

[corporation] *corporation, a domestic partnership, or an individual who is a citizen or resident of the United States.*

(4) **BOND INTEREST OF RESIDENTS OF THE RYUKYU ISLANDS OR THE TRUST TERRITORY OF THE PACIFIC ISLANDS.**—*Income derived by a nonresident alien individual from a series E or series H United States savings bond, if such individual acquired such bond while a resident of the Ryukyu Islands or the Trust Territory of the Pacific Islands.*

SEC. 873. DEDUCTIONS.

[(a) GENERAL RULE.—In the case of a nonresident alien individual the deductions shall be allowed only if and to the extent that they are connected with 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) LOSSES.—

[(1) The deduction, for losses not connected with the trade or business if incurred in transactions entered into for profit allowed by section 165(c)(2) (relating to losses) shall be allowed whether or not connected with income from sources within the United States, but only if the profit, if such transaction had resulted in a profit, would be taxable under this subtitle.

[(2) 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), shall be allowed whether or not connected with income from sources within the United States, but only if the loss is of property within the United States.

[(c) CHARITABLE CONTRIBUTIONS.—The deduction for charitable contributions and gifts provided by section 170 shall be allowed whether or not connected with income from sources within the United States, but only as to contributions or gifts made to domestic corporations, or to community chests, funds, or foundations, created in the United States.

[(d) PERSONAL EXEMPTION.—In the case of a nonresident alien individual who is not a resident of a contiguous country, only one exemption under section 151 shall be allowed as a deduction.

[(e) STANDARD DEDUCTION.—

[For disallowance of standard deduction, see section 142(b)(1).]

(a) **GENERAL RULE.**—*In the case of a nonresident alien individual, the deductions shall be allowed only for purposes of section 871(b) and (except as provided by subsection (b)) only if and to the extent that they are effectively connected with the conduct of a trade or business within the United States; and the proper apportionment and allocation of the*