

1 amended by redesignating subsection (d) as subsection
2 (e), and by inserting after subsection (c) the follow-
3 ing new subsection:

4 “(d) *NONRESIDENT ALIENS*.—In the case of a non-
5 resident alien individual, the tax imposed by subsection (a)
6 shall apply only as provided by section 871 or 877.”

7 (b) *GROSS INCOME*.—

8 (1) Subsection (a) of section 872 (relating to
9 gross income of nonresident alien individuals) is
10 amended to read as follows:

11 “(a) *GENERAL RULE*.—In the case of a nonresident
12 alien individual, gross income includes only—

13 “(1) gross income which is derived from sources
14 within the United States and which is not effectively
15 connected with the conduct of a trade or business within
16 the United States, and

17 “(2) gross income which is effectively connected
18 with the conduct of a trade or business within the
19 United States.”

20 (2) Subparagraph (B) of section 872(b)(3) (re-
21 lating to compensation of participants in certain ex-
22 change or training programs) is amended by striking
23 out “by a domestic corporation” and inserting in lieu
24 thereof “by a domestic corporation, a domestic partner-