

similar to the rules of section 103(j)(3) shall apply.

SEC. 861. INCOME FROM SOURCES WITHIN GUAM

(a) Gross Income from Sources within Guam. The following items of gross income shall be treated as income from sources within Guam:

(1) Interest. Interest from Guam and interest on bonds, notes, or other interest-bearing obligations of residents, corporate or otherwise, not including---

(A) interest on amounts described in subsection (c) received by a non-resident alien individual or a foreign corporation, if such interest is not effectively connected with the conduct of a trade or business within Guam,

(B) interest received from a resident alien individual or a domestic corporation, when it is shown to the satisfaction of the Governor that less than 20 percent of the gross income from all sources of such individual or such corporation has been derived from sources within Guam, as determined under the provisions of this part, for the 3-year period ending with the close of the taxable year of such individual or such corporation preceding the payment of such interest, or for such part of such period as may be applicable,

(C) interest received from a foreign corporation (other than interest paid or credited by a domestic branch of a foreign corporation, if such branch is engaged in the commercial banking business), when it is shown to the satisfaction of the Governor that less than 50 percent of the gross income from all sources of such foreign corporation for the 3-year period ending with the close of its taxable year preceding the payment of such interest (or for such part of such period as the corporation has been in existence) was effectively connected with the conduct of a trade or business within Guam,

(D) in the case of interest received from a foreign corporation (other than interest paid or credited by a domestic branch of a foreign corporation, if such branch is engaged in the commercial banking business), 50 percent or more of the gross income of which

from all sources for the 3-year period ending with the close of its taxable year preceding the payment of such interest (or for such part of such period as the corporation has been in existence) was effectively connected with the conduct of a trade or business within Guam, an amount of such interest which bears the same ratio to such interest as the gross income of such foreign corporation for such period which was not effectively connected with the conduct of a trade or business within Guam bears to its gross income from all sources,

(E) income derived by a foreign central bank of issue from bankers' acceptances,

(F) interest---

(i) on deposits with a foreign branch of a domestic corporation or a domestic partnership if such branch is engaged in the commercial banking business, and

(ii) on amounts satisfying the requirements of paragraph (2) of subsection (c) which are paid by a foreign branch of a domestic corporation or a domestic partnership,

(G) interest on a debt obligation which was part of an issue with respect to which an election has been made under subsection (c) of section 4912 (as in effect before July 1, 1974) and which, when issued (or treated as issued under subsection (c)(2) of such section), had a maturity not exceeding 15 years and, when issued, was purchased by one or more underwriters with a view to distribution through resale, but only with respect to interest attributable to periods after the date of such election, and

(H) interest on a debt obligation which was part of an issue which---

(i) was part of an issue outstanding on April 1, 1971,

(ii) was guaranteed by a Guam person,

(iii) was treated under chapter 41 as a debt obligation of a foreign obligor,

(iv) as of June 30, 1974, had a maturity of not more than 15 years, and

(v) when issued, was purchased by one or more underwriters for the purpose of distribution through resale.

(2) Dividends. The amount received as dividends---

(A) from a domestic corporation other than a corporation which has an election in effect under section 936, and other than a corporation less than 20 percent of whose gross income is shown to the satisfaction of the Governor to have been derived from sources within Guam, as determined under the provisions of this part, for the 3-year period ending with the close of the taxable year of such corporation preceding the declaration of such dividends (or for such part of such period as the corporation has been in existence), or

(B) from a foreign corporation unless less than 50 percent of the gross income from all sources of such foreign corporation for the 3-year period ending with the close of its taxable year preceding the declaration of such dividends (or for such part of such period as the corporation has been in existence) was effectively connected with the conduct of a trade or business within Guam; but only in an amount which bears the same ratio to such dividends as the gross income of the corporation for such period which was effectively connected with the conduct of a trade or business within Guam bears to its gross income from all sources; but dividends (other than dividends for which a deduction is allowable under section 245(b)) from a foreign corporation shall, for purposes of subpart A of part III (relating to foreign tax credit), be treated as income from sources without Guam to the extent (and only to the extent) exceeding the amount which is 100/85th of the amount of the deduction allowable under section 245 in respect of such dividends, or

(C) from a foreign corporation to the extent that such amount is required by section 243(d) (relating to certain dividends from foreign corporations) to be treated as dividends from a domestic corporation which is subject to taxation under this chapter, and to such extent subparagraph (B) shall not apply to such amount, or

(D) from a DISC or former DISC (as defined in section 992(a)) except to the extent attributable (as determined under regulations prescribed by the Governor) to qualified export receipts described in section 993(a)(1) (other than interest and gains described in section 995(b)(1)).

(3) Personal services. Compensation for labor or personal services performed in Guam; except that compensation for labor or services performed in Guam shall not be deemed to be income from sources within Guam if---

(A) the labor or services are performed by a nonresident alien individual temporarily present in Guam for a period or periods not exceeding a total of 90 days during the taxable year,

(B) such compensation does not exceed \$3,000 in the aggregate, and

(C) the compensation is for labor or services performed as an employee of or under a contract with---

(i) a nonresident alien, foreign partnership, or foreign corporation, not engaged in trade or business within Guam, or

(ii) an individual who is a citizen of Guam, but not otherwise a citizen of the United States, or resident of Guam, a domestic partnership, or a domestic corporation, if such labor or services are performed for an office or place of business maintained in a foreign country or in the United States or any possession thereof other than Guam by such individual, partnership, or corporation.

(4) Rentals and royalties. Rentals or royalties from property located in Guam or from any interest in such property, including rentals or royalties for the use of or for

the privilege of using in Guam patents, copyrights, secret processes and formulas, good will, trade-marks, trade brands, franchises, and other like property.

(5) Disposition of Guam real property interest. Gains, profits, and income from the disposition of a Guam real property interest (as defined in section 897(c)).

(6) Sale or exchange of personal property within Guam. Gains, profits, and income derived from the purchase of personal property without Guam (other than within the United States or any possession thereof other than Guam) and its sale or exchange within Guam.

(7) Amounts received as underwriting income (as defined in section 832(b)(3)) derived from the insurance of Guam risks (as defined in section 953(a)).

(b) Taxable Income from Sources within Guam. From the items of gross^a income specified in subsection (a) as being income from sources within Guam there shall be deducted the expenses, losses, and other deductions properly apportioned or allocated thereto and a ratable part of any expenses, losses, or other deductions which cannot definitely be allocated to some item or class of gross income. The remainder, if any, shall be included in full as taxable income from sources within Guam. In the case of an individual who does not itemize deductions, an amount equal to the zero bracket amount shall be considered a deduction which cannot definitely be allocated to some item or class of gross income.

(c) Interest on Deposits, Etc. For purposes of subsection (a)(1)(A), the amounts described in this subsection are---

(1) deposits with persons carrying on the banking business.

(2) deposits or withdrawable accounts with savings institutions chartered and supervised as savings and loan or similar associations under Guam, Federal or State law, but only to the extent that amounts paid or credited on such deposits or accounts are deductible under section 591 (determined without regard to section 265) in computing the taxable income of such institutions, and

(3) amounts held by an insurance company under an agreement to pay interest thereon.

(d) Special Rules for Application of Paragraphs (1)(B), (1)(C), (1)(D), and (2)(B) of Subsection (a).

