"(g) CROSS REFERENCES.—

"(1) For tax treatment of certain amounts distributed by the United States to nonresident alien individuals, see section 402(a)(4).

"(2) For taxation of expatriate United States citizens on income from United States sources, see section 878.

"(3) For doubling of tax on citizens of certain foreign countries, see section 891.

"(4) For reinstatement of pre-1966 tax provisions in the case of residents of certain foreign countries, see section 896.

"(5) For exemption from withholding on nonresident alien individuals electing to treat certain real property income as business income, see section 1441(c)(7).

"(6) For the requirement of making a declaration of estimated tax by nonresident alien individuals described in paragraph (5), see section 6015(a).

"(7) For taxation of gains realized upon certain transfers to domestic corporations, see section 1250(d)(3)."

(b) EXCLUSIONS FROM GROSS INCOME.—Section 872(b) (relating to exclusions from gross income of nonresident alien individuals) is amended by adding at the end thereof the following new paragraph:

"(4) BOND INTEREST OF RESIDENTS OF THE RYUKYU ISLANDS OR THE TRUST TERRITORY OF THE PACIFIC ISLANDS.—Interest on series E and series H United States savings bonds owned by nonresident alien individuals who during the entire taxable year are residents of the Ryukyu Islands or the Trust Territory of the Pacific Islands."

(c) DEDUCTIONS.—Section 873 (relating to deductions allowed to nonresident alien individuals) is amended to read as follows:

"SEC. 873. DEDUCTIONS.

"(a) GENERAL RULE.—Except as provided in section 871(d) and subsection (b), in the case of a nonresident alien individual the deductions shall be allowed only if and to the extent that they are connected with business income from sources within the United States; and the proper apportionment and allocation of the deductions with respect to sources of income within and without the United States shall be determined as provided in part I, under regulations prescribed by the Secretary or his delegate.

"(b) EXCEPTIONS.—The following deductions shall be allowed whether or not they are connected with income from sources within the United States:

"(1) LOSSES.—The deduction, for losses of property not connected with the trade or business if arising from certain casualties or theft, allowed by section 165(c)(3), but only if the loss is of property within the United States.

"(2) CHARITABLE CONTRIBUTIONS.—The deduction for charitable contributions and gifts allowed by section 170, but only for contributions or gifts made to domestic corporations, or to community chests, funds, or foundations, created in the United States.

"(3) PERSONAL EXEMPTION.—The deduction for personal exemptions allowed by section 151, except that in the case of a nonresident alien individual who is not a resident of a contiguous country only one exemption under such section shall be allowed.

"(c) STANDARD DEDUCTION.—For disallowance of standard deduction, see section 142(b)(1)."

(d) EXPATRIATION TO AVOID TAX.—Subpart A of part II of subchapter N of chapter 1 (relating to nonresident alien individuals) is amended by inserting after section 877 the following new section:

"SEC. 878. EXPATRIATION TO AVOID TAX.

"(a) IN GENERAL.—Every nonresident alien individual who at any time within the 10-year period immediately preceding the close of the taxable year lost United States citizenship, unless such loss did not have for one of its principal purposes the avoidance of United States taxes, shall be taxable for such taxable year in the manner provided in subsection (b) if the tax imposed pursuant to such subsection exceeds the tax which, without regard to this section, is imposed for such taxable year under section 871.

"(b) ALTERNATIVE TAX.—A nonresident alien individual described in subsection (a) shall be taxable for the taxable year as provided in section 1 except that—

"(1) the gross income shall include only the gross income derived from sources within the United States, determined as provided in part I to the extent not otherwise provided in subsection (c), and