

ditions as may be provided by regulations prescribed by the Secretary or his delegate, subsection (a) shall not apply in the case of a foreign partnership engaged in trade or business within the United States if the Secretary or his delegate determines that the requirements of subsection (a) impose an undue administrative burden and that the collection of the tax imposed by section 871(a) on the members of such partnership who are nonresident alien individuals will not be jeopardized by the exemption."

(i) **LIABILITY FOR WITHHELD TAX.**—Section 1461 (relating to return and payment of withheld tax) is amended to read as follows:

"SEC. 1461. **LIABILITY FOR WITHHELD TAX.**

"Every person required to deduct and withhold any tax under this chapter is hereby made liable for such tax and is hereby indemnified against the claims and demands of any person for the amount of any payments made in accordance with the provisions of this chapter."

(j) **DECLARATION OF ESTIMATED INCOME TAX BY INDIVIDUALS.**—Section 6015 (relating to declaration of estimated income tax by individuals) is amended—

(1) by striking out that portion of subsection (a) which precedes paragraph (1) and inserting in lieu thereof the following:

"(a) **REQUIREMENT OF DECLARATION.**—Except as otherwise provided in subsection (1), every individual shall make a declaration of his estimated tax for the taxable year if—";

(2) by redesignating subsection (1) as subsection (j); and

(3) by inserting after subsection (h) the following new subsection:

"(1) **NONRESIDENT ALIEN INDIVIDUALS.**—No declaration shall be required to be made under this section by a nonresident alien individual unless—

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"(1) withholding under chapter 24 is made applicable to the wages, as defined in section 3401(a), of such individual,

"(2) such individual has income (other than compensation for personal services subject to deduction and withholding under section 1441) which is effectively connected with the conduct of a trade or business within the United States, or

"(3) such individual is a resident of Puerto Rico during the entire taxable year."

(k) **COLLECTION OF INCOME TAX AT SOURCE ON WAGES.**—Subsection (a) of section 3401 (relating to definition of wages for purposes of collection of income tax at source) is amended by striking out paragraphs (6) and (7) and inserting in lieu thereof the following:

"(6) for such services, performed by a nonresident alien individual, as may be designated by regulations prescribed by the Secretary or his delegate; or".

(l) **DEFINITIONS OF FOREIGN ESTATE OR TRUST.**—

(1) Section 7701(a)(31) (defining foreign estate or trust) is amended by striking out "from sources without the United States" and inserting in lieu thereof ", from sources without the United States which is not effectively connected with the conduct of a trade or business within the United States,".

(2) Section 1493 (defining foreign trust for purpose of chapter 5) is repealed.

(m) **CONFORMING AMENDMENT.**—The first sentence of section 932(a) (relating to citi-

zens of possessions of the United States) is amended to read as follows: "Any individual who is a citizen of any possession of the United States (but not otherwise a citizen of the United States) and who is not a resident of the United States shall be subject to taxation under this subtitle in the same manner and subject to the same conditions as in the case of a nonresident alien individual."

(n) **EFFECTIVE DATES.**—

(1) The amendments made by this section (other than the amendments made by subsections (h), (i), and (k)) shall apply with respect to taxable years beginning after December 31, 1966.

(2) The amendments made by subsection (h) shall apply with respect to payments made in taxable years of recipients beginning after December 31, 1966.

(3) The amendments made by subsection (1) shall apply with respect to payments occurring after December 31, 1966.

(4) The amendments made by subsection (k) shall apply with respect to remuneration paid after December 31, 1966.

SEC. 104. FOREIGN CORPORATIONS.

(a) **TAX ON INCOME NOT CONNECTED WITH UNITED STATES BUSINESS.**—Section 881 (relating to tax on foreign corporations not engaged in business in the United States) is amended to read as follows:

"SEC. 881. **TAX ON INCOME OF FOREIGN CORPORATIONS NOT CONNECTED WITH UNITED STATES BUSINESS.**

"(a) **IMPOSITION OF TAX.**—There is hereby imposed for each taxable year a tax of 30 percent of the amount received from sources within the United States by a foreign corporation as—

"(1) interest, dividends, rents, salaries, wages, premiums, annuities, compensations, remunerations, emoluments, and other fixed or determinable annual or periodical gains, profits, and income,

"(2) gains described in section 631 (b) or (c),

"(3) in the case of bonds or other evidences of indebtedness issued after September 28, 1965, amounts which under section 1232 are considered as gains from the sale or exchange of property which is not a capital asset, and

"(4) gains from the sale or exchange after October 4, 1966, of patents, copyrights, secret processes and formulas, good will, trademarks, trade brands, franchises, and other like property, or of any interest in any such property, to the extent such gains are from payments which are contingent on the productivity, use, or disposition of the property or interest sold or exchanged, or from payments which are treated as being so contingent under section 871(e).

but only to the extent the amount so received is not effectively connected with the conduct of a trade or business within the United States.

"(b) **DOUBLING OF TAX.**—

"For doubling of tax on corporations of certain foreign countries, see section 891."

(b) **TAX ON INCOME CONNECTED WITH UNITED STATES BUSINESS.**—

(1) Section 882 (relating to tax on resident foreign corporations) is amended to read as follows:

"SEC. 882. **TAX ON INCOME OF FOREIGN CORPORATIONS CONNECTED WITH UNITED STATES BUSINESS.**

"(a) **NORMAL TAX AND SURTAX.**—

"(1) **IMPOSITION OF TAX.**—A foreign cor-