(1) New entities. For purposes of paragraphs (1)(B), (1)(C), (1)(D), and (2)(B) of subsection (a), if the resident alien individual, domestic corporation, or foreign corporation, as the case may be, has no gross income from any source for the 3-year period (or part thereof) specified, the 20 percent test or the 50 percent test, as the case may be, shall be applied with respect to the taxable year of the payor in which payment of the interest or dividends, as the case may be, is made.

(2) Transition rule. For purposes of paragraphs (1)(C), (1)(D), and (2)(B) of subsection (a), the gross income of the foreign corporation for any period before the first taxable year beginning after December 31, 1966, which is effectively connected with the conduct of a trade or business within Guam is an amount equal to the gross income for such period from sources within Guam.

(e) Income from Certain Leased Aircraft, Vessels, and Spacecraft Treated as Income from Sources within Guam.

(1) In general. For purposes of subsection (a) and section 862(a), if---

(A) a taxpayer owning a craft which is section 38 property (or would be section 38 property but for section 48(a)(5)) leases such craft to a Guam person, other than a member of the same controlled group of corporations (as defined in section 1563) as the taxpayer, and

(B) such craft is manufactured or constructed in Guam,

then all amounts includible in gross income by the taxpayer with respect to such craft for any taxable year ending after the commencement of such lease (whether during or after the period of such lease), including gain from sale, exchange, or other disposition of such craft, shall be treated as income from sources within Guam.

(2) Certain transfers involving carry-over basis. If the taxpayer transfers or distributes a craft to which paragraph (1) applied and the basis of such craft in the hands of the transferee or distributee is determined by reference to its basis in the hands of the transferor or distributor, paragraph (1) shall continue to apply to such

craft in the hands of the transferee or distributee.

(3) Craft defined. For purposes of this subsection, the term "craft" means a vessel, aircraft, or spacecraft.

(f) Income from Certain Railroad Rolling Stock Treated as Income from Sources within Guam.

(1) General rule. For purposes of subsection (a) and section 826(a), if---

(A) a taxpayer leases railroad rolling stock which is section 38 property (or would be section 38 property but for section 48(a)(5)) to a domestic common carrier by railroad or a corporation which is controlled, directly or indirectly, by one or more such common carriers, and

(B) the use under such lease is expected to be use within Guam,

all amounts includible in gross income by the taxpayer with respect to such railroad rolling stock (including gain from sale or other disposition of such railroad rolling stock) shall be treated as income from sources within Guam.

(2) Paragraph (1) not to apply where lessor is a member of controlled group which includes a railroad. Paragraph (1) shall not apply to a lease between two members of the same controlled group of corporations (as defined in section 1563) if any member of such group is a domestic common carrier by railroad or a switching or terminal company referred to in subparagraph (B) of section 184(d)(1).

SEC. 862. INCOME FROM SOURCES WITHOUT GUAM

(a) Gross Income from Sources without Guam. The following items of gross income shall be treated as income from sources without Guam:

(1) interest other than that derived from sources within Guam as provided in section 861(a)(1);

(2) dividends other than those derived from sources within Guam as provided in section 861(a)(2);

(3) compensation for labor or personal services performed without Guam;

(4) rentals or royalties from property located without Guam or from any interest in such property, including rentals or royalties for the use of or for the privilege of using without Guam patents, copyrights, secret processes and formulas, good will, trademarks, trade brands, franchises, and other like properties;

(5) gains, profits, and income from the sale or exchange of real property located without Guam;

(6) gains, profits, and income derived from the purchase of personal property within Guam and its sale or exchange without Guam;

(7) underwriting income other than that derived from sources within Guam as provided in section 861(a)(7); and

(8) gains, profits, and income from the disposition of a Guam real property interest (as defined in section 897(c)) when the real property is located in the Virgin Islands.

(b) Taxable Income from Sources without Guam. From the items of gross income specified in subsection (a) there shall be deducted the expenses, losses, and other deductions properly apportioned or allocated thereto, and a ratable part of any expenses, losses, or other deductions which cannot definitely be allocated to some item or class of gross income. The remainder, if any, shall be treated in full as taxable income from sources without Guam. In the case of an individual who does not itemize deductions, an amount equal to the zero bracket amount shall be considered a deduction which cannot definitely be allocated to some item or class of gross income.

(c) Cross Reference. For source of amounts attributable to certain aircraft and vessels, see section 861(e).

SEC. 863. ITEMS NOT SPECIFIED IN SECTION 861 OR 862

(a) Allocation under Regulations. Items of gross income, expenses, losses, and deductions, other than those specified in sections 861(a) and 862(a), shall be allocated or apportioned to sources within or without Guam, under regulations prescribed by the Governor. Where items of gross income are separately allocated to sources within Guam, there shall be deducted (for the purpose of computing the taxable income therefrom) the expenses, losses, and other deductions properly apportioned or allocated thereto and a ratable part of other expenses, losses, or other

deductions which cannot definitely be allocated to some item or class of gross income. The remainder, if any, shall be included in full as taxable income from sources within Guam.

(b) Income Partly from within and Partly from without Guam. In the case of gross income derived from sources partly within and partly without Guam, the taxable income may first be computed by deducting the expenses, losses, or other deductions apportioned or allocated thereto and a ratable part of any expenses, losses, or other deductions which cannot definitely be allocated to some item or class of gross income; and the portion of such taxable income attributable to sources within Guam may be determined by processes or formulas of general apportionment prescribed by the Governor. Gains, profits, and income---

(1) from transportation or other services rendered partly within and partly without Guam,

(2) from the sale or exchange of personal property produced (in whole or in part) by the taxpayer within and sold or exchanged without Guam, or produced (in whole or in part) by the taxpayer without and sold or exchanged within Guam, or

(3) derived from the purchase of personal property within the United States or a possession thereof other than Guam and its sale or exchange within Guam,

shall be treated as derived partly from sources within and partly from sources without Guam.

SEC. 864. DEFINITIONS

(a) Produced. --- For purposes of this part, the term "produced" includes created, fabricated, manufactured, extracted, processed, cured, or aged.

(b) Trade or Business Within Guam. For purposes of this part, part II, and chapter 3, the term "trade or business within Guam" includes the performance of personal services within Guam at any time within the taxable year, but does not include---

(1) Performance of personal services for foreign employer. --- The performance of personal services---

(A) for a nonresident alien individual, foreign partnership, or

foreign corporation, not engaged in trade or business within Guam, or

(B) for an office or place of business maintained in a foreign country or in the United States or a possession of the United States other than Guam by an individual who is a citizen of Guam, but not otherwise a citizen of the United States, or resident of Guam or by a domestic partnership or a domestic corporation,

by a nonresident alien individual temporarily present in Guam for a period or periods not exceeding a total of 90 days during the taxable year and whose compensation for such services does not exceed in the aggregate \$3,000.

(2) Trading in securities or commodities. ---

(A) Stocks and securities. ---

(i) In general. --- Trading in stocks or securities through a resident broker, commission agent, custodian, or other independent agent.

