannot operate in
15 isolation. They rely on a large network of small and
16 medium-sized suppliers. The second part of the bill,
17 applying permanent establishment rules to create a
18 higher threshold for taxation in the source country,
19 would reduce barriers for smaller and mid-sized
20 Taiwanese companies to conduct certain activities in the
21 U.S., fortifying our domestic supply chains.

22 This bill not only encourages business
23 cross-border investment, it also provides relief and
24 certainty for workers. For Taiwanese workers performing
25 services in the U.S., this bill provides they can spend

1 up to half a year in the U.S. before subjecting their
2 wages to U.S. income tax, encouraging those workers to
3 invest more time in U.S. operations.

4 Finally, to provide additional clarity, the bill
5 offers a set of tie breaker rules to ensure workers who
6 are residents of both the United States and Taiwan are
7 not double taxed on their income. Importantly, all of
8 these items are subject to reciprocity. These benefits
9 are contingent on Taiwan agreeing to provide reciprocal
10 benefits to U.S.-based companies and individuals
11 investing and working in Taiwan.

12 While foreign direct investment from Taiwan into
13 the U.S. has surged over the last few years, Taiwan is
14 also a key destination for U.S. exports. Last month
15 back home, I heard firsthand how Taiwan is a critical
16 ally for Idaho businesses. Taiwan is the second largest
17 export destination for Idaho products, increasing by 16
18 percent from 2021 to 2022.

19 And 70 percent of those exports involve electrical
20 equipment and machinery. Both in Idaho and throughout
21 our country, our economic and strategic relationship
22 with Taiwan is as important as ever. This bill will
23 help workers and businesses of all sizes get ahead in
24 both the U.S. and Taiwan.

25 Again, thank you, Mr. Chairman and all of the

1 Members of this Committee, for their hard work and
2 support to strengthen our long-term partnership with
3 Taiwan. I also thank and recognize the staff of the
4 Joint Committee on Taxation for their tireless work.
5 The Finance Committee cannot properly function without
6 JCT's technical expertise. So, thank you to Tom
7 Barthold, JCT's chief of staff, who is with us today,
8 and to the policy staff at JCT who helped all the
9 Finance Members prepare for today's markup. Christine
10 Roth, Jared Herman, Jeff Arbight, Carol Wang and Chia
11 Chiang and many others who worked behind the scenes.

12 Your hard work over the past few months is greatly
13 valued, and played an indispensable role in making this
14 markup possible. Once the Finance Committee reports
15 this bill, I look forward to continue working with
16 Senators Menendez and Risch and their colleagues on the
17 Foreign Relations Committee on this issue.

18 I am encouraged by recent progress we have made
19 and confident we will be able to find an appropriate
20 path forward for each committee. Thank you, Mr.
21 Chairman, and I yield back.

22 The Chairman. Well said, Senator Crapo. We look
23 forward to working with every Member on both sides to
24 get this done quickly. Do other Members wish to make
25 opening statements? Senator Cardin? Oh, let us go here

1 and then you. Senator Cardin?

1 OPENING STATEMENT OF HON. BENJAMIN L. CARDIN, A U.S.
2 SENATOR FROM MARYLAND

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4 Senator Cardin. Thank you, Mr. Chairman. Let me
5 thank you and Senator Crapo for bringing forward this
6 legislation. As you both indicated, Taiwan's unique
7 status requires a little creativity here, and I have the
8 privilege of serving not only on this Committee but also
9 the Senate Foreign Relations Committee.

10 I supported the efforts in the Senate Foreign
11 Relations Committee in regards to moving forward with an
12 agreement, and I support the provisions that are in the
13 Chairman's mark that avoids the double taxation. So I
14 hope that we would come together with a holistic
15 approach because it is important that we do the right
16 thing in regards to predictability in tax provisions as
17 it relates to Taiwan.

18 Taiwan is a vibrant democracy. It is an advanced
19 economy and a major trading partner with the United
20 States. It is a critical partner to my state of
21 Maryland through the Port of Baltimore. It is one of
22 our largest trading partners through the Port of
23 Baltimore. So I think it is critically important that
24 they have the predictability of something similar to a
25 tax treaty, recognizing we cannot have a tax treaty with

1 the provisions that are included in the legislation that
2 we are considering in the Tax Code, but also holding
3 open the opportunity of negotiating an agreement.

4 I want to thank you on the specific provisions
5 that are in the Chairman's mark as it relates to the
6 reduced tax rates for qualified REIT dividends. That is
7 one of the issues that I know that we were concerned
8 about, as far as having that clarified, and I thank you
9 for the open manner in which you paneled this.

