

exceed the fair market value of readily marketable securities sold or purchased pursuant to a sale and repurchase agreement or otherwise posted or received as collateral for the obligation in the ordinary course of its business by a United States or foreign person which is a dealer in securities or commodities.

For purposes of subparagraphs (J) and (K), the term ‘dealer in securities’ has the meaning given such term by section 475(c)(1), and the term ‘dealer in commodities’ has the meaning given such term by section 475(e), except that such term shall include a futures commission merchant.”.

(b) **EFFECTIVE DATE.**—The amendments made by this section shall apply to taxable years of foreign corporations beginning after December 31, 1997, and to taxable years of United States shareholders with or within which such taxable years of foreign corporations end. 26 USC 956 note.

SEC. 1174. TREATMENT OF NONRESIDENT ALIENS ENGAGED IN INTERNATIONAL TRANSPORTATION SERVICES.

(a) **SOURCING RULES.**—

(1) **IN GENERAL.**—Section 861(a)(3) is amended by adding at the end the following new flush sentence:

“In addition, except for purposes of sections 79 and 105 and subchapter D, compensation for labor or services performed in the United States shall not be deemed to be income from sources within the United States if the labor or services are performed by a nonresident alien individual in connection with the individual’s temporary presence in the United States as a regular member of the crew of a foreign vessel engaged in transportation between the United States and a foreign country or a possession of the United States.”.

(2) **TRANSPORTATION INCOME.**—Subparagraph (B) of section 863(c)(2) is amended by adding at the end the following flush sentence:

“In the case of transportation income derived from, or in connection with, a vessel, this subparagraph shall only apply if the taxpayer is a citizen or resident alien.”.

(b) **PRESENCE IN UNITED STATES.**—

(1) **IN GENERAL.**—Paragraph (7) of section 7701(b) is amended by adding at the end the following new subparagraph:

“(D) **CREW MEMBERS TEMPORARILY PRESENT.**—An individual who is temporarily present in the United States on any day as a regular member of the crew of a foreign vessel engaged in transportation between the United States and a foreign country or a possession of the United States shall not be treated as present in the United States on such day unless such individual otherwise engages in any trade or business in the United States on such day.”.

(2) **CONFORMING AMENDMENT.**—Subparagraph (A) of section 7701(b)(7) is amended by striking “or (C)” and inserting “, (C), or (D)”.

(c) **EFFECTIVE DATES.**—

(1) **IN GENERAL.**—The amendments made by this section shall apply to remuneration for services performed in taxable years beginning after December 31, 1997.

(2) **PRESENCE.**—The amendment made by subsection (b) shall apply to taxable years beginning after December 31, 1997.

26 USC 7701
note.