

1 not effectively connected with the conduct of a
2 trade or business within the United States.”.

3 (B) Section 861 is amended by adding at the end
4 thereof the following new subsection:

5 “(c) INTEREST ON DEPOSITS, ETC.—For purposes of
6 subsection (a) (1) (A), the amounts described in this sub-
7 section are—

8 “(1) deposits with persons carrying on the bank-
9 ing business,

10 “(2) deposits or withdrawable accounts with sav-
11 ings institutions chartered and supervised as savings
12 and loan or similar associations under Federal or State
13 law, but only to the extent that amounts paid or credited
14 on such deposits or accounts are deductible under section
15 591 in computing the taxable income of such institu-
16 tions, and

17 “(3) amounts held by an insurance company under
18 an agreement to pay interest thereon.

19 Effective with respect to amounts paid or credited after
20 December 31, 1971, subsection (a) (1) (A) and this sub-
21 section shall cease to apply.”

22 (2) Section 861 (a) (1) is amended by striking out
23 “and” at the end of subparagraph (B), by striking out
24 the period at the end of subparagraph (C) and inserting