10 The Chairman. Well, thank you, Senator Cardin,
11 and we are particularly pleased to have this connection
12 between the Foreign Relations Committee and the Finance
13 Committee. It is important for national security, it is
14 important for American competitiveness and jobs, and we
15 appreciate your leadership.

16 Senator Grassley?

1 OPENING STATEMENT OF HON. CHUCK GRASSLEY, A U.S. SENATOR
2 FROM IOWA

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4 Senator Grassley. Thanks to the Chairman and
5 Ranking Member for your hard work at putting together
6 today's bipartisan package.

7 The U.S.-Taiwan Taxation Relief Act will better
8 align Taiwan and our tax systems to our mutual benefits.
9 By tearing down tax barriers to trade and cross-border
10 investments, it will strengthen our economic
11 relationship with the democratic government of Taiwan.
12 It will expand economic opportunities for American and
13 Taiwanese businesses, particularly Taiwanese investment
14 in the United States in areas like microchips.

15 Taiwan is currently our nation's ninth largest
16 trading partner, and the 12th largest trading partner
17 with my home state of Iowa. Just last year, Taiwan
18 committed to buy nearly \$3 billion of Iowa corn and
19 soybeans. I look forward to the expanded opportunities
20 for economic cooperation with Taiwan that this bill
21 affords Iowa businesses.

22 More importantly, strengthening our ties with our
23 democratic allies in Asia, as this bill does, is exactly
24 the type of steps this Committee should take to counter
25 the global ambitions of an increasingly hostile China.

1 I look forward to voting in favor of the U.S.-Taiwan
2 Expedited Double Taxation Relief Act, and hope Congress
3 moves quickly to enact it.

4 The Chairman. Thank you, Senator Grassley.

5 Next in order of appearance will be Senator
6 Tillis.

1 OPENING STATEMENT OF HON. THOM TILLIS, A U.S. SENATOR
2 FROM NORTH CAROLINA

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4 Senator Tillis. Thank you, Mr. Chairman and
5 Ranking Member, for holding this markup. This is a
6 great step forward in terms of the legislation we are
7 going to vote on today. You know, Taiwan is a vital
8 strategic partner, and we must continue to strengthen
9 our relationship in the face of Chinese Communist Party
10 aggression.

11 We must also continue to support Taiwan through
12 mechanisms like the U.S.-Taiwan Initiative on 21st
13 Century Trade, and I believe a good next step would be
14 to admit Taiwan to the Indo-Pacific Economic Framework.
15 Reinforcing our support for our most vulnerable allies
16 in times of conflicts show the world that we are always
17 going to support our allies and friends.

18 China is watching our support for Ukraine right
19 now, and any weakness or hesitancy. So, we must
20 continue to stand firm against Russia, Russia's
21 aggression in Ukraine, just as we should stand firm
22 against Chinese aggression towards Taiwan.

23 There are many policy areas I think we should
24 consider engaging against China. For one, legislation
25 that Senator Brown and I are working on is called the

1 Fighting Trade Cheats Act. This is going to give us an
2 opportunity for U.S. industry to strengthen, or actually
3 to go after bad actors. Right now, China has a play
4 that they run. They are dumping materials in the United
5 States after they launder it from the time that it
6 leaves Taiwan to the time that it gets here.

7 CIS does not have the capacity to go after all of
8 these cheat schemes. But if we unleash American
9 industry to go after these tax cheats, we get a force
10 multiplier on what I think are unfair trade practices.

11 And Mr. Chair, the other thing I wanted to
12 mention, I am going to be brief because I want to get to
13 the vote. But I want to thank Senator Menendez for
14 inviting me to co-chair the Taiwan Caucus. I think that
15 we have an opportunity to work together, and I want to
16 do everything we can to strengthen our relationship and
17 have -- and start playing at the level China's been
18 playing for decades.

19 This is one of several steps we should take, and I
20 look forward to working with this Committee under your
21 leadership to get it done.

22 The Chairman. Thank you for your bipartisanship
23 on both of those efforts. I think the Taiwan Caucus
24 with Chairman Menendez is going to be very constructive
25 in this area, and also I appreciate your leadership with

1 Senator Brown on the trade cheats efforts. So we will
2 be working closely together on those issues.

3 Next in the order of appearance, we would have
4 Senator Cortez Masto.

1 OPENING STATEMENT OF HON. CATHERINE CORTEZ MASTO, A U.S.
2 SENATOR FROM NEVADA

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4 Senator Cortez Masto. Thank you, Mr. Chairman,
5 and I want to thank you and the Ranking Member for
6 working on this important legislation, to your staff as
7 well as the staff of the JCT. Thank you so much for all
8 the incredible work at reducing double taxation on
9 cross-border investment between the United States, as
10 you have heard, between the United States and Taiwan.

