~~(2) The table of sections for subpart A of part II of subchapter N of chapter 1 (relating to nonresident alien individuals) is amended by striking out the item relating to section 877 and inserting in lieu thereof the following:~~

~~"Sec. 877. Expatriation to avoid tax.~~
~~"Sec. 878. Foreign educational, charitable, and certain other exempt organizations."~~

~~(f) PARTIAL EXCLUSION OF DIVIDENDS.—Subsection (d) of section 116 (relating to certain nonresident aliens ineligible for exclusion) is amended to read as follows:~~

~~"(d) CERTAIN NONRESIDENT ALIENS INELIGIBLE FOR EXCLUSION.—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)."~~

~~(g) WITHHOLDING OF TAX ON NONRESIDENT ALIENS.—Section 1441 (relating to withholding of tax on nonresident aliens) is amended—~~

~~(1) by striking out "(except interest on deposits with persons carrying on the banking business paid to~~