

1 to the gross income for such period from sources within
 2 the United States. For purposes of clause (ii), the
 3 gross income of a foreign corporation for any period
 4 before its first taxable year beginning after December
 5 31, 1966, which is not effectively connected with the
 6 conduct of a trade or business within the United States
 7 is an amount equal to the gross income for such period
 8 from sources without the United States.”

9 (g) *UNRELATED BUSINESS TAXABLE INCOME.*—The
 10 last sentence of section 512(a) (relating to definition) is
 11 amended to read as follows: “In the case of an organiza-
 12 tion described in section 511 which is a foreign organiza-
 13 tion, the unrelated business taxable income shall be its
 14 unrelated business taxable income which is effectively con-
 15 nected with the conduct of a trade or business within the
 16 United States.”

17 (h) *CORPORATIONS SUBJECT TO PERSONAL HOLD-*
 18 *ING COMPANY TAX.*—

19 (1) Paragraph (7) of section 542(c) (relating
 20 to corporations not subject to personal holding company
 21 tax) is amended to read as follows:

22 “(7) a foreign corporation (other than a corpora-
 23 tion which has income to which section 543(a)(7) ap-
 24 plies for the taxable year), if all of its stock outstanding