(ii) Trading for taxpayer's own account. --- Trading in stocks or securities for the taxpayer's own account, whether by the taxpayer or his employees or through a resident broker, commission agent, custodian, or other agent, and whether or not any such employee or agent has discretionary authority to make decisions in effecting the transactions. This clause shall not apply in the case of a dealer in stocks or securities, or in the case of a corporation (other than a corporation which is, or but for section 542(c)(7) or 543(b)(1)(C) would be, a personal holding company) the principal business of which is trading in stocks or securities for its own account, if its principal office is in Guam.

(B) Commodities ---

(i) In general. --- Trading in commodities through a resident broker, commission agent, custodian, or other independent agent.

(ii) Trading for taxpayer's own account. --- Trading in commodities for the taxpayer's own account, whether by the taxpayer or his employees or through a resident broker, commission agent, custodian, or other agent, and whether or not any such employee or agent has discretionary authority to make decisions in effecting the transactions. This clause shall not apply in the case of a dealer in commodities.

(iii) Limitation. --- Clauses (i) and (ii) shall apply only if the commodities are of a kind customarily dealt in on an organized commodity exchange and if the transaction is of a kind customarily consummated at such place.

(C) Limitation. --- Subparagraphs (A)(i) and (B)(i) shall apply only if, at no time during the taxable year, the taxpayer has an office or other fixed place of business in Guam through which or by the direction of which the transactions in stocks or securities, or in commodities, as the case may be, are effected.

(c) Effectively connected income, etc.---

(1) General rule. --- For purposes of this title---

(A) In the case of a nonresident alien individual or a foreign corporation engaged in trade or business within Guam during the taxable year, the rules set forth in paragraphs (2), (3), and (4) shall apply in determining the income, gain, or loss which shall be treated as effectively connected with the conduct of a trade or business within Guam.

(B) Except as provided in section 871(d) or sections 882(d) and (e), in the case of a nonresident alien individual or a foreign corporation not engaged in trade or business within Guam during the taxable year, no income, gain, or loss shall be treated as effectively connected with the conduct of a trade or business within Guam.

(2) Periodical, etc., income from sources within Guam---factors. --- In determining whether income from sources

within Guam of the types described in section 871(a)(1) or section 881(a), or whether gain or loss from sources within Guam from the sale or exchange of capital assets, is effectively connected with the conduct of a trade or business within Guam, the factors taken into account shall include whether---

(A) the income, gain, or loss is derived from assets used in or held for use in the conduct of such trade or business, or

(B) the activities of such trade or business were a material factor in the realization of the income, gain, or loss.

In determining whether an asset is used in or held for use in the conduct of such trade or business or whether the activities of such trade or business were a material factor in realizing an item of income, gain, or loss, due regard shall be given to whether or not such asset or such income, gain, or loss was accounted for through such trade or business. In applying this paragraph and paragraph (4), interest referred to in section 861(a)(1)(A) shall be considered income from sources within Guam.

(3) Other income from sources within Guam. --- All income, gain, or loss from sources within Guam (other than income, gain, or loss to which paragraph (2) applies) shall be treated as effectively connected with the conduct of a trade or business within Guam.

(4) Income from sources without Guam.

(A) Except as provided in subparagraphs (B) and (C), no income, gain, or loss from sources without Guam shall be treated as effectively connected with the conduct of a trade or business within Guam.

(B) Income, gain, or loss from sources without Guam shall be treated as effectively connected with the conduct of a trade or business within Guam by a nonresident alien individual or a foreign corporation if such person has an office or other fixed place of business within Guam to which such income, gain, or loss is attributable and such income, gain, or loss---

(i) consists of rent or royalties for the use of or for the privilege of using intangible

property described in section 862(a)(4) (including any gain or loss realized on the sale or exchange of such property) derived in the active conduct of such trade or business;

(ii) consists of dividends or interest, or gain or loss from the sale or exchange of stock or notes, bonds, or other evidences of indebtedness, and either is derived in the active conduct of a banking, financing, or similar business within Guam or is received by a corporation the principal business of which is trading in stocks or securities for its own account; or

(iii) is derived from the sale or exchange (without Guam) through such office or other fixed place of business of personal property described in section 1221(1), except that this clause shall not apply if the property is sold or exchanged for use, consumption, or disposition outside Guam and an office or other fixed place of business of the taxpayer outside Guam participated materially in such sale or exchange.

(C) In the case of a foreign corporation taxable under Part I of subchapter L, any income from sources without Guam which is attributable to its Guam business shall be treated as effectively connected with the conduct of a trade or business within Guam.

(D) No income from sources without Guam shall be treated as effectively connected with the conduct of a trade or business within Guam if it either---

(i) consists of dividends, interest, or royalties paid by a foreign corporation in which the taxpayer owns (within the meaning of section 958(a)), or is considered as owning (by applying the ownership rules of section 958(b)), more than 50 percent of the total combined voting power of all classes of stock entitled to vote, or

(ii) is subpart F income within the meaning of section 952(a).

(5) Rules for application of paragraph (4)(B). --- For purposes of subparagraph (B) of paragraph (4)---

(A) in determining whether a nonresident alien individual or a foreign corporation has an office or other fixed place of business, an office or other fixed place of business of an agent shall be disregarded unless such agent (i) has the authority to negotiate and conclude contracts in the name of the nonresident alien individual or foreign corporation and regularly exercises that authority or has a stock of merchandise from which he regularly fills orders on behalf of such individual or foreign corporation, and (ii) is not a general commission agent, broker, or other agent of independent status acting in the ordinary course of his business,

(B) income, gain, or loss shall not be considered as attributable to an office or other fixed place of business within Guam unless such office or fixed place of business is a material factor in the production of such income, gain, or loss and such office or fixed place of business regularly carries on activities of the type from which such income, gain, or loss is derived, and

(C) the income, gain, or loss which shall be attributable to an office or other fixed place of business within Guam shall be the income, gain, or loss properly allocable thereto, but, in the case of a sale or exchange described in clause (iii) of such subparagraph, the income which shall be treated as attributable to an officer or other fixed place of business within Guam shall not exceed the income which would be derived from sources within Guam if the sale or exchange were made in Guam.

SEC. 871. TAX ON NONRESIDENT ALIEN INDIVIDUALS

(a) Income Not Connected with Guam Business--30 Percent Tax.---

(1) Income other than capital gains. -- There is hereby imposed for each taxable year a tax of 30 percent of the amount received from sources within Guam by a nonresident alien individual as---

(A) interest (other than original issue discount as defined in section 1232(b)), dividends, rents, salaries, wages, premiums, annuities, compensations, remunerations, emoluments, and other fixed or determinable annual or periodical gains, profits, and income,

(B) gains described in section 402(a)(2), 403(a)(2), or 631(b) or (c), and gains on transfers described in section 1235 made on or before October 4, 1966,

(C) in the case of---

(i) bonds or other evidences of indebtedness issued after September 28, 1965, and before April 1, 1972, amounts which under section 1232(a)(2)(B) are considered as ordinary income, and, in the case of corporate obligations issued after May 27, 1969, and before April 1, 1972, amounts which would be so considered but for the fact, the obligations were issued after May 27, 1969,

(ii) bonds or other evidences of indebtedness issued after March 31, 1972, and payable more than 6 months' from the date of original issue (without regard to the period held by the taxpayer), amounts which under section 1232(a)(2)(B) would be considered as ordinary income but for the fact such obligations were issued after May 27, 1969, and

(iii) the payment of interest on an obligation described in clause (ii), an amount equal to the original issue discount (but not in excess of such interest less the tax imposed by subparagraph (A) thereon) accrued on such obligation since the last payment of interest thereon, and

(D) gains from the sale or exchange after October 4, 1966, of patents, copyrights, secret processes and formulas, good will, trademarks, trade brands, franchises, and other like property, or of any interest in any such property, to the extent such gains are from payments which are contingent on the productivity, use, or disposition of the property or interest sold or

exchanged, or from payments which are treated as being so contingent under subsection (e),

but only to the extent the amount so received is not effectively connected with the conduct of a trade or business within Guam.

