

from sources] *the conduct of a trade or business* within the United States; and the proper apportionment and allocation of the deductions [with respect to sources within and without the United States] *for this purpose* shall be determined as provided in [part I, under] regulations prescribed by the Secretary or his delegate.

[(3)] (B) CHARITABLE CONTRIBUTIONS.—The deduction for charitable contributions and gifts [provided] *allowed* by section 170 shall be allowed whether or not *effectively* connected with [income from sources] *the conduct of a trade or business* within the United States.

[(1)] (2) DEDUCTIONS AND CREDITS ALLOWED ONLY IF RETURN FILED.—A foreign corporation shall receive the benefit of the deductions *and credits* 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 *and credits*. *This paragraph shall not be construed to deny the credit provided by section 32 for tax withheld at source or the credit provided by section 39 for certain uses of gasoline and lubricating oil.*

[(4)] (3) FOREIGN TAX CREDIT.—[Foreign] *Except as provided by section 906, foreign corporations shall not be allowed the [credits] credit against the tax for taxes of foreign countries and possessions of the United States allowed by section 901.*

(4) CROSS REFERENCE.—

*For rule that certain foreign taxes are not to be taken into account in determining deduction or credit, see section 906(b)(1).*

(d) ELECTION TO TREAT REAL PROPERTY INCOME AS INCOME CONNECTED WITH UNITED STATES BUSINESS.—

(1) IN GENERAL.—*A foreign corporation which during the taxable year derives any income—*

(A) *from real property located in the United States, or from any interest in such real property, including (i) gains from the sale or exchange of real property or an interest therein, (ii) rents or royalties from mines, wells, or other natural deposits, and (iii) gains described in section 631 (b) or (c), and*

(B) *which, but for this subsection, would not be treated as income effectively connected with the conduct of a trade or business within the United States,*

*may elect for such taxable year to treat all such income as income which is effectively connected with the conduct of a trade or business within the United States. An election under this paragraph for any*