

1 ~~(2)~~ The table of sections for subpart A of part II
 2 of subchapter N of chapter 1 ~~(relating to nonresident~~
 3 alien individuals) is amended by striking out the item
 4 relating to section 877 and inserting in lieu thereof the
 5 following:

 “Sec. 877. Expatriation to avoid tax.

 “Sec. 878. Foreign educational, charitable, and certain other
 exempt organizations.”

6 ~~(f)~~ PARTIAL EXCLUSION OF DIVIDENDS.—Subsection
 7 ~~(d)~~ of section 116 ~~(relating to certain nonresident aliens in-~~
 8 eligible for exclusion) is amended to read as follows:

9 “~~(d)~~ CERTAIN NONRESIDENT ALIENS INELIGIBLE FOR
 10 EXCLUSION.—In the case of a nonresident alien individual,
 11 subsection ~~(a)~~ shall apply only—

12 “~~(1)~~ in determining the tax imposed for the tax-
 13 able year pursuant to section 871(b) ~~(1)~~ and only in
 14 respect of dividends which are effectively connected with
 15 the conduct of a trade or business within the United
 16 States, or

17 “~~(2)~~ in determining the tax imposed for the tax-
 18 able year pursuant to section 877(b).”

19 ~~(g)~~ WITHHOLDING OF TAX ON NONRESIDENT
 20 ALIENS.—Section 1441 ~~(relating to withholding of tax on~~
 21 nonresident aliens) is amended—

22 ~~(1)~~ by striking out “(except interest on deposits
 23 with persons carrying on the banking business paid to