

1 to credit for foreign taxes) is amended by striking out
 2 "sentence," and inserting in lieu thereof "sentence (and
 3 for purposes of applying section 906 with respect to a
 4 foreign corporation subject to tax under this sub-
 5 chapter),".

6 ~~(h)~~ SUBPART F INCOME.—Section 952(b) ~~(relating~~
 7 to exclusion of United States income) is amended to read as
 8 follows:

9 ~~"(b)~~ EXCLUSION OF UNITED STATES INCOME.—In
 10 the case of a controlled foreign corporation, subpart F in-
 11 come does not include any item of income from sources
 12 within the United States which is effectively connected
 13 with the conduct by such corporation of a trade or business
 14 within the United States unless such item is exempt from
 15 taxation ~~(or is subject to a reduced rate of tax)~~ pursuant
 16 to a treaty obligation of the United States."

17 ~~(i)~~ GAIN FROM CERTAIN SALES OR EXCHANGES OF
 18 STOCK IN CERTAIN FOREIGN CORPORATIONS.—Paragraph
 19 ~~(4)~~ of section 1248(d) ~~(relating to exclusions from earn-~~
 20 ings and profits) is amended to read as follows:

21 ~~"(4)~~ UNITED STATES INCOME.—Any item in-
 22 cludible in gross income of the foreign corporation under
 23 this chapter—