amounts received by an individual as dividends from domestic corporations, to the extent that the dividends do not exceed $100. If the dividends received in a taxable year exceed $100, the exclusion provided by the preceding sentence shall apply to the dividends first received in such year.

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(d) CERTAIN NONRESIDENT ALIENS INELIGIBLE FOR EXCLUSION.—[Subsection (a) does not apply to a nonresident alien individual with respect to whom a tax is imposed for the taxable year under section 871(a)] *In the case of a nonresident alien individual, subsection (a) shall apply only—*

(1) in determining the tax imposed for the taxable year pursuant to section 871(b)(1) and only in respect of dividends which are effectively connected with the conduct of a trade or business within the United States, or

(2) in determining the tax imposed for the taxable year pursuant to section 877(b).

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SEC. 154. CROSS REFERENCES.

(1) For definitions of "husband" and "wife", as used in section 152(b)(4), see section 7701(a)(17).

(2) For deductions of estates and trusts, in lieu of the exemptions under section 151, see section 642(b).

(3) For exemptions of nonresident aliens, see section [873(d)] *873(b)(3)*.

(4) For exemptions of citizens deriving income mainly from sources within possessions of the United States, see section 931(e).

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PART VIII—SPECIAL DEDUCTIONS FOR CORPORATIONS

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SEC. 245. DIVIDENDS RECEIVED FROM CERTAIN FOREIGN CORPORATIONS.

(a) GENERAL RULE.—In the case of dividends received from a foreign corporation (other than a foreign personal holding company) which is subject to taxation under this chapter, if, for an uninterrupted period of not less than 36 months ending with the close of such foreign corporation's taxable year in which such dividends are paid (or, if the corporation has not been in existence for 36 months at the close of such taxable year, for the period the foreign corporation has been in existence as of the close of such taxable year) such foreign corporation has been engaged in trade or business within the United States [and has derived 50 percent or more of its gross income from sources within the United States,] *and if 50 percent or more of the gross income of such corporation from all sources for such period is effectively connected with*