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P. 164 (1) *Taxes of country of residence.*—The House bill provided that a foreign tax credit is to be allowed nonresident aliens and foreign corporations with respect to foreign taxes paid on foreign source income which is effectively connected to the conduct of a U.S. business. This amendment extends this provision to include income taxes paid to the foreigner's home country on grounds other than that the income was derived from sources within that country.

Pp. 163–167 (2) Clerical change.

(b) Alien Residents of the United States or Puerto Rico. (Pp. 167–169.)

P. 167 Clerical change.

(c) Foreign tax credit with respect to interest received from foreign subsidiaries. (P. 170.)

P. 170 (1) *Separate foreign tax credit limitation for interest.*—The 10-percent exception to the separate application of the limitation on the foreign tax credit for interest income was was amended by the Senate so as to apply to a U.S. corporation which directly or indirectly owns 10 percent of the foreign corporation from which the interest is derived, or is a member of an affiliated group of corporations which has such ownership. The House bill contained a more limited exception which would have provided that the separate limitation is not to apply to a domestic funding subsidiary which is formed and availed of for the principal purpose of (1) raising funds outside the United States through foreign public offerings, and (2) using these funds to finance the foreign operations of related foreign corporations.

P. 170 (2) Clerical change.

Section 107. AMENDMENTS TO PRESERVE EXISTING LAW ON DEDUCTIONS UNDER SECTION 931. (PP. 171–172.)

Pp. 171–172 Clerical changes.

Section 108. ESTATES OF NONRESIDENTS NOT CITIZENS. (Pp. 172–181.)

(a) Rate of tax. (Pp. 172–173.)

P. 172 Clerical change.

(b) Credits against tax. (Pp. 173–174.)