

(b) **TAXABLE INCOME FROM SOURCES WITHIN UNITED STATES.**—From the items of gross income specified in subsection (a) as being income from sources within the United States there shall be deducted the expenses, losses, and other deductions properly apportioned or allocated thereto and a ratable part of any expenses, losses, or other deductions which cannot definitely be allocated to some item or class of gross income. The remainder, if any, shall be included in full as taxable income from sources within the United States.

(c) **INTEREST ON DEPOSITS, ETC.**—For purposes of subsection (a) (1) (A), the amounts described in this subsection are—

- (1) deposits with persons carrying on the banking business,
- (2) deposits or withdrawable accounts with savings institutions chartered and supervised as savings and loan or similar associations under Federal or State law, but only to the extent that amounts paid or credited on such deposits or accounts are deductible under section 591 in computing the taxable income of such institutions, and
- (3) amounts held by an insurance company under an agreement to pay interest thereon.

Effective with respect to amounts paid or credited after December 31, 1971, subsection (a) (1) (A) and this subsection shall cease to apply.

SEC. 862. INCOME FROM SOURCES WITHOUT THE UNITED STATES.

(a) **GROSS INCOME FROM SOURCES WITHOUT UNITED STATES.**—The following items of gross income shall be treated as income from sources without the United States:

- (1) interest other than that derived from sources within the United States as provided in section 861 (a) (1) ;
- (2) dividends other than those derived from sources within the United States as provided in section 861 (a) (2) ;
- (3) compensation for labor or personal services performed without the United States;
- (4) rentals or royalties from property located without the United States or from any interest in such property, including rentals or royalties for the use of or for the privilege of using without the United States patents, copyrights, secret processes and formulas, good will, trade-marks, trade brands, franchises, and other like properties;
- (5) gains, profits, and income from the sale of real property located without the United States; and
- (6) gains, profits, and income derived from the purchase of personal property within the United States and its sale without the United States.

(b) **TAXABLE INCOME FROM SOURCES WITHOUT UNITED STATES.**—From the items of gross income specified in subsection (a) there shall be deducted the expenses, losses, and other deductions properly apportioned or allocated thereto, and a ratable part of any expenses, losses, or other deductions which cannot definitely be allocated to some item or class of gross income. The remainder, if any, shall be treated in full as taxable income from sources without the United States.