(2) Capital gains of aliens present in Guam 183 days or more.---In the case of a nonresident alien individual present in Guam for a period or periods aggregating 183 days or more during the taxable year, there is hereby imposed for such year a tax of 30 percent of the amount by which his gains, derived from sources within Guam, from the sale or exchange at any time during such year of capital assets exceed his losses, allocable to sources within Guam, from the sale or exchange at any time during such year of capital assets. For purposes of this paragraph, gains and losses shall be taken into account only if, and to the extent that, they would be recognized and taken into account if such gains and losses were effectively connected with the conduct of a trade or business within Guam, except that such gains and losses shall be determined without regard to section 1202 (relating to deduction for capital gains) and such losses shall be determined without the benefits of the capital loss carryover provided in section 1212. Any gain or loss which is taken into account in determining the tax under paragraph (1) or subsection (b) shall not be taken into account in determining the tax under this paragraph. For purposes of the 183-day requirement of this paragraph, a nonresident alien individual not engaged in trade or business within Guam who has not established a taxable year for any prior period shall be treated as having a taxable year which is the calendar year.

(b) Income Connected with Guam Business---
Graduated Rate of Tax.---

(1) Imposition of tax. --- A nonresident alien individual engaged in trade or business within Guam during the taxable year shall be taxable as provided in section 1, 55 or 402(e)(1) on his taxable income which is effectively connected with the conduct of a trade or business within Guam.

(2) Determination of taxable income.--- In determining taxable income for purposes of paragraph (1), gross income includes only gross income which is effectively connected with the conduct of a trade or business within Guam.

(c) Participants of Certain Exchange or Training Programs. --- For purposes of this section, a nonresident alien individual who (without regard to this subsection) is not engaged in trade or business within Guam and who is temporarily present in Guam as a nonimmigrant under subparagraph (F) or (J) of section 101(a)(15) of the Immigration and Nationality Act, as amended (8 U.S.C. 1101(a)(15)(F) or (J)), shall be treated as a nonresident alien individual engaged in trade or business within Guam, and any income described in section 1441(b)(1) or (2) which is received by such individual shall, to the extent derived from sources within Guam, be treated as effectively connected with the conduct of a trade or business within Guam.

(d) Election to Treat Real Property Income as Income Connected with Guam Business.---

(1) In general. --- A nonresident alien individual who during the taxable year derives any income---

(A) from real property held for the production of income and located in Guam, or from any interest in such real property, including (i) gains from the sale or exchange of such real property or an interest therein, (ii) rents or royalties from mines, wells, or other natural deposits, and (iii) gains described in section 631(b) or (c), and

(B) which, but for this subsection, would not be treated as income which is effectively connected with the conduct of a trade or business within Guam,

may elect for such taxable year to treat all such income as income which is effectively connected with the conduct of a trade or business within Guam. In such case, such income shall be taxable as provided in subsection (b)(1) whether or not such individual is engaged in trade or business within Guam during the taxable year. An election under this paragraph for any taxable year shall remain in effect for all subsequent taxable years, except that it may be revoked with the consent of the Governor with respect to any taxable year.

(2) Election after revocation. --- If an election has been made under paragraph (1) and such election has been revoked, a new election may not be made under such paragraph for any taxable year before the 5th taxable year which begins after the first taxable year for which such revocation is effective,

unless the Governor consents to such new election.

(3) Form and time of election and revocation. --- An election under paragraph (1), and any revocation of such an election, may be made only in such manner and at such time as the Governor may by regulations prescribe.

(e) Gains from Sale or Exchange of Certain Intangible Property. --- For purposes of subsection (a)(1)(D); and for purposes of sections 881(a)(4), 1441(b), and 1442(a)---

(1) Payments treated as contingent on use, etc. --- If more than 50 percent of the gain for any taxable year from the sale or exchange of any patent, copyright, secret process or formula, good will, trademark, trade brand, franchise, or other like property, or of any interest in any such property, is from payments which are contingent on the productivity, use, or disposition of such property or interest, all of the gain for the taxable year from the sale or exchange of such property or interest shall be treated as being from payments which are contingent on the productivity, use, or disposition of such property or interest.

(2) Source rule. --- In determining whether gains described in subsection (a)(1)(D) and section 881(a)(4) are received from sources within Guam, such gains shall be treated as rentals or royalties for the use of, or privilege of using, property or an interest in property.

(f) Certain Annuities Received under Qualified Plans ---

(1) In general. --- For purposes of this section, gross income does not include any amount received as an annuity under a qualified annuity plan described in section 403(a)(1), or from a qualified trust described in section 401(a) which is exempt from tax under section 501(a), if---

(A) all of the personal services by reason of which the annuity is payable were either---

(i) personal services performed outside Guam by an individual who, at the time of performance of such personal services, was a nonresident alien, or

(ii) personal services described in section 864(b)(1) performed within Guam by such individual, and

(B) at the time the first amount is paid as an annuity under the annuity plan or by the trust, 90 percent or more of the employees for whom contributions or benefits are provided under such annuity plan, or under the plan or plans of which the trust is a part, are citizens or residents of Guam or of the United States.

(2) Exclusion. --- Income received during the taxable year which would be excluded from gross income under this subsection but for the requirement of paragraph (1)(B) shall not be included in gross income if---

(A) the recipient's country of residence grants a substantially equivalent exclusion to residents and citizens of the United States; or

(B) the recipient's country of residence is a beneficiary developing country within the meaning of section 502 of the Trade Act of 1974 (19 U.S.C. 2462).

(g) Cross References. ---

(1) For tax treatment of certain amounts distributed by Guam or the United States to nonresident alien individuals, see section 402(a)(4).

(2) For taxation of nonresident alien individuals who are expatriate United States citizens, see section 877.

(3) For doubling of tax on citizens of certain foreign countries, see section 891.

(4) For adjustment of tax in case of nationals or residents of certain foreign countries, see section 896.

(5) For withholding of tax at source on nonresident alien individuals, see section 1441.

(6) For the requirement of making a declaration of estimated tax by certain nonresident alien individuals, see section 6015(j).

(7) For election to treat married nonresident alien individual as resident of Guam in certain cases, see subsections (g) and (h) of section 6013.

(8) For special tax treatment of gain or loss from the disposition by a nonresident alien individual of a Guam real property interest, see section 897.

SEC. 872. GROSS INCOME

(a) General Rule. --- In the case of a nonresident alien individual, gross income includes only---

(1) gross income which is derived from sources within Guam and which is not effectively connected with the conduct of a trade or business within Guam, and

(2) gross income which is effectively connected with the conduct of a trade or business within Guam.

