

SEC. 863. ITEMS NOT SPECIFIED IN SECTION 861 OR 862.

(a) **ALLOCATION UNDER REGULATIONS.**—Items of gross income, expenses, losses, and deductions, other than those specified in sections 861(a) and 862(a), shall be allocated or apportioned to sources within or without the United States, under regulations prescribed by the Secretary or his delegate. Where items of gross income are separately allocated to sources within the United States, there shall be deducted (for the purpose of computing the taxable income therefrom) the expenses, losses, and other deductions properly apportioned or allocated thereto and a ratable part of other 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.

(b) **INCOME PARTLY FROM WITHIN AND PARTLY FROM WITHOUT THE UNITED STATES.**—In the case of gross income derived from sources partly within and partly without the United States, the taxable income may first be computed by deducting the expenses, losses, or other deductions 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; and the portion of such taxable income attributable to sources within the United States may be determined by processes or formulas of general apportionment prescribed by the Secretary or his delegate. Gains, profits, and income—

(1) from transportation or other services rendered partly within and partly without the United States,

(2) from the sale of personal property produced (in whole or in part) by the taxpayer within and sold without the United States, or produced (in whole or in part) by the taxpayer without and sold within the United States, or

(3) derived from the purchase of personal property within a possession of the United States and its sale within the United States,

shall be treated as derived partly from sources within and partly from sources without the United States.

SEC. 864. DEFINITIONS.

(a) **SALE, ETC.**—For purposes of this part, the word “sale” includes “exchange”; the word “sold” includes “exchanged”; and the word “produced” includes “created”, “fabricated”, “manufactured”, “extracted”, “processed”, “cured”, or “aged”.

(b) **TRADE OR BUSINESS WITHIN THE UNITED STATES.**—For purposes of this part, part II, and chapter 3, the term “trade or business within the United States” includes the performance of personal services within the United States at any time within the taxable year, but does not include—

(1) **PERFORMANCE OF PERSONAL SERVICES FOR FOREIGN EMPLOYER.**—The performance of personal services—

(A) for a nonresident alien individual, foreign partnership, or foreign corporation, not engaged in trade or business within the United States, or

(B) for an office or place of business maintained in a foreign country or in a possession of the United States by an