

conduct of a trade or business within the United States on which a tax is imposed for the taxable year pursuant to amended section 871 (b). Individuals exempt from withholding under new paragraph (1) are required to make a declaration of estimated income tax, as provided in section 6015(i) (2) of the code, as amended by section 3(i) of the bill. Existing paragraph (1) of section 1441(c) is deleted by paragraph (3) of section 3(g) of the bill, so that all dividends paid by a foreign corporation will be subject to withholding under section 1441(a) to the extent such dividends are from sources within the United States under section 861(a) (2) (B), as amended by sections 2(b) (1) of the bill, and are not effectively connected with the conduct of a trade or business within the United States.

Paragraph (4) of section 3(g) of the bill amends paragraph (4) of section 1441(c). Amended paragraph (4) provides that compensation for personal services may be exempted from withholding under section 1441(a) pursuant to regulations prescribed by the Secretary of the Treasury or his delegate. This amendment is correlated with a similar amendment of section 3401(a) (relating to collection of income tax at source on wages) by section 3(k) of the bill. Existing section 1441(c) (4) provides for the exemption, pursuant to regulations, from withholding on compensation for personal services of nonresident aliens who enter and leave the United States at frequent intervals or who are temporarily present in the United States under subparagraph (F) or (J) of section 101(a) (15) of the Immigration and Nationality Act. It is anticipated that regulations to be prescribed under amended paragraph (4) will continue exemptions presently accorded by regulations under that paragraph and, in general, will exempt from withholding under chapter 3 any other compensation of a nonresident alien individual upon which withholding will be required under chapter 24 of the code.

Paragraph (5) of section 3(g) amends paragraph (5) of section 1441(c) in order to conform to section 871(a) (1), as amended by section 3(a) of the bill.

(h) *Liability for withheld tax.*—Subsection (h) of section 3 of the bill amends section 1461 of the code (relating to liability for withheld tax) to remove the provision requiring the annual return and payment of amounts withheld pursuant to the provisions of chapter 3 of the code. New return and payment requirements will be in accordance with the provisions of sections 6011(a), 6091(a), and 6151(a) of the code. The Secretary of the Treasury or his delegate may authorize under section 6302(c) the use of Government depositaries in respect of such tax, if circumstances warrant the use of such procedure. The amendment applies with respect to payments occurring after December 31, 1966.

(i) *Declaration of estimated income tax by individuals.*—Subsection (i) of section 3 of the bill amends section 6015 of the code (relating to declaration of estimated income tax by individuals). The amendment is effective for taxable years beginning after December 31, 1966. Under existing section 6015(a) only those nonresident alien individuals who are subject to withholding on wages under section 3402 of the code, or who are, or expect to be, residents of Puerto Rico for the entire taxable year, are required to make a declaration of esti-