

871(a)] *In the case of a nonresident alien individual, subsection (a) shall apply only—*

(1) *in determining the tax imposed for the taxable year pursuant to section 871(b) (1) and only in respect of dividends which are effectively connected with the conduct of a trade or business within the United States, or*

(2) *in determining the tax imposed for the taxable year pursuant to section 877(b).*

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SEC. 154. CROSS REFERENCES.

(1) For definitions of "husband" and "wife", as used in section 152 (b)(4), see section 7701(a)(17).

(2) For deductions of estates and trusts, in lieu of the exemptions under section 151, see section 642(b).

(3) For exemptions of nonresident aliens, see section [873(d)] 873(b)(3).

(4) For exemptions of citizens deriving income mainly from sources within possessions of the United States, see section 931(e).

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PART VIII—SPECIAL DEDUCTIONS FOR CORPORATIONS

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SEC. 245. DIVIDENDS RECEIVED FROM CERTAIN FOREIGN CORPORATIONS.

(a) **GENERAL RULE.**—In the case of dividends received from a foreign corporation (other than a foreign personal holding company) which is subject to taxation under this chapter, if, for an uninterrupted period of not less than 36 months ending with the close of such foreign corporation's taxable year in which such dividends are paid (or, if the corporation has not been in existence for 36 months at the close of such taxable year, for the period the foreign corporation has been in existence as of the close of such taxable year) such foreign corporation has been engaged in trade or business within the United States [and has derived 50 percent or more of its gross income from sources within the United States,] *and if 50 percent or more of the gross income of such corporation from all sources for such period is effectively connected with the conduct of a trade or business within the United States, there shall be allowed as a deduction in the case of a corporation—*

(1) An amount equal to the percent (specified in section 243 for the taxable year) of the dividends received out of its earnings and profits specified in paragraph (2) of the first sentence of section 316(a), but such amount shall not exceed an amount which bears the same ratio to such percent of such dividends received out of such earnings and profits as the gross income of such foreign corporation for the taxable year [from sources within the United States] *which is effectively connected with the conduct of a trade or business within the United States* bears to its gross income from all sources for such taxable year, and

(2) An amount equal to the percent (specified in section 243 for the taxable year) of the dividends received out of that part of its earnings and profits specified in paragraph (1) of the first sentence of section 316(a) accumulated after the beginning of