

shall be sourced in the United States. The preceding sentence shall not apply for purposes of section 971 (defining export trade corporation).

“(B) EXCEPTIONS.—Subparagraph (A) shall not apply to—

“(i) any sale of inventory property which is sold for use, disposition, or consumption outside the United States if an office or other fixed place of business of the taxpayer outside the United States materially participated in the sale, or

“(ii) any amount included in gross income under section 951(a)(1)(A).

“(3) SALES ATTRIBUTABLE TO AN OFFICE OR OTHER FIXED PLACE OF BUSINESS.—The principles of section 864(c)(5) shall apply in determining whether a taxpayer has an office or other fixed place of business and whether a sale is attributable to such an office or other fixed place of business.

“(f) STOCK OF AFFILIATES.—If—

“(1) a United States resident sells stock in an affiliate which is a foreign corporation,

“(2) such affiliate is engaged in the active conduct of a trade or business, and

“(3) such sale occurs in the foreign country in which the affiliate derived more than 50 percent of its gross income for the 3-year period ending with the close of the affiliate’s taxable year immediately preceding the year during which such sale occurred,

any gain from such sale shall be sourced outside the United States.

“(g) UNITED STATES RESIDENT; NONRESIDENT.—For purposes of this section—

“(1) IN GENERAL.—Except as otherwise provided in this subsection—

“(A) UNITED STATES RESIDENT.—The term ‘United States resident’ means—

“(i) any individual who has a tax home (as defined in section 911(d)(3)) in the United States, and

“(ii) any corporation, partnership, trust, or estate which is a United States person (as defined in section 7701(a)(30)).

“(B) NONRESIDENT.—The term ‘nonresident’ means any person other than a United States resident.

“(2) SPECIAL RULES FOR UNITED STATES CITIZENS AND RESIDENT ALIENS.—For purposes of this section, a United States citizen or resident alien shall not be treated as a nonresident with respect to any sale of personal property unless an income tax equal to at least 10 percent of the gain derived from such sale is actually paid to a foreign country with respect to that gain.

“(h) OTHER DEFINITIONS.—For purposes of this section—

“(1) INVENTORY PROPERTY.—The term ‘inventory property’ means personal property described in paragraph (1) of section 1221.

“(2) SALE INCLUDES EXCHANGE.—The term ‘sale’ includes an exchange or any other disposition.

“(3) TREATMENT OF POSSESSIONS.—Any possession of the United States shall be treated as a foreign country.

“(4) AFFILIATE.—The term ‘affiliate’ means a member of the same affiliated group (within the meaning of section 1504(a) without regard to section 1504(b)).