nonresident alien individuals) is amended to read as follows:

"SEC. 873. DEDUCTIONS.

"(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 connected with income which is effectively connected with the conduct of a trade or business within the United States; and the proper apportionment and allocation of the deductions for this purpose shall be determined as provided in regulations prescribed by the Secretary or his delegate.

"(b) Exceptions.—The following deductions shall be allowed whether or not they are connected with income which is effectively connected with the conduct of a trade or business within the United States:

"(1) Losses.—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), but only if the loss is of property located within the United States.

"(2) Charitable contributions.—The deduction for charitable contributions and gifts allowed by section 170.