(b) Exclusions. --- The following items shall not be included in gross income of a nonresident alien individual, and shall be exempt from taxation under this subtitle:

(1) Ships under foreign flag. --- Earnings derived from the operation of a ship or ships documented under the laws of a foreign country which grants an equivalent exemption to citizens of the United States and to corporations organized in the United States.

(2) Aircraft of foreign registry. --- Earnings derived from the operation of aircraft registered under the laws of a foreign country which grants an equivalent exemption to citizens of the United States and to corporations organized in the United States.

(3) Compensation of participants in certain exchange or training programs. --- Compensation paid by a foreign employer to a nonresident alien individual for the period he is temporarily present in Guam as a nonimmigrant under subparagraph (F) or (J) of section 101(a)(15) of the Immigration and Nationality Act, as amended. For purposes of this paragraph, the term "foreign employer" means---

(A) a nonresident alien individual, foreign partnership, or foreign corporation, or

(B) an office or place of business maintained in a foreign country or in the United States or in a possession of the United States other than Guam by a domestic corporation, a domestic partnership, or an individual who is a citizen of Guam, but not otherwise a citizen of the United States, or resident of Guam.

(4) Certain bond income of residents of Ryukyu Islands or the Trust Territory of the Pacific Islands. --- Income derived by a nonresident alien individual from a series E or series H United States savings bond, if such individual acquired such bond while a resident of the Ryukyu Islands or the Trust Territory of the Pacific Islands.

SEC. 873. DEDUCTIONS

(a) General Rule. --- In the case of a nonresident alien individual, the deductions shall be allowed only for purposes of section 871(b) and (except as provided by subsection (b)) only if and to the extent that they are connected with income which is effectively connected with the conduct of a trade or business within Guam; and the proper apportionment and allocation of the deductions for this purpose shall be determined as provided in regulations prescribed by the Governor.

(b) Exceptions. --- The following deductions shall be allowed whether or not they are connected with income which is effectively connected with the conduct of a trade or business within Guam:

(1) Losses. --- The deduction, for losses of property not connected with the trade or business if arising from certain casualties or theft, allowed by section 165(c)(3), but only if the loss is of property located within Guam.

(2) Charitable contributions. --- The deduction for charitable contributions and gifts allowed by section 170.

(3) Personal exemption. --- The deduction for personal exemptions allowed by section 151, except that only one exemption shall be allowed under section 151 unless the taxpayer is a citizen or resident of the United States or of any possession thereof other than Guam or is a national of the United States.

(c) Cross reference. ---

For rule that certain foreign taxes are not to be taken into account in determining deduction or credit, see section 906(b)(1).

SEC. 874. ALLOWANCE OF DEDUCTIONS
AND CREDITS

(a) Return Prerequisite to Allowance. --- A nonresident alien individual shall receive the benefit of the deductions and credits allowed to him in this subtitle only by filing or causing to be filed with the Governor a true and accurate return, in the manner prescribed in subtitle F (sec. 6001 and following, relating to procedure and administration), including therein all the information which the Governor may deem necessary for the calculation of such deductions and credits. This subsection shall not be construed to deny the credits provided by sections 31 and 32 for tax withheld at source or the credit provided by section 39 for certain uses of gasoline, special fuels, and lubricating oil.

(b) Tax Withheld at Source. --- The benefit of the deduction for exemptions under section 151 may, in the discretion of the Governor, and under regulations prescribed by the Governor, be received by a nonresident alien individual entitled thereto, by filing a claim therefor with the withholding agent.

(c) Foreign Tax Credit. --- Except as provided in section 906, a nonresident alien individual shall not be allowed the credits against the tax for taxes of foreign countries and the United States or possessions thereof other than Guam allowed by section 901.

SEC. 875. PARTNERSHIPS; BENEFICIARIES
OF ESTATES AND TRUSTS

For purposes of this subtitle---

(1) a nonresident alien individual or foreign corporation shall be considered as being in a trade or business within Guam if the partnership of which such individual or corporation is a member is so engaged, and

(2) a nonresident alien individual or foreign corporation which is a beneficiary of an estate or trust which is engaged in any trade or business within Guam shall be treated as being engaged in such trade or business within Guam.

SEC. 881. TAX ON INCOME OF FOREIGN
CORPORATIONS NOT CONNECTED
WITH GUAM BUSINESS

(a) Imposition of Tax. --- There is hereby imposed for each taxable year a tax of 30 percent of the amount received from sources within Guam by a foreign corporation as---

(1) interest (other than original issue discount as defined in section 1232(b)), dividends, rents, salaries, wages, premiums, annuities, compensations, remunerations, emoluments, and other fixed or determinable annual or periodical gains, profits, and income,

(2) gains described in section 631(b) or (c),

(3) in the case of---

(A) bonds or other evidences of indebtedness issued after September 28, 1965, and before April 1, 1972, amounts which under section 1232(a)(2)(B) are considered as ordinary income, and, in the case of corporate obligations issued after May 27, 1969, and before April 1, 1972, amounts which would be so considered but for the fact the obligations were issued after May 27, 1969,

(B) bonds or other evidences of indebtedness issued after March 31, 1972, and payable more than 6 months from the date of original issue (without regard to the period held by the taxpayer), amounts which under section 1232(a)(2)(B) would be considered as ordinary income but for the fact such obligations were issued after May 27, 1969, and

(C) the payment of interest on an obligation described in subparagraph (B), an amount equal to the original issue discount (but not in excess of such interest less the tax imposed by paragraph (1) thereon) accrued on such obligation since the last payment of interest thereon, and

(4) gains from the sale or exchange after October 4, 1966, of patents, copyrights, secret processes and formulas, goodwill, trademarks, trade brands, franchises, and other like property, or of any interest in any such property, to the extent such gains are from payments which are contingent on the productivity, use, or disposition of

the property or interest sold or exchanged, or from payments which are treated as being so contingent under section 871(e),

but only to the extent the amount so received is not effectively connected with the conduct of a trade or business within Guam.

(b) Exception for United States Corporation. -- For purposes of this section, the term "foreign corporation" does not include a corporation created or organized in the United States or any State or under the law of the United States or of any State.

(c) Doubling of Tax. --- For doubling of tax on corporations of certain foreign countries, see section 891.

SEC. 882. TAX ON INCOME OF FOREIGN
CORPORATIONS CONNECTED
WITH GUAM BUSINESS

(a) Imposition of Tax ---

(1) In general. --- A foreign corporation engaged in trade or business within Guam during the taxable year shall be taxable as provided in section 11 or 1201(a) on its taxable income which is effectively connected with the conduct of a trade or business within Guam.

(2) Determination of taxable income. -- In determining taxable income for purposes of paragraph (1), gross income includes only gross income which is effectively connected with the conduct of a trade or business within Guam.

(3) For special tax treatment of gain or loss from the disposition by a foreign corporation of a Guam real property interest, see section 897.

(b) Gross Income. --- In the case of a foreign corporation, gross income includes only---

(1) gross income which is derived from sources within Guam and which is not effectively connected with the conduct of a trade or business within Guam, and

(2) gross income which is effectively connected with the conduct of a trade or business within Guam.