11 It is critical for our economy and our national
12 security. I am proud to say that Nevada has a sister
13 state relationship with Taiwan that has existed since
14 1985, and the goal between Nevada and Taiwan is to
15 continue to enhance our trade, education and cultural
16 relations as well.

17 We also know it is essential this partnership to
18 confronting the aggression of the Chinese Communist
19 Party. Earlier this year, I was proud to co-sponsor
20 Senator Van Hollen's resolution that recognizes the
21 value of a tax treaty with Taiwan, and thank you to
22 everyone for continuing to move forward in this
23 important legislation.

24 I also have to thank my colleague, Senator
25 Blackburn, who joined me with an amendment that thank

1 you to the Chair and Ranking Member, is now part of this
2 legislation. The amendment reduces double taxation on
3 income earned by those in the entertainment industry.
4 In general, this will help support cultural connections
5 between Taiwan and the U.S. and support our economy in
6 Las Vegas, but also across the country.

7 I also want to make clear that what we are doing
8 today strengthens the economy of both the United States
9 and Taiwan. Unfortunately -- excuse me. Unfortunately,
10 the Chinese Communist Party is amplifying a false
11 narrative, to try to undermine the U.S.-Taiwan
12 relations.

13 I want to be clear that this could not be further
14 from the truth. This bill and other actions we have
15 taken to support chip manufacturing in the U.S. and
16 grant foreign military financing to Taiwan will
17 strengthen the economy and national security of both the
18 U.S. and Taiwan.

19 So again, I appreciate bipartisan cooperation on
20 this issue and look forward to continuing to work with
21 the Committee. Thank you.

22 The Chairman. I thank my colleague, and Senator
23 Cortez Masto and Senator Blackburn have done very good
24 work on the entertainment amendment. It is in the
25 modified mark, and I thank you both for your leadership.

- 1 Next in order of appearance would be Senator
- 2 Daines.

1 OPENING STATEMENT OF HON. STEVE DAINES, A U.S. SENATOR
2 FROM MONTANA

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4 Senator Daines. Chairman Wyden, thank you. I am
5 very glad to see this Committee moving forward and
6 recognizing the importance of the U.S.-Taiwan
7 relationship. Before I came to Capitol Hill, I spent
8 many years in the Pacific Rim doing business, including
9 Taiwan, and this partnership between our countries is
10 crucial for a robust economic and strategic partnership,
11 one that I have proudly supported throughout my time in
12 the U.S. Senate.

13 I think this bill also sends a strong message of
14 American support for Taiwan. Alleviating the burden of
15 double taxation for businesses, providing certainty in
16 U.S.-Taiwanese cross-border investment and reducing
17 complexity for dual citizens.

18 Reinforcing our trade partnership with Taiwan will
19 increase opportunities across both countries, and
20 encourages investment for shared prosperity. We think
21 about the fact that 95 percent of the world's population
22 is outside the United States. Trade is a critical part
23 of our economy in Montana, and for our long-term
24 economic growth.

25 As such, it is important to ensure that Taiwan is

1 a key, long-term partner to the United States and to
2 Montana, by helping to expand new economic opportunities
3 and creating jobs and supporting our ag economy in my
4 state. This agreement helps Taiwanese and American
5 workers, farmers and small businesses and continues a
6 responsible diversification of Asia-Pacific trade
7 partners.

8 This legislation we are looking at today shares
9 bicameral, bipartisan support, and more importantly
10 shows our strong support for Taiwan and its unique tax
11 status. Additionally, this bill will further cement
12 America's commitment to supporting Taiwan in the face of
13 China's increased aggression.

14 I look forward to getting this bill across the
15 finish line, giving both U.S. and Taiwanese citizens and
16 businesses the certainty they need, and again to
17 Chairman Crapo, Ranking Member -- Ranking Member Crapo,
18 Chairman Wyden, the story of my life -- we think you are
19 both doing a great job, by the way. So, thanks for your
20 support in pulling this together.

21 The Chairman. Thank you, Senator Daines of
22 Montana.

23 Okay. Senator Hassan, I believe is next in order
24 of appearance.

1 OPENING STATEMENT OF HON. MAGGIE HASSAN, A U.S. SENATOR
2 FROM NEW HAMPSHIRE

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4 Senator Hassan. Well, thank you so much, Mr.
5 Chair and Ranking Member Crapo, for convening this
6 important meeting. Thank you to the staff of both
7 Finance and JCT as well.

