

1 is included in the gross income of the recipient under
2 section 871(b)(2) for the taxable year.”;

3 (6) by amending paragraph (4) of subsection (c)
4 to read as follows:

5 “(4) COMPENSATION OF CERTAIN ALIENS.—Un-
6 der regulations prescribed by the Secretary or his dele-
7 gate, compensation for personal services may be ex-
8 empted from deduction and withholding under subsection
9 (a).”;

10 (7) by striking out “amounts described in section
11 402(a)(2), section 403(a)(2), section 631 (b) and
12 (c), and section 1235, which are considered to be gains
13 from the sale or exchange of capital assets,” in para-
14 graph (5) of subsection (c) and inserting in lieu thereof
15 “gains described in section 402(a)(2), 403(a)(2), or
16 631 (b) or (c), gains subject to tax under section 871
17 (a)(1)(D), and gains on transfers described in section
18 1235 made on or before October 4, 1966,” and by
19 striking out “proceeds from such sale or exchange,” in
20 such paragraph and inserting in lieu thereof “amount
21 payable,”;

22 (8) by adding at the end of subsection (c) the fol-
23 lowing new paragraph:

24 “(7) CERTAIN ANNUITIES RECEIVED UNDER
25 QUALIFIED PLANS.—No deduction or withholding under