(1) In general. --- A foreign corporation which during the taxable year derives any income---

(A) from real property located in Guam, or from any interest in such real property, including (i) gains from the sale or exchange of real property or an interest therein, (ii) rents or royalties from mines, wells, or other natural deposits, and (iii) gains described in section 631(b) or (c), and

(B) which, but for this subsection, would not be treated as income effectively connected with the conduct of a trade or business within Guam,

may elect for such taxable year to treat all such income as income which is effectively connected with the conduct of a trade or business within Guam. In such case, such income shall be taxable as provided in subsection (a)(1) whether or not such corporation is engaged in trade or business within Guam during the taxable year. An election under this paragraph for any taxable year shall remain in effect for all subsequent taxable years, except that it may be revoked with the consent of the Governor with respect to any taxable year.

(2) Election after revocation, etc. --- Paragraphs (2) and (3) of section 871(d) shall apply in respect of elections under this subsection in the same manner and to the same extent as they apply in respect of elections under section 871(d).

* * *

(f) Returns of Tax by Agent. --- If any foreign corporation has no office or place of business in Guam but has an agent in Guam, the return required under section 6012 shall be made by the agent.

SEC. 883. EXCLUSIONS FROM GROSS INCOME.

(a) Income of Foreign Corporations from Ships and Aircraft. The following items shall not be included in gross income of a foreign corporation, and shall be exempt from taxation under this subtitle:

(1) Ships under foreign flag. Earnings derived from the operation of a ship or ships documented under the laws of a foreign country which grants an equivalent exemption

(c) Allowance of Deductions and Credits. ---

(1) Allocation of deductions. ---

(A) General rule. --- In the case of a foreign corporation, the deductions shall be allowed only for purposes of subsection (a) and (except as provided by subparagraph (B)) only if and to the extent that they are connected with income which is effectively connected with the conduct of a trade or business within Guam; and the proper apportionment and allocation of the deductions for this purpose shall be determined as provided in regulations prescribed by the Governor.

(B) Charitable contributions. --- The deduction for charitable contributions and gifts provided by section 170 shall be allowed whether or not connected with income which is effectively connected with the conduct of a trade or business within Guam.

(2) Deductions and credits allowed only if return filed. --- A foreign corporation shall receive the benefit of the deductions and credits allowed to it in this subtitle only by filing or causing to be filed with the Governor a true and accurate return, in the manner prescribed in subtitle F, including therein all the information which the Governor may deem necessary for the calculation of such deductions and credits. The preceding sentence shall not apply for purposes of the tax imposed by section 541 (relating to personal holding company tax), and shall not be construed to deny the credit provided by section 32 for tax withheld at source or the credit provided by section 39 for certain uses of gasoline and lubricating oil.

(3) Foreign tax credit. --- Except as provided by section 906, foreign corporations shall not be allowed the credit against the tax for taxes of foreign countries and the United States and possessions thereof other than Guam allowed by section 901.

(4) Cross reference. ---

For rule that certain foreign taxes are not to be taken into account in determining deduction or credit, see section 906(b)(1).

(d) Election to Treat Real Property Income as Income Connected With Guam Business. ---

to citizens of the United States and to corporations organized in the United States.

(2) Aircraft of foreign registry. Earnings derived from the operation of aircraft registered under the laws of a foreign country which grants an equivalent exemption to citizens of the United States and to corporations organized in the United States.

(3) Railroad rolling stock of foreign corporations. Earnings derived from payments by a common carrier for the use on a temporary basis (not expected to exceed a total of 90 days in any taxable year) of railroad rolling stock owned by a corporation of a foreign country which grants an equivalent exemption to corporations organized in the United States.

(b) Earnings Derived from Communications Satellite System. The earnings derived from the ownership or operation of a communications satellite system by a foreign entity designated by a foreign government to participate in such ownership or operation shall be exempt from taxation under this subtitle, if the United States, through its designated entity, participates in such system pursuant to the Communications Satellite Act of 1962 (47 U.S.C. 701 and following).

SEC. 884. CROSS REFERENCES

(1) For special provisions relating to foreign corporations carrying on an insurance business with Guam, see section 842.

(2) For rules applicable in determining whether any foreign corporation is engaged in trade or business within Guam, see section 864(b).

(3) For adjustment of tax in case of corporation of certain foreign countries, see section 896.

(4) For allowance of credit against the tax in case of a foreign corporation having income effectively connected with the conduct of a trade or business within Guam, see section 906.

(5) For withholding at source of tax on income of foreign corporations, see section 1442.

SEC. 935. COORDINATION OF UNITED STATES
AND GUAM INDIVIDUAL INCOME TAXES

(a) Application of Section. --- This section shall apply to any individual for the taxable year who---

(1) is a resident of Guam,

(2) is a citizen of Guam but not otherwise a citizen of the United States,

(3) has income derived from Guam for the taxable year and is a citizen or resident of the United States, or

(4) files a joint return for the taxable year with an individual who satisfies paragraph (1), (2), or (3) for the taxable year.

(b) Filing Requirement. ---

(1) In general. Each individual to whom this section applies for the taxable year shall file his income tax return for the taxable year--r

(A) with the United States, if he is a resident of the United States,

(B) with Guam, if he is a resident of Guam, and

(C) if neither subparagraph (A) nor subparagraph (B) applies---

(i) with Guam, if he is a citizen of Guam but not otherwise a citizen of the United States, or

(ii) with the United States, if clause (i) does not apply.

(2) Determination date. --- For purposes of this section, determinations of residence and citizenship for the taxable year shall be made as of the close of the taxable year.

(3) Special rule for joint returns. --- In the case of a joint return, this subsection shall be applied on the basis of the residence and citizenship of the spouse who has the greater adjusted gross income (determined without regard to community property laws) for the taxable year.

(c) Extent of Income Tax Liability. --- In the case of any individual to whom this section applies for the taxable year---

(1) for purposes of so much of this title (other than this section and section /654) as relates to the taxes imposed by this chapter, Guam shall be treated as including the United States,

(2) for purposes of the United States income tax, the United States shall be treated as including Guam, and

(3) such individual is hereby relieved of liability for income tax for such year to the jurisdiction (Guam or the United States) other than the jurisdiction with which he is required to file under subsection (b).

(d) Special Rules for Estimated Income Tax. --- If there is reason to believe that this section will apply to an individual for the taxable year, then---

(1) he shall file any declaration of estimated income tax, (and all amendments thereto) with the jurisdiction with which he would be required to file a return for such year under subsection (b) if his taxable year closed on the date he is required to file such declaration,

(2) he is hereby relieved of any liability to file a declaration of estimated income tax (and amendments thereto) for such taxable year to the other jurisdiction, and

(3) his liability for underpayments of estimated income tax shall be to the jurisdiction with which he is required to file his return for the taxable year (determined under subsection (b)).

SEC. 1441. WITHHOLDING OF TAX ON
NONRESIDENT ALIENS

(a) General Rule. Except as otherwise provided in subsection (c), all persons, in whatever capacity acting (including lessees or mortgagors of real or personal property, fiduciaries, employers, and all officers and employees of Guam) having the control, receipt, custody, disposal, or payment of any of the items of income specified in subsection (b) (to the extent that any of such items constitute gross income from sources within Guam), of any nonresident alien individual, or of any foreign partnership shall (except in the cases provided for in section 1451 and except as otherwise provided in regulations prescribed by the Governor under section 874) deduct and withhold from such items a tax equal to 30 percent thereof, except that in the case of any item of

income specified in the second sentence of subsection (b), the tax shall be equal to 14 percent of such item.

