

1 *effectively connected with the conduct of a trade or busi-*
2 *ness within the United States.*

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

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

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

12 “(c) *ALLOWANCE OF DEDUCTIONS AND CREDITS.*—

13 “(1) *ALLOCATION OF DEDUCTIONS.*—

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