

"(4) CERTAIN AMOUNTS RECEIVED BY OWNER-EMPLOYEES.—The amount (if any) to which section 72(m)(5) (relating to penalties applicable to certain amounts received by owner-employees) applies.

76 Stat. 821.  
26 USC 72.

"(c) AVERAGE BASE PERIOD INCOME.—For purposes of this part—

"(1) IN GENERAL.—The term 'average base period income' means one-fourth of the sum of the base period incomes for the base period.

"(2) BASE PERIOD INCOME.—The base period income for any taxable year is the taxable income for such year first increased and then decreased (but not below zero) in the following order:

"(A) Taxable income shall be increased by an amount equal to the excess of—

"(i) the amount excluded from gross income under section 911 (relating to earned income from sources without the United States) and subpart D of part III of subchapter N (sec. 931 and following, relating to income from sources within possessions of the United States), over

76 Stat. 1003.  
26 USC 911.

"(ii) the deductions which would have been properly allocable to or chargeable against such amount but for the exclusion of such amount from gross income.

26 USC 931-934.

"(B) Taxable income shall be decreased by the capital gain net income.

"(C) If the decrease provided by paragraph (2) of subsection (b) applies to the computation year, the taxable income shall be decreased under the rules of such paragraph (2) (other than the limitation contained in subparagraph (C) thereof).

"(d) CAPITAL GAIN NET INCOME, ETC.—For purposes of this part—

"(1) CAPITAL GAIN NET INCOME.—The term 'capital gain net income' means the amount equal to 50 percent of the excess of the net long-term capital gain over the net short-term capital loss.

"(2) AVERAGE BASE PERIOD CAPITAL GAIN NET INCOME.—The term 'average base period capital gain net income' means one-fourth of the sum of the capital gain net incomes for the base period. For purposes of the preceding sentence, the capital gain net income for any base period year shall not exceed the base period income for such year computed without regard to subsection (c) (2) (B).

"(e) OTHER RELATED DEFINITIONS.—For purposes of this part—

"(1) COMPUTATION YEAR.—The term 'computation year' means the taxable year for which the taxpayer chooses the benefits of this part.

"(2) BASE PERIOD.—The term 'base period' means the 4 taxable years immediately preceding the computation year.

"(3) BASE PERIOD YEAR.—The term 'base period year' means any of the 4 taxable years immediately preceding the computation year.

"(4) JOINT RETURN.—The term 'joint return' means the return of a husband and wife made under section 6013.

68A Stat. 733.  
26 USC 6013.

#### "SEC. 1303. ELIGIBLE INDIVIDUALS.

"(a) GENERAL RULE.—Except as otherwise provided in this section, for purposes of this part the term 'eligible individual' means any individual who is a citizen or resident of the United States throughout the computation year.

"(b) NONRESIDENT ALIEN INDIVIDUALS.—For purposes of this part, an individual shall not be an eligible individual for the computation