

at an arm's length rate or a rate not more than 1 percentage point greater than the associated borrowing cost of the trust, and

(iii) with respect to which any real property held by the trust is not used in the trade or business of any other member of the group of stapled entities.

**SEC. 137. SERVICES RELATING TO INSURANCE POLICIES ARE TREATED AS PERFORMED IN COUNTRY OF RISK.**

26 USC 954.

*Ante*, p. 644.

*Post*, p. 755.

26 USC 954 note.

(a) **IN GENERAL.**—Subsection (e) of section 954 (defining foreign base company services income) is amended by adding at the end thereof the following new sentence: “For purposes of paragraph (2), any services performed with respect to any policy of insurance or reinsurance with respect to which the primary insured is a related person (within the meaning of section 864(d)(4)) shall be treated as having been performed in the country within which the insured hazards, risks, losses, or liabilities occur, and except as provided in regulations prescribed by the Secretary, rules similar to the rules of section 953(b) shall be applied in determining the income from such services.”

(b) **EFFECTIVE DATE.**—The amendments made by subsection (a) shall apply to taxable years of controlled foreign corporations beginning after the date of the enactment of this Act.

**PART V—TREATMENT OF ALIEN INDIVIDUALS**

**SEC. 138. DEFINITION OF RESIDENT ALIEN AND NONRESIDENT ALIEN.**

*Ante*, p. 518.

26 USC 7701.

(a) **GENERAL RULE.**—Section 7701 (relating to definitions) is amended by redesignating subsections (b), (c), and (d) as subsections (c), (d), and (e), respectively, and by inserting after subsection (a) the following new subsection:

“(b) **DEFINITION OF RESIDENT ALIEN AND NONRESIDENT ALIEN.**—

“(1) **IN GENERAL.**—For purposes of this title (other than subtitle B)—

“(A) **RESIDENT ALIEN.**—An alien individual shall be treated as a resident of the United States with respect to any calendar year if (and only if) such individual meets the requirements of clause (i) or (ii):

“(i) **LAWFULLY ADMITTED FOR PERMANENT RESIDENCE.**—Such individual is a lawful permanent resident of the United States at any time during such calendar year.

“(ii) **SUBSTANTIAL PRESENCE TEST.**—Such individual meets the substantial presence test of paragraph (3).

“(B) **NONRESIDENT ALIEN.**—An individual is a nonresident alien if such individual is neither a citizen of the United States nor a resident of the United States (within the meaning of subparagraph (A)).

“(2) **SPECIAL RULES FOR FIRST AND LAST YEAR OF RESIDENCY.**—

“(A) **FIRST YEAR OF RESIDENCY.**—

“(i) **IN GENERAL.**—If an alien individual is a resident of the United States under paragraph (1)(A) with respect to any calendar year, but was not a resident of the United States at any time during the preceding calendar year, such alien individual shall be treated as a resident of the United States only for the portion of