

Subchapter N—Tax Based on Income From Sources Within or Without the United States

Part I. Determination of sources of income.

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PART I—DETERMINATION OF SOURCES OF INCOME

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SEC. 861. INCOME FROM SOURCES WITHIN THE UNITED STATES.

(a) **GROSS INCOME FROM SOURCES WITHIN UNITED STATES.**—The following items of gross income shall be treated as income from sources within the United States:

(1) **INTEREST.**—Interest from the United States, any Territory, any political subdivision of a Territory, or the District of Columbia, and interest on bonds, notes, or other interest-bearing obligations of residents, corporate or otherwise, not including—

[(A) interest on deposits with persons carrying on the banking business paid to persons not engaged in business within the United States,]

(A) *interest on amounts described in subsection (c) received by a nonresident alien individual or a foreign corporation, if such interest is not effectively connected with the conduct of a trade or business within the United States,*

(B) interest received from a resident alien individual, a resident foreign corporation, or a domestic corporation, when it is shown to the satisfaction of the Secretary or his delegate that less than 20 percent of the gross income of such resident payor or domestic corporation has been derived from sources within the United States, as determined under the provisions of this part, for the 3-year period ending with the close of the taxable year of such payor preceding the payment of such interest, or for such part of such period as may be applicable, [and]

(C) income derived by a foreign central bank of issue from bankers' acceptances[.], and

(D) *interest on deposits with a foreign branch of a domestic corporation, if such branch is engaged in the commercial banking business and if such deposits are payable only in foreign currency.*