

"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 section 842.

"(3) For rules applicable in determining whether any foreign corporation is engaged in trade or business within the United States, see section 864(b).

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

"(5) For allowance of credit against the tax in case of a foreign corporation having income effectively connected with the conduct of a trade or business within the United States, see section 906.

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

(2) Section 953(b) (3) (F) is amended by striking out "832(b) (5)" and inserting in lieu thereof "832(c) (5)".

(3) Section 1249(a) is amended by striking out "Except as provided in subsection (c), gain" and inserting in lieu thereof "Gain".

(k) **EFFECTIVE DATES.**—The amendments made by this section (other than subsections (c) and (i)) shall apply with respect to taxable years beginning after December 31, 1965. The amendments made by subsection (c) shall apply with respect to payments occurring after December 31, 1965. The amendment made by subsection (i) shall apply with respect to sales or exchanges occurring after December 31, 1965.

SEC. 5. SPECIAL TAX PROVISIONS.

(a) **INCOME AFFECTED BY TREATY.**—Section 894 (relating to income exempt under treaties) is amended to read as follows:

"SEC. 894. INCOME AFFECTED BY TREATY.

"(a) **INCOME EXEMPT UNDER TREATY.**—Income of any kind, to the extent required by any treaty obligation of the United States, shall not be included in gross income and shall be exempt from taxation under this subtitle.

"(b) **PERMANENT ESTABLISHMENT IN UNITED STATES.**—For purposes of applying any exemption from, or reduction of, any tax provided by any treaty to which the United States is a party with respect to income which is not effectively connected with the conduct of a trade or business within the United States, a nonresident alien individual or foreign corporation shall be deemed not to have a permanent establishment in the United States at any time during the taxable year. This subsection shall not apply in respect of the tax computed under section 877(b)."

(b) **APPLICATION OF PRE-1966 INCOME TAX PROVISIONS.**—Subpart C of part II of subchapter N of chapter 1 (relating to miscellaneous provisions applicable to nonresident aliens and foreign corporations) is amended by adding at the end thereof the following new section:

"SEC. 896. APPLICATION OF PRE-1966 INCOME TAX PROVISIONS.

"(a) **IMPOSITION OF MORE BURDENSOME TAXES BY FOREIGN COUNTRY.**—Whenever the President finds that—

"(1) under the laws of any foreign country, considering the tax system of such foreign country, citizens of the United States