

1 relating to section 877 and inserting in lieu thereof the
2 following:

“Sec. 877. Expatriation to avoid tax.

“Sec. 878. Foreign educational, charitable, and certain other
exempt organizations.”

3 (f) PARTIAL EXCLUSION OF DIVIDENDS.—Subsection
4 (d) of section 116 (relating to certain nonresident aliens in-
5 eligible for exclusion) is amended to read as follows:

6 “(d) CERTAIN NONRESIDENT ALIENS INELIGIBLE FOR
7 EXCLUSION.—In the case of a nonresident alien individual,
8 subsection (a) shall apply only—

9 “(1) in determining the tax imposed for the tax-
10 able year pursuant to section 871 (b) (1) and only in
11 respect of dividends which are effectively connected with
12 the conduct of a trade or business within the United
13 States, or

14 “(2) in determining the tax imposed for the tax-
15 able year pursuant to section 877 (b).”

16 (g) WITHHOLDING OF TAX ON NONRESIDENT
17 ALIENS.—Section 1441 (relating to withholding of tax on
18 nonresident aliens) is amended—

19 (1) by striking out “(except interest on deposits
20 with persons carrying on the banking business paid to
21 persons not engaged in business in the United States)”
22 in subsection (b) ;

23 (2) by striking out “and amounts described in sec-