8 Today we consider bipartisan tax legislation that
9 will strengthen the economic partnership between the
10 United States and Taiwan. Taiwan is an important
11 regional partner and collaboration between American and
12 Taiwanese companies is critical to securing
13 semiconductor supply chains. This bipartisan
14 legislation will lower taxes for Americans doing
15 business in Taiwan, encourage more cross-border
16 investments between the United States and Taiwan, and
17 boost U.S. industries that manufacture and use
18 semiconductors.

19 Furthermore, the approach this Committee has taken
20 is consistent with U.S. foreign policy, stands up to the
21 Chinese Communist Party, and is in line with Congress'
22 intent to boost semiconductor manufacturing when we
23 passed the CHIPS and Science Act last year, legislation
24 that I was proud to help craft, and which will benefit
25 businesses across New Hampshire and the U.S. by

1 increasing semiconductor manufacturing here at home,
2 strengthening American supply chains and supporting
3 research and workforce training programs.

4 Thank you to our Panel for your work and valuable
5 expertise. Thank you again to the Chair and Ranking
6 Member, and I yield back.

7 The Chairman. Thank you, Senator Hassan.

8 Senator Young is next.

1 OPENING STATEMENT OF HON. TODD YOUNG, A U.S. SENATOR
2 FROM INDIANA

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4 Senator Young. Thank you, Chairman, Ranking
5 Member, for holding today's important markup. Our
6 relationship with Taiwan, of course, has important
7 national security and economic security implications for
8 all of our people. Unfortunately currently, U.S. and
9 Taiwanese businesses are double-taxed, and the purpose
10 of the act we are considering here today is to provide
11 relief to those businesses, so that they are able to
12 continue to employ many Americans, and so that we can
13 attract investment into our respective countries.

14 As we partner with our allies, including Taiwan,
15 we continue to work to counter China's efforts to
16 dominate the 21st century global economy, and we need to
17 evaluate how and where our policies are undermining U.S.
18 competitiveness, and find better solutions that will
19 propel our economy forward.

20 This includes policies that will allow for greater
21 economic cooperation and investment with our foreign
22 partners, including Taiwan but also it includes domestic
23 policies that prioritize investment in the United States
24 workforce. Policies, like for example R&D expensing,
25 which incentivize U.S. companies to reinvest in

1 innovative technologies critical to our national
2 competitiveness, and which supply American workers with
3 greater opportunity.

4 Unfortunately, I might add the expiration of
5 Section 174 has left many small businesses facing
6 challenging decisions about the future of their company.
7 Some of these employers are now able to make payroll,
8 unable to make payroll rather, and are looking at
9 closing their doors as a result of this body's failure
10 to act, at least so far.

11 We are talking about people losing their jobs
12 because businesses are no longer able to expense their
13 R&D costs. I am really encouraged that the Committee is
14 taking this step, to ensure that our tax structure
15 reflects the strength of a relationship with Taiwan, and
16 I encourage my colleagues to similarly take action on
17 critical tax provisions like Section 174 R&D expensing,
18 to ensure that we continue to support the U.S. workforce
19 and further incentivize innovation here in the U.S.

20 I look forward to continuing to work with Members
21 of this Committee to address these issues this year.
22 Thank you, Chairman.

23 Senator Carper. Mr. Chairman, could I be
24 recognized for 30 seconds? I just want to say a kind
25 word for Senator Young, for the good work that he and

1 Senator Schumer and others of our colleagues, Mike
2 Rounds and Martin Heinrich, did in putting together
3 yesterday's seminar on AI. They did good work, and we
4 are grateful to you and your staff. Thank you.

5 The Chairman. We are in such a hurry, I am going
6 to keep this really brief. We saw the Census figures
7 just recently. Five million children in poverty. We
8 very much need to address both of these issues. The
9 research and development issue is incredibly important
10 to American competitiveness. I am all in on that. We
11 have also got to stand up for our kids. We cannot
12 really get into --

13 Senator Young. Let us do it, Mr. Chairman.

14 The Chairman. We cannot really get it done today,
15 but we are going to continue to get through our Members'
16 opening statements. We are pleased to have the Chairman
17 of the Senate Foreign Relations Committee, and I have
18 been pleased to be working with him.

1 OPENING STATEMENT OF HON. ROBERT MENENDEZ, A U.S.
2 SENATOR FROM NEW JERSEY

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4 Senator Menendez. Well, thank you, Mr. Chairman.
5 As Chair of the Foreign Relations Committee and co-chair
6 of the Taiwan Caucus with Senator Tillis, I am committed
7 to strengthening economic bonds between the United
8 States and Taiwan, and I appreciate that the Chairman
9 and the Ranking Member share this commitment.

