

1 ~~(1)~~, gross income includes only gross income which is
 2 effectively connected with the conduct of a trade or
 3 business within the United States.

4 “(b) GROSS INCOME.—In the case of a foreign corpora-
 5 tion, gross income includes only—

6 ~~“(1)~~ gross income which is derived from sources
 7 within the United States and which is not effectively
 8 connected with the conduct of a trade or business with-
 9 in the United States; and

10 ~~“(2)~~ gross income which is effectively connected
 11 with the conduct of a trade or business within the
 12 United States.

13 “(c) ALLOWANCE OF DEDUCTIONS AND CREDITS.—

14 ~~“(1)~~ ALLOCATION OF DEDUCTIONS.—

15 ~~“(A)~~ GENERAL RULE.—In the case of a for-
 16 eign corporation, the deductions shall be allowed
 17 only for purposes of subsection (a) and (except as
 18 provided by subparagraph (B)) only if and to the
 19 extent that they are connected with income which
 20 is effectively connected with the conduct of a trade
 21 or business within the United States; and the proper
 22 apportionment and allocation of the deductions for
 23 this purpose shall be determined as provided in