(b) Income Items. The items of income referred to in subsection (a) are interest (other than original issue discount as defined in section 1232(b)), dividends, rent, salaries, wages, premiums, annuities, compensations, remunerations, emoluments, or other fixed or determinable annual or periodical gains, profits, and income, gains described in section 402(a)(2), 403(a)(2), or 631(b) or (c), amounts subject to tax under section 871(a)(1)(C), gains subject to tax under section 871(a)(1)(D), and gains on transfers described in section 1235 made on or before October 4, 1966. The items of income referred to in subsection (a) from which tax shall be deducted and withheld at the rate of 14 percent are---

(1) that portion of any scholarship or fellowship grant which is received by a nonresident alien individual who is temporarily present in Guam as a nonimmigrant under subparagraph (F) or (J) of section 101(a)(15) of the Immigration and Nationality Act, as amended, and which is not excluded from gross income under section 117(a)(1) solely by reason of section 117(b)(2)(B); and

(2) amounts described in subparagraphs (A), (B), (C), and (D) of section 117(a)(2) which are received by any such nonresident alien individual and which are incident to a scholarship or fellowship grant to which section 117(a)(1) applies, but only to the extent such amounts are includible in gross income.

In the case of a nonresident alien individual who is a member of a domestic partnership, the items of income referred to in subsection (a) shall be treated as referring to items specified in this subsection included in his distributive share of the income of such partnership.

(c) Exceptions.

(1) Income connected with Guam business. No deduction or withholding under subsection (a) shall be required in the case of any item of income (other than compensation for personal services) which is effectively connected with the conduct of a trade or business within Guam and which is included in the gross income of the recipient under section 871(b)(2) for the taxable year.

(2) Owner unknown. The Governor may authorize the tax under subsection (a) to be deducted and withheld from the interest upon

any securities the owners of which are not known to the withholding agent.

(3) Bonds with extended maturity dates. --- The deduction and withholding in the case of interest on bonds, mortgages, or deeds of trust or other similar obligations of a corporation, within subsections (a), (b), and (c) of section 1451 were it not for the fact that the maturity date of such obligations has been extended on or after January 1, 1934, and the liability assumed by the debtor exceeds 27½ percent of the interest, shall not exceed the rate of 27½ percent per annum.

(4) Compensation of certain aliens. --- Under regulations prescribed by the Governor, compensation for personal services may be exempted from deduction and withholding under subsection (a).

(5) Special items. --- In the case of gains described in section 402(a)(2), 403(a)(2), or 631(b) of (c), gains subject to tax under section 871(a)(1)(D), and gains on transfers described in section 1235 made on or before October 4, 1966, the amount required to be deducted and withheld shall, if the amount of such gain is not known to the withholding agent, be such amount, not exceeding 30 percent of the amount payable, as may be necessary to assure that the tax deducted and withheld shall not be less than 30 percent of such gain.

(6) Per diem of certain aliens. --- No deduction or withholding under subsection (a) shall be required in the case of amounts of per diem for subsistence paid by the United States Government (directly or by contract) to any nonresident alien individual who is engaged in any program of training in Guam under the Mutual Security Act of 1954, as amended.

(7) Certain annuities received under qualified plans. --- No deduction or withholding under subsection (a) shall be required in the case of any amount received as an annuity if such amount is, under section 871(f), exempt from the tax imposed by section 871(a).

(8) Original issue discount. --- The Governor may prescribe such regulations as may be necessary for the deduction and withholding of the tax on original issue discount subject to tax under section

817(a)(1)(C) including rules for the deduction and withholding of the tax on original issue discount from payments of interest.

(d) Exemption of Certain Foreign Partnerships. Subject to such terms and conditions as may be provided by regulations prescribed by the Governor, subsection (a) shall not apply in the case of a foreign partnership engaged in trade or business within Guam if the Governor determines that the requirements of subsection (a) impose an undue administrative burden and that the collection of the tax imposed by section 871(a) on the members of such partnership who are non-resident alien individuals will not be jeopardized by the exemption.

(e) Alien Resident of Puerto Rico. --- For purposes of this section, the term "nonresident alien individual" includes an alien resident of Puerto Rico.

(f) Continental Shelf Areas.

For sources of income⁴ derived from, or for services performed with respect to, the exploration or exploitation of natural resources on submarine areas adjacent to the territorial waters of Guam, see section 638.

SEC. 1442. WITHHOLDING OF TAX ON
FOREIGN CORPORATIONS

(a) General Rule. In the case of foreign corporations subject to taxation under this subtitle, there shall be deducted and withheld at the source in the same manner and on the same items of income as is provided in section 1441 or section 1451 a tax equal to 30 percent thereof; except that, in the case of interest described in section 1451 (relating to tax-free covenant bonds), the deduction and withholding shall be at the rate specified therein. For purposes of the preceding sentence, the references in section 1441(b) to sections 871(a)(1)(C) and (D) shall be treated as referring to sections 881(a)(3) and (4), the reference in section 1441(c)(1) to section 871(b)(2) shall be treated as referring to section 842 or section 882(a)(2), as the case may be, the reference in section 1441(c)(5) to section 871(a)(1)(D) shall be treated as referring to section 881(a)(4), and the reference in section 1441(c)(8) to section 871(a)(1)(C) shall be treated as referring to section 881(a)(3).

(b) Exemption. Subject to such terms and conditions as may be provided by regulations prescribed by the Governor, subsection (a) shall not apply in the case of a foreign corporation engaged in trade or business within Guam if the

Governor determines that the requirements of subsection (a) impose an undue administrative burden and that the collection of the tax imposed by section 881 on such corporation will not be jeopardized by the exemption.

(c) Exception for United States Corporations. For purposes of this section, the term "foreign corporation" does not include a corporation created or organized in the United States or any State or under the law of the United States or of any State.

SEC. 4701. TAX ON ISSUER OF REGISTRATION-REQUIRED OBLIGATION NOT IN REGISTERED FORM

(a) Imposition of Tax. --- In the case of any person who issues a registration-required obligation which is not in registered form, there is hereby imposed on such person on the issuance of such obligation a tax in an amount equal to the product of---

(1) 1 percent of the principal amount of such obligation, multiplied by

(2) the number of calendar years (or portions thereof) during the period beginning on the date of issuance of such obligation and ending on the date of maturity.

(b) Definitions. --- For purposes of this section---

(1) Registration-required obligation. --The term "registration-required obligation" has the same meaning as when used in section 163(f), except that such term shall not include any obligation required to be registered under section 103(j).

(2) Registered form. --- The term "registered form" has the same meaning as when used in section 163(f).

SEC. 7121. CLOSING AGREEMENTS

(a) Authorization. --- The Governor is authorized to enter into an agreement in writing with any person relating to the liability of such person (or of the person or estate for whom he acts), in respect of any internal revenue tax for any taxable period.