10 As such, I intend to vote in favor of the bill
11 today, even though I had deep concerns that this
12 legislation alone is insufficient. While a treaty with
13 Taiwan is not possible given its status, we can and
14 should insist that the U.S. and Taiwan conclude a
15 binding tax agreement, and that Congress approve it.

16 The Taiwanese want an agreement because it
17 bolsters their legitimacy, and because the absence of
18 one will hamper their ability to conclude agreements
19 with other nations. Our businesses rely on agreements
20 for certainty and dispute resolution that are
21 unattainable through changes to domestic tax law alone.

22 And as Senators, we should insist on Congressional
23 approval rather than delegating more authority to the
24 executive branch. In July, the Foreign Relations
25 Committee reported out the Taiwan tax agreement with

1 overwhelming bipartisan support, including from several
2 Members who also sit on this Committee. That bill
3 authorizes conclusion of a tax agreement with Taiwan,
4 and establishes a Congressional approval mechanism.

5 It creates the framework needed to advance our
6 relationship with Taiwan, provides legal certainty to
7 industry and protects Congressional prerogative. Now I
8 believe, as we have discussed, that we can find a
9 compromise to move both bills forward jointly, but it
10 will require the Chairman and Ranking Member to
11 demonstrate some flexibility in their approach, as
12 Senator Risch and I have said we are willing to have
13 flexibility in our approach as well.

14 So, I hope, Mr. Chairman, I can ask for your
15 commitment to continue to work with us towards a
16 compromise that allows for speedy enactment of both
17 bills, and I think that would be a great result.

18 The Chairman. Well, Senator Menendez, Mr.
19 Chairman, you have my commitment and you and I have
20 talked about the intersection today of foreign policy
21 and global economics, particularly to get high-skilled,
22 high-wage jobs. It means our committees have to work
23 closely together, and I look forward to doing that with
24 you.

25 Senator Carper is next.

26

1 OPENING STATEMENT OF HON. THOMAS R. CARPER, A U.S.
2 SENATOR FROM DELAWARE

3

4 Senator Carper. Thanks, Mr. Chairman. I think a
5 couple of our colleagues have already mentioned that
6 their states have sister state relationships with
7 Taiwan, and as it turns out, just a couple of days ago,
8 September 12th was the 23rd anniversary of the sister
9 state relationship that was established between our
10 state, Delaware, and Taiwan.

11 I am pleased that the Finance Committee is
12 convening today, meeting today to consider the United
13 States-Taiwan Expedited Double Tax Relief Act, and I
14 thank our Chairman and I thank our Ranking Member for
15 working in a bipartisan collaborative manner to advance
16 this important legislation.

17 The bill that we are considering today will
18 strengthen the special and vital relationship between
19 the United States and Taiwan, at a time when we have I
20 think an opportunity and an obligation to deepen our
21 ties with Taiwan. At the same time, this legislation
22 will provide certainty and predictability for businesses
23 and taxpayers operating in the U.S. and Taiwan. That is
24 something that we call a win-win where I come from.

25 One of my top priorities throughout my time in

1 public service has been creating a nurturing environment
2 for job creation, job preservation and this bill that we
3 are considering today will get us closer to that goal by
4 minimizing double taxation and by facilitating
5 investments both here and at home, and as well as in
6 Taiwan. Joe Biden likes to say all politics is
7 personal, all diplomacy is personal.

8 I actually used to live in Taiwan, and I was
9 stationed during the Vietnam War. They pulled all of
10 our Navy planes out of Vietnam in '68 and we flew a lot
11 of our missions out of Thailand, we flew a lot of
12 missions out of Taiwan as well. I have a personal
13 affection for the people of that country and am
14 delighted that we are taking this, preparing to take
15 this step today. Thank you.

16 The Chairman. Great. Thank you very much,
17 Senator Carper.

18 Next in order of appearance is Senator Lankford.

1 OPENING STATEMENT OF HON. JAMES LANKFORD, A U.S. SENATOR
2 FROM OKLAHOMA

3

4 Senator Lankford. Mr. Chairman, thank you. Thank
5 you to all of the leadership here in this Committee, so
6 we can actually move a pretty commonsense piece of
7 legislation just in this tax relationship between
8 businesses in Taiwan and the United States.

9 This should make common sense that we are not
10 going to have double taxation for Taiwanese companies
11 here or American companies there. This works to be able
12 to get to that point. It is the first step. Taiwan
13 obviously has to be able to reciprocate this, to be able
14 to finalize this relationship.

