

(1) 30 percent, in the case of a taxable year beginning before January 1, 1964, and

(2) 22 percent, in the case of a taxable year beginning after December 31, 1963.

(c) **SURTAX.**—The surtax is equal to the following percentage of the amount by which the taxable income exceeds the surtax exemption for the taxable year:

(1) 22 percent, in the case of a taxable year beginning before January 1, 1964.

(2) 28 percent, in the case of a taxable year beginning after December 31, 1963, and before January 1, 1965, and

(3) 26 percent, in the case of a taxable year beginning after December 31, 1964.

(d) **SURTAX EXEMPTION.**—For purposes of this subtitle, the surtax exemption for any taxable year is \$25,000, except that, with respect to a corporation to which section 1561 (relating to surtax exemptions in case of certain controlled corporations) applies for the taxable year, the surtax exemption for the taxable year is the amount determined under such section.

(e) **EXCEPTIONS.**—Subsection (a) shall not apply to a corporation subject to a tax imposed by—

(1) section 594 (relating to mutual savings banks conducting life insurance business),

(2) subchapter L (sec. 801 and following, relating to insurance companies), *or*

(3) subchapter M (sec. 851 and following, relating to regulated investment companies and real estate investment trusts) **[, or].**

[(4) section 881(a) (relating to foreign corporations not engaged in business in United States).**]**

(f) **FOREIGN CORPORATIONS.**—*In the case of a foreign corporation, the tax imposed by subsection (a) shall apply only as provided by section 882.*

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Subchapter B—Computation of Taxable Income

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PART III—ITEMS SPECIFICALLY EXCLUDED FROM GROSS INCOME

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SEC. 116. PARTIAL EXCLUSION OF DIVIDENDS RECEIVED BY INDIVIDUALS.

(a) **EXCLUSION FROM GROSS INCOME.**—Effective with respect to any taxable year ending after July 31, 1954, gross income does not include amounts received by an individual as dividends from domestic corporations, to the extent that the dividends do not exceed \$100. If the dividends received in a taxable year exceed \$100, the exclusion provided by the preceding sentence shall apply to the dividends first received in such year.

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(d) **CERTAIN NONRESIDENT ALIENS INELIGIBLE FOR EXCLUSION.**—**[**Subsection (a) does not apply to a nonresident alien individual with respect to whom a tax is imposed for the taxable year under section