

1 *and profits of such year, the deduction provided by*
 2 *subsection (b) would be allowable."*

3 (3) *Subsection (c) of such section 245 (as redesign-*
 4 *ated by paragraph (1)) is amended by striking out*
 5 *"subsection (a)" and inserting in lieu thereof "subsections*
 6 *(a) and (b)".*

7 (f) *DISTRIBUTIONS OF CERTAIN FOREIGN CORPORA-*
 8 *TIONS.—Section 301(b)(1)(C) (relating to certain cor-*
 9 *porate distributees of foreign corporations) is amended—*
 10 (1) *by striking out "gross income from sources*
 11 *within the United States" in clause (i) and inserting in*
 12 *lieu thereof "gross income which is effectively connected*
 13 *with the conduct of a trade or business within the United*
 14 *States";*

15 (2) *by striking out "gross income from sources with-*
 16 *out the United States" in clause (ii) and inserting in*
 17 *lieu thereof "gross income which is not effectively con-*
 18 *ected with the conduct of a trade or business within*
 19 *the United States"; and*

20 (3) *by adding at the end thereof the following new*
 21 *sentences: "For purposes of clause (i), the gross income*
 22 *of a foreign corporation for any period before its first*
 23 *taxable year beginning after December 31, 1966, which*
 24 *is effectively connected with the conduct of a trade or*
 25 *business within the United States is an amount equal*