15 But it is incredibly important for American
16 businesses here, and for Taiwanese businesses as well,
17 that we want to have that economic activity. I do have
18 a piece of legislation that I actually introduced this
19 week dealing with Taiwan. It is similar in some way to
20 Senator Cornyn's amendment that he is actually filing
21 today, that I understand that he is filing and
22 withdrawing in the time today.

23 But this Act is called the Deter Act. We took
24 away the permanent trade relations, the most favored
25 nations status from Russia when they invaded Ukraine and

1 began slaughtering their neighbors. This Committee
2 acted on that and spoke in a very clear way to Russia
3 and that we are not going to do economic activity with
4 you.

5 I encourage us to be able to take that step in the
6 days ahead with the Deter Act that I am filing, to be
7 able to make it clear to China in advance, rather than
8 waiting until an invasion occurs, but to let them know
9 in advance that if they invade Taiwan and take military
10 action on Taiwan, that we will have the exact same
11 response we did for Russia.

12 Because it is much better to try to deter a war
13 from ever starting, than to try to end it once it
14 actually begins. This would also send a clear signal to
15 every American business that if you have relationships
16 with the leadership of China and you want to continue to
17 do business there, that you need to be able to engage
18 with Chinese leaders to be able to encourage them to not
19 take military action, and to prepare American businesses
20 to say if your entire supply chain is tied up in China
21 and you invade Taiwan, you are about to lose your supply
22 chain.

23 So you need to make preparations, especially in
24 areas like pharmaceuticals and others, where we are
25 exceptionally vulnerable at this point. So this Deter

1 Act I will not be filing today, but it is directly
2 connected to what we are talking about currently with
3 Taiwan, and that we should make an advance statement
4 proactively with China, to say we will not have economic
5 activity with you if you invade the peaceful people of
6 Taiwan. So, thanks for the engagement on this today.

7 The Chairman. Thank you, Senator Lankford, and I
8 will look forward to hearing more about them, about your
9 proposals.

10 Senator Blackburn is next.

1 OPENING STATEMENT OF HON. MARSHA BLACKBURN, A U.S.
2 SENATOR FROM TENNESSEE

3
4 Senator Blackburn. Thank you, Mr. Chairman, and I
5 thank you and the staff, everyone for the work on this.
6 It is such an appropriate follow-on step to the
7 U.S.-Taiwan Initiative on 21st Century Trade, which I
8 think we all supported. It passed the Senate
9 unanimously, so this is an appropriate step. It is
10 important to Taiwan, as they seek to fight back against
11 the aggression from China. I appreciate Senator
12 Lankford's remarks.

13 This is important to them. It is important to a
14 lot of our manufacturers in Tennessee, who are using so
15 many chips and want the stability and the consistency
16 and want to avoid these double taxation schemes. I
17 appreciate Senator Cortez Masto working with me. It is
18 so important that we protect our creators and our
19 innovators in the entertainment space, and of course in
20 Nashville we have got some of the world's best singers
21 and songwriters.

22 So, we are pleased that the protections they have
23 in other tax treaties to avoid that double taxation are
24 recognized in this, and I look forward to voting yes.

25 The Chairman. I thank my colleague, and I

1 appreciate her good work with the Senator from Nevada.

2 Okay. Next will be Senator Whitehouse, I believe.

3 Senator Casey, did you want to make any remarks?

4 Senator Casey. I will submit a statement for the
5 record in the interest of time.

6 The Chairman. Very good.

7 [No statement was submitted.]

8 Senator Casey. Good work on this.

9 The Chairman. You are a kind soul.

10 Senator Whitehouse?

1 OPENING STATEMENT OF HON. SHELDON WHITEHOUSE, A U.S.
2 SENATOR FROM RHODE ISLAND

3

4 Senator Whitehouse. Mr. Chairman, I am pleased to
5 support this legislation as a way to strengthen the
6 economic partnership between the U.S. and Taiwan. One
7 benefit that traditional tax treaties offer for both
8 parties to the treaty is being able to exchange relevant
9 tax information between the two tax authorities, with
10 the appropriate confidentiality protections.

11 That exchange of information is both helpful to
12 honest taxpayers, and allows the respective tax
13 authorities to police tax evasion and other forms of
14 crime. The Treasury Department can enter into tax
15 information exchange agreements independently from tax
16 treaties.

17 I filed an amendment with Senator Warren to
18 require the Treasury Secretary to update Congress on its
19 efforts to enter into such an agreement if it was not
20 reached in a timely manner.

21 I look forward to hearing from the Treasury
22 witness today on Treasury's plans to negotiate this
23 important agreement that will benefit both the U.S. and
24 Taiwan and strengthen our economic partnership. I thank
25 the Chairman for his help in facilitating this.

