

1 to exclusion of United States income) is amended to read
2 as follows:

3 “(b) *EXCLUSION OF UNITED STATES INCOME.*—In
4 the case of a controlled foreign corporation, subpart F in-
5 come does not include any item of income from sources
6 within the United States which is effectively connected
7 with the conduct by such corporation of a trade or business
8 within the United States unless such item is exempt from
9 taxation (or is subject to a reduced rate of tax) pursuant
10 to a treaty obligation of the United States.”

11 “(k) *GAIN FROM CERTAIN SALES OR EXCHANGES*
12 *OF STOCK IN CERTAIN FOREIGN CORPORATIONS.*—Para-
13 graph (4) of section 1248(d) (relating to exclusions from
14 earnings and profits) is amended to read as follows:

15 “(4) *UNITED STATES INCOME.*—Any item in-
16 cludible in gross income of the foreign corporation under
17 this chapter—

18 “(A) for any taxable year beginning before
19 January 1, 1967, as income derived from sources
20 within the United States of a foreign corporation
21 engaged in trade or business within the United
22 States, or

23 “(B) for any taxable year beginning after
24 December 31, 1966, as income effectively con-