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Legislative Update: Finance Chairman Wyden's bill on tax treatment of derivatives

U.S. Senate Finance Committee Chairman Ron Wyden (D-OR) today introduced a bill, the "Modernization of Derivatives Tax Act of 2021" (MODA).

The bill would:

- Unify and simplify the treatment of derivatives by providing one timing rule, one character rule, and one sourcing rule for all derivatives
- Expand the scope of the mark-to-market timing rule to a broader class of taxpayers and arrangements than has been subject to such a rule in the past
- Treat gain or loss from derivatives and certain related assets as ordinary income or loss.
- Source the flows on derivatives generally to the country of residence, incorporation or organization of the taxpayer

The Joint Committee on Taxation (JCT) prepared a report that provides an explanation and description of the bill: [JCX-34-21](#)

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