

1 ~~(1)~~, gross income includes only gross income which is
 2 effectively connected with the conduct of a trade or
 3 business within the United States.

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

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

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

13 ~~“(c) ALLOWANCE OF DEDUCTIONS AND CREDITS.—~~

14 ~~“(1) ALLOCATION OF DEDUCTIONS.—~~

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