

mated tax. Under section 6015(i), as amended by this subsection, a declaration of estimated income tax is required of a nonresident alien individual who (1) is subject to withholding on wages under section 3402; (2) has income (other than compensation for personal services which is subject to withholding under sec. 1441) which is effectively connected with the conduct of a trade or business within the United States; or (3) is, or expects to be, a resident of Puerto Rico during the entire taxable year. Section 6015(i) (2), as amended, also applies to a nonresident alien individual whose income from real property is treated, pursuant to an election under amended section 871(d), as income which is effectively connected with the conduct of a trade or business within the United States.

(j) *Gain from dispositions of certain depreciable realty.*—Subsection (j) of section 3 of the bill amends paragraph (3) of section 1250(d) of the code (relating to certain tax free transactions). The amendment is effective for taxable years beginning after December 31, 1966. Under present paragraph (3) of section 1250(d) a transferor disposing of depreciable real property described in section 1250(c), in a transfer to which section 332, 351, 361, 371(a), 374(a), 721, or 731 of the code applies, is subject to the non-capital-gain treatment provided by section 1250(a) (1) only if, and to the extent that, gain is recognized to the transferor on the transfer. The amendment made in paragraph (3) of section 1250(d) by this subsection provides, in effect, that if a nonresident alien individual, a foreign estate or trust, or a foreign partnership transfers section 1250 property to a domestic corporation in exchange for stock or securities in such corporation in a section 351 transaction, the amount of resulting gain is subject to the provisions of section 1250(a) (1) irrespective of the amount of gain recognized to the transferor under section 351 on the transfer.

(k) *Collection of income tax at source on wages.*—Subsection (k) of section 3 of the bill amends section 3401(a) of the code (relating to the definition of wages for purposes of collection of income tax at source) by striking out paragraphs (6) and (7) which except the remuneration for services performed by certain nonresident alien individuals from the withholding requirement and inserting a new paragraph (6). The amendment is effective with respect to remuneration paid after December 31, 1966. The new paragraph (6) excepts from the term "wages" only such remuneration paid for the services performed by a nonresident alien individual as is designated by regulations prescribed by the Secretary of the Treasury or his delegate. This amendment is correlated with the amendment of section 1441(c) (4) made by section 3(g) of the bill with respect to withholding under chapter 3 of the code from the compensation for personal services of a nonresident alien individual. It is anticipated that regulations under amended paragraph (6) will continue exemptions presently accorded by regulations under existing section 3401(a) (6) and (7) and will extend withholding under chapter 24 of the code to certain compensation of nonresident alien individuals which is now subject to withholding under chapter 3. Remuneration of a nonresident alien individual which is made subject to withholding under chapter 24 will be exempt from withholding under chapter 3.