(b) Finality. --- If such agreement is approved by the Governor (within such time as may be stated in such agreement, or later agreed to)

such agreement shall be final and conclusive, and except upon a showing of fraud or malfeasance, or misrepresentation of a material fact---

(1) the case shall not be reopened as to the matters agreed upon or the agreement modified by any officer, employee, or agent of Guam, and

(2) in any suit, action, or proceeding, such agreement, or any determination, assessment, collection, payment, abatement, refund, or credit made in accordance therewith, shall not be annulled, modified, set aside, or disregarded.

SEC. 7701. DEFINITIONS

(a) When used in this title, where not otherwise distinctly expressed or manifestly incompatible with the intent thereof--- * * *

(4) Domestic. The term "domestic" when applied to a corporation or partnership means created or organized in Guam or under the law of Guam.

* * *

(11) Governor of Guam and Governor.

(A) Governor of Guam. The term "Governor of Guam" means the Governor of Guam, personally, and shall not include any delegate of his.

(B) Governor. The term "Governor" means the Governor of Guam or his delegate.

(12) Delegate.

(A) In general. The term "or his delegate" ---

(i) when used with reference to the Governor of Guam, means any officer, employee, or agency of the Government of Guam or any of its political subdivisions duly authorized by the Governor of Guam directly, or indirectly by one or more redelegations of authority, to perform the function mentioned or described in the context; and

(ii) when used with reference to any other official of the Government of Guam, shall be similarly construed.

(13) Commissioner. The term "Commissioner" means the Governor of Guam or his delegate.

* * *

(27) Tax Court. The term "Tax Court" means the District Court of Guam created by 48 U.S.C. 1424.

* * *

(29) Internal Revenue Code. The term "Internal Revenue Code of 1954" means the Guam Territorial Income Tax, as amended.

(30) Guam Person. The term "Guam person" means---

(A) a citizen of Guam, but not otherwise a citizen of the United States, or resident of Guam,

(B) a domestic partnership,

(C) a domestic corporation, and

(D) any estate or trust (other than a foreign estate or foreign trust, within the meaning of section 7701(a)(31)).

(31) Foreign estate or trust. The terms "foreign estate" and "foreign trust" mean an estate or trust, as the case may be, the income of which, from sources without Guam which is not effectively connected with the conduct of a trade or business within Guam, is not includible in gross income under subtitle A.

SEC. 7805. RULES AND REGULATIONS

(a) Authorization. --- Except where such authority is expressly given by this title to any person other than the Governor, the Governor shall prescribe all needful rules and regulations for the enforcement of this title, including all rules and regulations as may be necessary by reason of any alteration of law in relation to internal revenue.

(b) Retroactivity of Regulations or Rulings. --- The Governor may prescribe the extent, if any, to which any ruling or regulation, relating to the internal revenue laws, shall be applied without retroactive effect.

(c) Preparation and Distribution of Regulations, Forms, Stamps, and Other Matters. --- The Governor shall prepare and distribute all the instructions, regulations, directions, forms, blanks, stamps, and other matters pertaining to the assessment and collection of internal revenue.

TEXT OF PROVISIONS OF THE GUAM TERRITORIAL INCOME
TAX AS ISSUED BY EXECUTIVE ORDER NO. _____

SEC. 11. TAX IMPOSED

(a) Corporations in General. A tax is hereby imposed for each taxable year on the taxable income of every corporation.

(b) Amount of Tax. The amount of the tax imposed by subsection (a) shall be the sum of ---

(1) 15 percent (16 percent for taxable years beginning in 1982) of so much of the taxable income as does not exceed \$25,000;

(2) 18 percent (19 percent for taxable years beginning in 1982) of so much of the taxable income as exceeds \$25,000 but does not exceed \$50,000;

(3) 30 percent of so much of the taxable income as exceeds \$50,000 but does not exceed \$75,000;

(4) 40 percent of so much of the taxable income as exceeds \$75,000 but does not exceed \$100,000; plus

(5) 46 percent of so much of the taxable income as exceeds \$100,000.

(c) Exceptions. Subsection (a) shall not apply to a corporation subject to a tax imposed by --

(1) section 594 (relating to mutual savings banks conducting life insurance business),

(2) subchapter L (sec. 801 and following, relating to insurance companies), or

(3) subchapter M (sec. 851 and following, relating to regulated investment companies and real estate investment trusts).

(d) Foreign Corporations. In the case of a foreign corporation, the tax imposed by subsection (a) shall apply only as provided by section 882.

SEC. 32. TAX WITHHELD AT SOURCE ON NON-
RESIDENT ALIENS AND FOREIGN
CORPORATIONS AND ON TAX-FREE
COVENANT BONDS

There shall be allowed as credits against the tax imposed by this chapter---

(1) The amount of tax withheld at source under subchapter A of chapter 3 (relating to withholding of tax on nonresident aliens and on foreign corporations), and

(2) The amount of tax withheld at source under subchapter B of chapter 3 (relating to interest on tax-free covenant bonds).

SEC. 33. TAXES OF FOREIGN COUNTRIES AND THE UNITED STATES AND ITS OTHER POSSESSIONS: UNITED STATES AND OTHER POSSESSION TAX CREDIT

(a) Foreign Tax Credit.--- The amount of taxes imposed by foreign countries and the United States and the possessions thereof other than Guam shall be allowed as a credit against the tax imposed by this chapter to the extent provided in section 901.

(b) Section 936 Credit.--- In the case of a domestic corporation, the amount provided by section 936 (relating to United States, Puerto Rico and other possessions other than Guam tax credit) shall be allowed as a credit against the tax imposed by this chapter.

SEC. 118. CONTRIBUTIONS TO THE CAPITAL OF A CORPORATION

(a) General Rule. --- In the case of a corporation, gross income does not include any contribution to the capital of the taxpayer.

SEC. 163. INTEREST

(f) Denial of Deduction for Interest on Certain Obligations Not in Registered Form. ---

(1) In general. --- Nothing in subsection (a) or in any other provision of law shall be construed to provide a deduction for interest on any registration-required obligation unless such obligation is in registered form.

(2) Registration-required obligation. For purposes of this section---

(A) In general. --- The term "registration-required obligation" means any obligation (including any obligation issued by a governmental entity) other than an obligation which---

(i) is issued by a natural person,

(ii) is not of a type offered to the public,

(iii) has a maturity (at issue) of not more than 1 year, or

(iv) is described in subparagraph (B).

(B) Certain obligations not included. --- An obligation is described in this subparagraph if---

(i) there are arrangements reasonably designed to ensure that such obligation will be sold (or resold in connection with the original issue) only to a person who is neither a United States nor a Guam person, and

(ii) in the case of an obligation not in registered form---

(I) interest on such obligation is payable only outside the United States and its possessions, and

(II) on the face of such obligation there is a statement that any United States or Guam person who holds such obligation will be subject to limitations under the United States or Guam income tax laws.

(C) Authority to include other obligations. -- Clauses (ii) and (iii) of subparagraph (A), and subparagraph (B), shall not apply to any obligation if---

(i) such obligation is of a type which either the Secretary or Governor has determined by regulations to be used frequently in avoiding Federal or Guam taxes, and

(ii) such obligation is issued after the date on which the regulations referred to in clause (i) take effect.

(3) Book entries permitted, etc. -- For purposes of this subsection, rules