1 The Chairman. I thank my colleague, and I am very
2 interested in the idea that he is pursuing with Senator
3 Warren, and I think we are going to have some discussion
4 on that.

5 Next in order of appearance will be Senator
6 Warner, and then we will have Senator Stabenow wrap up
7 the opening statements.

8 Senator Warner, I know you are juggling a lot
9 today. Please proceed if you choose.

10 Senator Warner. Mr. Chairman, in an effort to
11 make sure that we move expeditiously to a vote, I yield
12 back all of my time. I would just ask for a future
13 extra 2 minutes at another time.

14 The Chairman. Thank you. Always clever.

15 Senator Stabenow?

1 OPENING STATEMENT OF HON. DEBBIE STABENOW, A U.S.
2 SENATOR FROM MICHIGAN

3

4 Senator Stabenow. Well, thank you, Mr. Chairman.
5 I will be brief as well, but just thank you to both you
6 and our Ranking Member. This is really important
7 bipartisan legislation, and it is going to unlock new
8 investments in the United States, particularly around
9 onshoring semiconductor chip production.

10 So, it is jobs, it is securing the supply chain,
11 and I am really pleased that we are doing this today.
12 Thank you.

13 The Chairman. I thank all my colleagues, and we
14 are getting ready to move to a vote.

15 Let me introduce our Panel: Jonathan Goldman from
16 the Senate Finance Committee Majority; Randy Herndon
17 from the Senate Finance Minority. We have Tom Barthold,
18 Chief of Staff of the Joint Committee on Taxation, who
19 has been doing wonderful public service work for a long,
20 long time, and we also have Michael Plowgian, Deputy
21 Assistant Director for International Tax Affairs at the
22 Department of Treasury.

23 Members have received the modification to the
24 mark. Mr. Barthold, could you please briefly describe
25 changes made for the modified mark?

1 Mr. Barthold. Thank you, Mr. Chairman. Members
2 of the Committee have before them two Joint Committee
3 documents, JCX 37 and 38, which describe the underlying
4 mark and the Chairman's modification. The underlying
5 mark provides benefits to qualified residents of Taiwan
6 that are comparable to benefits outlined in a number of
7 the articles of the U.S. model income tax treaty.

8 The modification to the mark provides that in the
9 case of payments, wages paid to entertainers and
10 athletes who are qualified Taiwan residents performing
11 in the United States, that the wages are not subject to
12 our income tax to the extent the wages do not exceed
13 \$30,000. This is comparable to Article 16 of the U.S.
14 model treaty.

15 It is probably important for the Members to note
16 that while this legislation will be effective on the
17 date of enactment, none of the benefits are available
18 under the Secretary of the Treasury determines that U.S.
19 persons otherwise subject to income tax in Taiwan are
20 afforded comparable benefits to the benefits provided in
21 the Chairman's mark, as modified.

22 That concludes my brief description. I would be
23 happy to answer any questions that the Members might
24 have.

25 The Chairman. Very good. Do any Senators have

1 questions for Mr. Barthold? Seeing none --

2 Senator Whitehouse. If I may. This is not for
3 Mr. Barthold though; this is for Mr. Plowgian.

4 The Chairman. Please go ahead, Senator
5 Whitehouse.

6 Senator Whitehouse. Mr. Plowgian, is Treasury
7 currently negotiating a tax information exchange
8 agreement with Taiwan? If so, when will such an
9 agreement be reached?

10 Mr. Plowgian. Yes we are negotiating tax
11 information exchange agreement with Taiwan. Because the
12 agreement depends on both sides, I cannot guarantee when
13 that will be finalized, but TIAs are not long
14 agreements. They typically are not controversial, and
15 they typically take about a year to negotiate.

16 Now here we have some complications because the
17 agreement has to be between the American Institute in
18 Taiwan and the Taipei Economic and Cultural
19 Representative Office or TECRO, while the operative
20 provisions have to be executed by the IRS. So that has
21 required some customization. But again, typically they
22 take about a year to negotiate.

23 Senator Whitehouse. Well thank you. I urge you
24 to prioritize reaching such an agreement expeditiously.
25 It will benefit both the U.S. and Taiwan, and strengthen

1 our economic partnership. And again, I thank the Chair
2 for his facilitation of all of this.

3 The Chairman. Let me make clear. I fully agree
4 with Senator Whitehouse on this information exchange
5 agreement. It is an important part of the process. Mr.
6 Plowgian, as you negotiate an information exchange
7 agreement with Taiwan, can you commit to briefing this
8 Committee on your progress?

