

provided in section 11 on that portion of its taxable income from sources within the United States which is business income, and the amount of tax under this paragraph shall be determined without taking into account any income which is not business income.

"(2) **NONBUSINESS INCOME—30 PERCENT TAX.**—There is hereby imposed for each taxable year, in lieu of the taxes imposed by section 11, on the amount received by every foreign corporation engaged in trade or business within the United States, from sources within the United States, as non-business income, a tax of 30 percent of such amount.

"(3) **BUSINESS INCOME DEFINED.**—In the case of a foreign corporation business income includes all income derived from sources within the United States other than the income described in paragraph (4), except that business income shall not include gain from the sale or exchange of stock in a corporation.

"(4) **NONBUSINESS INCOME DEFINED.**—In the case of a foreign corporation nonbusiness income shall consist of dividends and amounts described in section 631 (b) and (c) which are considered to be gains from the sale or exchange of capital assets.

"(b) **GROSS INCOME.**—In the case of a foreign corporation, gross income includes only the gross income from sources within the United States.

"(c) **ALLOWANCE OF DEDUCTIONS AND CREDITS.**—

"(1) **DEDUCTIONS ALLOWED ONLY IF RETURN FILED.**—A foreign corporation shall receive the benefit of the deductions allowed to it in this subtitle only by filing or causing to be filed with the Secretary or his delegate a true and accurate return of its total income received from all sources in the United States, in the manner prescribed in subtitle F, including therein all the information which the Secretary or his delegate may deem necessary for the calculation of such deductions.

"(2) **ALLOCATION OF DEDUCTIONS.**—

"(A) **GENERAL RULE.**—Except as provided in subparagraph (B), in the case of a foreign corporation 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 within and without the United States shall be determined as provided in part I, under regulations prescribed by the Secretary or his delegate.

"(B) **CHARITABLE CONTRIBUTIONS.**—The deduction for charitable contributions and gifts allowed by section 170 shall be allowed whether or not connected with income from sources within the United States.

"(3) **FOREIGN TAX CREDIT.**—Foreign corporations shall not be allowed the credits against the tax for taxes of foreign countries and possessions of the United States allowed by section 901.

"(d) **RETURNS OF TAX BY AGENT.**—If any foreign corporation has no office or place of business in the United States but has an agent in the United States, the return required under section 6012 shall be made by the agent."

(c) **CROSS REFERENCES.**—Section 884 (relating to cross references) is amended to read as follows:

"SEC. 884. CROSS REFERENCES.

"(1) For special provisions relating to unrelated business income of foreign educational, charitable, and certain other exempt organizations, see section 512(a).

"(2) For special provisions relating to foreign insurance companies, see subchapter L (sec. 801 and following).

"(3) For rules applicable in determining whether any foreign corporation is engaged in trade or business within the United States, see section 871(c).

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

"(5) For withholding at source of tax on income of foreign corporations, see section 1442.

"(6) For exemption from withholding on foreign corporations electing to treat certain real property income as business income, see section 1441(c)(7).

"(7) For the requirement of making a declaration of estimated tax by foreign corporations described in paragraph (6), see section 6016(a)."

(d) **DECLARATIONS OF ESTIMATED INCOME TAX BY CORPORATIONS.**—Subsection (a) of section 6016 (relating to the requirement of declarations) is amended to read as follows: