

INTERNAL REVENUE CODE  
SUBTITLE A. INCOME TAXES  
CHAPTER 1. NORMAL TAXES AND SURTAXES  
SUBCHAPTER N. TAX BASED ON INCOME FROM SOURCES WITHIN OR WITHOUT  
THE UNITED STATES  
PART II. NONRESIDENT ALIENS AND FOREIGN CORPORATIONS  
SUBPART A. NONRESIDENT ALIEN INDIVIDUALS

*IRC Sec. 871*

§ 871. Tax on nonresident alien individuals.

(a) Income not connected with United States business--30 percent tax.

(1) Income other than capital gains. Except as provided in subsection (h), there is hereby imposed for each taxable year a tax of 30 percent of the amount received from sources within the United States by a nonresident alien individual as--

(A) interest (other than original issue discount as defined in section 1273 [*IRC Sec. 1273*]), 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 631(b) or (c) [*IRC Sec. 631(b) or(c)*], and gains on transfers described in section 1235 [*IRC Sec. 1235*] made on or before October 4, 1966,

(C) in the case of--

(i) a sale or exchange of an original issue discount obligation, the amount of the original issue discount accruing while such obligation was held by the nonresident alien individual (to the extent such discount was not theretofore taken into account under clause (ii)), and

(ii) a payment on an original issue discount obligation, an amount equal to the original issue discount accruing while such obligation was held by the nonresident alien individual (except that such original issue discount shall be taken into account under this clause only to the extent such discount was not theretofore taken into account under this clause and only to the extent that the tax thereon does not exceed the payment less the tax imposed by subparagraph (A) 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, but only to the extent the amount so received is not effectively connected with the conduct of a trade or business within the United States.

(2) Capital gains of aliens present in the United States 183 days or more. In the case of a nonresident alien individual present in the United States 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 the United States, from the sale or exchange at any time during such year of capital assets exceed his losses, allocable to sources within the United States, 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 the United States, except that such gains and losses shall be determined without regard to section 1202 [*IRC Sec. 1202*] and such losses shall be determined without the benefits of the capital loss carryover provided in section 1212 [*IRC Sec. 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 the United States who has not established a

taxable year for any prior period shall be treated as having a taxable year which is the calendar year.

(3) Taxation of social security benefits. For purposes of this section and section 1441 [IRC Sec. 1441]--

(A) 85 percent of any social security benefit (as defined in section 86(d) [IRC Sec. 86(d)]) shall be included in gross income (notwithstanding section 207 of the Social Security Act [42 USCS § 407]), and

(B) section 86 [IRC Sec. 86] shall not apply.

For treatment of certain citizens of possessions of the United States, see section 932(c) [IRC Sec. 932(c)].

(b) Income connected with United States business--graduated rate of tax.

(1) Imposition of tax. A nonresident alien individual engaged in trade or business within the United States during the taxable year shall be taxable as provided in section 1 or 55 [IRC Sec. 1 or 55] on his taxable income which is effectively connected with the conduct of a trade or business within the United States.

(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 the United States.

(c) Participants in 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 the United States and who is temporarily present in the United States as a nonimmigrant under subparagraph (F), (J), (M), or (Q) of section 101(a)(15) of the Immigration and Nationality Act, as amended (8 U.S.C. 1101(a)(15)(F), (J), (M), or (Q)), shall be treated as a nonresident alien individual engaged in trade or business within the United States, and any income described in the second sentence of section 1441(b) [IRC Sec. 1441(b)] which is received by such individual shall, to the extent derived from sources within the United States, be treated as effectively connected with the conduct of a trade or business within the United States.

**(d) Election to treat real property income as income connected with United States 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 the United States, 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) [IRC Sec. 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 the United States,

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 the United States. 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 the United States 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 Secretary 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 Secretary 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 Secretary may by regulations prescribe.