

(1) *the gross income shall include only the gross income described in section 872(a) (as modified by subsection (c) of this section), and*

(2) *the deductions shall be allowed if and to the extent that they are connected with the gross income included under this section, except that the capital loss carryover provided by section 1212(b) shall not be allowed; and the proper allocation and apportionment of the deductions for this purpose shall be determined as provided under regulations prescribed by the Secretary or his delegate.*

For purposes of paragraph (2), the deductions allowed by section 873(b) shall be allowed; and the deduction (for losses not connected with the trade or business if incurred in transactions entered into for profit) allowed by section 165(c) (2) shall be allowed, but only if the profit, if such transaction had resulted in a profit, would be included in gross income under this section.

(c) **SPECIAL RULES OF SOURCE.**—*For purposes of subsection (b), the following items of gross income shall be treated as income from sources within the United States:*

(1) **SALE OF PROPERTY.**—*Gains on the sale or exchange of property (other than stock or debt obligations) located in the United States.*

(2) **STOCK OR DEBT OBLIGATIONS.**—*Gains on the sale or exchange of stock issued by a domestic corporation or debt obligations of United States persons or of the United States, a State or political subdivision thereof, or the District of Columbia.*

(d) **EXCEPTION FOR LOSS OF CITIZENSHIP FOR CERTAIN CAUSES.**—*Subsection (a) shall not apply to a nonresident alien individual whose loss of United States citizenship resulted from the application of section 301(b), 350, or 355 of the Immigration and Nationality Act, as amended (8 U.S.C. 1401(b), 1482, or 1487).*

(e) **BURDEN OF PROOF.**—*If the Secretary or his delegate establishes that it is reasonable to believe that an individual's loss of United States citizenship would, but for this section, result in a substantial reduction for the taxable year in the taxes on his probable income for such year, the burden of proving for such taxable year that such loss of citizenship did not have for one of its principal purposes the avoidance of taxes under this subtitle or subtitle B shall be on such individual.*

SEC [877] 878. FOREIGN EDUCATIONAL, CHARITABLE, AND CERTAIN OTHER EXEMPT ORGANIZATIONS.

For special provisions relating to unrelated business income of foreign educational, charitable, and other exempt trusts, see section 512(a).

Subpart B—Foreign Corporations

[Sec. 881. Tax on foreign corporations not engaged in business in United States.]

[Sec. 882. Tax on resident foreign corporations.]

Sec. 881. Income of foreign corporations not connected with United States business.

Sec. 882. Income of foreign corporations connected with United States business.

Sec. 883. Exclusions from gross income.

Sec. 884. Cross references.