9 Mr. Plowgian. Yes. We would be pleased to brief
10 the Committee on our progress.

11 The Chairman. Very good, thank you. I think
12 Senator Tillis had a question.

13 Senator Tillis. Yes. I was just starting to go
14 back to the floor.

15 The Chairman. Thank you for saving my time. A
16 quorum for the purpose of conducting business under
17 Committee Rule 4 is present. That being the case, the
18 modification is hereby incorporated in the Chairman's
19 mark, and the Chairman's mark is modified as open to
20 amendment. We will go back and forth, Republican and
21 Democrat. We will start with the Republican amendment.
22 Does any Senator wish to offer an amendment?

23 [No response.]

24 The Chairman. Very good. We can then report the
25 bill. I move that the Chairman's mark as modified and

1 amended be reported favorably. Is there a second?

2 Senator Crapo. Second.

3 The Chairman. The Clerk will call the roll.

4 The Clerk. Ms. Stabenow?

5 Senator Stabenow. Aye.

6 The Clerk. Ms. Stabenow aye. Ms. Cantwell?

7 The Chairman. Aye by proxy.

8 The Clerk. Ms. Cantwell, aye by proxy. Mr.

9 Menendez?

10 The Chairman. Aye by proxy.

11 The Clerk. Mr. Menendez, aye by proxy. Mr.

12 Carper?

13 Senator Carper. Aye.

14 The Clerk. Mr. Carper aye. Mr. Cardin?

15 Senator Cardin. Aye.

16 The Clerk. Mr. Cardin aye. Mr. Brown?

17 Senator Brown. Aye.

18 The Clerk. Mr. Brown aye. Mr. Bennet?

19 The Chairman. Aye by proxy.

20 The Clerk. Mr. Bennett, aye by proxy. Mr. Casey?

21 Senator Casey. Aye.

22 The Clerk. Mr. Casey aye. Mr. Warner?

23 Senator Warner. Aye.

24 The Clerk. Mr. Warner aye. Mr. Whitehouse?

25 Senator Whitehouse. Aye.

1 The Clerk. Mr. Whitehouse aye. Ms. Hassan?

2 Senator Hassan. Aye.

3 The Clerk. Ms. Hassan aye. Ms. Cortez Masto?

4 Senator Cortez Masto. Aye.

5 The Clerk. Ms. Cortez Masto aye. Ms. Warren?

6 The Chairman. Aye by proxy.

7 The Clerk. Ms. Warren, aye by proxy. Mr. Crapo?

8 Senator Crapo. Aye.

9 The Clerk. Mr. Crapo aye. Mr. Grassley?

10 Senator Grassley. Aye.

11 The Clerk. Mr. Grassley aye. Mr. Cornyn?

12 Senator Crapo. Aye by proxy.

13 The Clerk. Mr. Cornyn, aye by proxy. Mr. Thune?

14 Senator Crapo. Aye by proxy.

15 The Clerk. Mr. Thune, aye by proxy. Mr. Scott?

16 Senator Crapo. Aye by proxy.

17 The Clerk. Mr. Scott, aye by proxy. Mr. Cassidy?

18 Senator Crapo. Aye by proxy.

19 The Clerk. Mr. Cassidy, aye by proxy. Mr.

20 Lankford?

21 Senator Crapo. Aye by proxy.

22 The Clerk. Mr. Lankford, aye by proxy. Mr.

23 Daines?

24 Senator Daines. Aye.

25 The Clerk. Mr. Daines aye. Mr. Young?

1 Senator Crapo. Aye by proxy.

2 The Clerk. Mr. Young, aye by proxy. Mr.

3 Barrasso?

4 Senator Barrasso. Aye.

5 The Clerk. Mr. Barrasso aye. Mr. Johnson?

6 Senator Johnson. Aye.

7 The Clerk. Mr. Johnson aye. Mr. Tillis?

8 Senator Tillis. Aye.

9 The Clerk. Mr. Tillis aye. Mrs. Blackburn?

10 Senator Crapo. Aye by proxy.

11 The Clerk. Mrs. Blackburn, aye by proxy. Mr.

12 Chairman?

13 The Chairman. Aye. The Clerk will report.

14 The Clerk. Mr. Chairman, the final tally is 27
15 ayes, 0 nays.

16 The Chairman. The bill is reported favorably. I
17 ask unanimous consent that the staff have the customary
18 authority to make appropriate technical, conforming, and
19 budgetary changes. Without objection.

20 I want to thank all Members on both sides of the
21 dais for a very important markup, and with that, the
22 Finance Committee is adjourned.

23 [Whereupon, at 10:48 a.m., the meeting was
24 concluded.]

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