

1 (4) by adding after paragraph (2) the following
2 new sentence:

3 *“For purposes of this subsection, the gross income of the*
4 *foreign corporation for any period before the first taxable*
5 *year beginning after December 31, 1966, which is effec-*
6 *tively connected with the conduct of a trade or business*
7 *within the United States is an amount equal to the gross*
8 *income for such period from sources within the United*
9 *States.”*

10 (e) *DIVIDENDS RECEIVED FROM CERTAIN WHOLLY-*
11 *OWNED FOREIGN SUBSIDIARIES.—*

12 (1) *Section 245 (relating to dividends received*
13 *from certain foreign corporations) is amended by re-*
14 *designating subsection (b) as (c), and by inserting after*
15 *subsection (a) the following new subsection:*

16 *“(b) CERTAIN DIVIDENDS RECEIVED FROM WHOLLY*
17 *OWNED FOREIGN SUBSIDIARIES.—*

18 *“(1) IN GENERAL.—In the case of dividends de-*
19 *scribed in paragraph (2) received from a foreign cor-*
20 *poration by a domestic corporation which, for its taxable*
21 *year in which such dividends are received, owns (di-*
22 *rectly or indirectly) all of the outstanding stock of such*
23 *foreign corporation, there shall be allowed as a deduction*
24 *(in lieu of the deduction provided by subsection (a)) an*
25 *amount equal to 100 percent of such dividends.*