

1 SEC. 7. AMENDMENT TO PRESERVE EXISTING LAW ON
2 DEDUCTIONS UNDER SECTION 931.

3 ~~(a)~~ DEDUCTIONS.—Subsection ~~(d)~~ of section 931 (re-
4 lating to deductions) is amended to read as follows:

5 “~~(d)~~ DEDUCTIONS.—

6 “~~(1)~~ GENERAL RULE.—Except as otherwise pro-
7 vided in this subsection and subsection ~~(e)~~, in the case
8 of persons entitled to the benefits of this section the
9 deductions shall be allowed only if and to the extent
10 that they are connected with income from sources within
11 the United States; and the proper apportionment and
12 allocation of the deductions with respect to sources of
13 income within and without the United States shall be
14 determined as provided in part I, under regulations
15 prescribed by the Secretary or his delegate.

16 “~~(2)~~ EXCEPTIONS.—The following deductions shall
17 be allowed whether or not they are connected with in-
18 come from sources within the United States:

19 “~~(A)~~ The deduction, for losses not connected
20 with the trade or business if incurred in transactions