

104TH CONGRESS
1ST SESSION

H. R. 1515

To amend the Internal Revenue Code of 1986 to provide for fair treatment of small property and casualty insurance companies.

IN THE HOUSE OF REPRESENTATIVES

APRIL 7, 1995

Mr. THOMAS introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to provide for fair treatment of small property and casualty insurance companies.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE; AMENDMENT OF 1986 CODE.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Small Property and Casualty Insurance Company Equity
6 Act of 1995”.

7 (b) AMENDMENT OF 1986 CODE.—Except as other-
8 wise expressly provided, whenever in this Act an amend-
9 ment or repeal is expressed in terms of an amendment
10 to, or repeal of, a section or other provision, the reference

1 shall be considered to be made to a section or other
2 provision of the Internal Revenue Code of 1986.

3 **SEC. 2. SMALL COMPANY DEDUCTION.**

4 (a) Section 832(c) is amended by striking “and” at
5 the end of paragraph (12), by striking the period at the
6 end of paragraph (13) and inserting “; and”, and by
7 adding at the end thereof the following new paragraph:

8 “(14) the small insurance company deduction
9 allowed by subsection (h).”

10 (b) Section 832 is amended by adding at the end
11 thereof the following new subsections:

12 “(h) SMALL INSURANCE COMPANY DEDUCTION.—In
13 the case of taxable years beginning after December 31,
14 1994—

15 “(1) IN GENERAL.—There shall be allowed as a
16 deduction for the taxable year 60 percent of so much
17 of the tentative taxable income for such taxable year
18 as does not exceed \$3,000,000 (hereinafter in this
19 section referred to as the ‘small insurance company
20 deduction’).

21 “(2) PHASEOUT BETWEEN \$3,000,000 AND
22 \$15,000,000.—The amount of the small insurance
23 company deduction determined under paragraph (1)
24 for any taxable year shall be reduced (but not below
25 zero) by 15 percent of so much of the tentative tax-

1 able income for such taxable year as exceeds
2 \$3,000,000.

3 “(3) SMALL INSURANCE COMPANY DEDUCTION
4 NOT ALLOWABLE TO COMPANY WITH ASSETS OF
5 \$500,000,000 OR MORE.—

6 “(A) IN GENERAL.—The small insurance
7 company deduction shall not be allowed for any
8 taxable year to any insurance company which,
9 at the close of such taxable year, has assets
10 equal to or greater than \$500,000,000.

11 “(B) ASSETS.—For purposes of this para-
12 graph, the term ‘assets’ means all assets of the
13 company.

14 “(C) VALUATION OF ASSETS.—For pur-
15 poses of this paragraph, the amount attrib-
16 utable to—

17 “(i) real property and stock shall be
18 the fair market value thereof, and

19 “(ii) any other asset shall be the ad-
20 justed basis of such asset for purposes of
21 determining gain on sale or other disposi-
22 tion.

23 “(D) SPECIAL RULE FOR INTERESTS IN
24 PARTNERSHIPS AND TRUSTS.—For purposes of
25 this paragraph—

1 “(i) an interest in a partnership or
2 trust shall not be treated as an asset of the
3 company, but

4 “(ii) the company shall be treated as
5 actually owning its proportionate share of
6 the assets held by the partnership or trust
7 (as the case may be).

8 “(i) TENTATIVE TAXABLE INCOME.—For purposes
9 of subsection (h)—

10 “(1) IN GENERAL.—The term ‘tentative taxable
11 income’ means taxable income determined without
12 regard to the small insurance company deduction.

13 “(2) EXCLUSION OF ITEMS ATTRIBUTABLE TO
14 NONINSURANCE BUSINESSES.—The amount of the
15 tentative taxable income for any taxable year shall
16 be determined without regard to all items attrib-
17 utable to noninsurance businesses.

18 “(3) NONINSURANCE BUSINESSES.—

19 “(A) IN GENERAL.—The term “non-
20 insurance business” means any activity which is
21 not an insurance business.

22 “(B) CERTAIN ACTIVITIES TREATED AS IN-
23 SURANCE BUSINESSES.—For purposes of sub-
24 paragraph (A), any activity which is not an in-

1 insurance business shall be treated as an insur-
2 ance business if—

3 “(i) it is of a type traditionally carried
4 on by insurance companies for investment
5 purposes, but only if the carrying on of
6 such activity (other than in the case of real
7 estate) does not constitute the active con-
8 duct of a trade or business, or

9 “(ii) it involves the performance of ad-
10 ministrative services in connection with
11 plans providing property or casualty insur-
12 ance benefits.

13 “(C) LIMITATION OF AMOUNT OF LOSS
14 FROM NONINSURANCE BUSINESS WHICH MAY
15 OFFSET INCOME FROM INSURANCE BUSI-
16 NESS.—In computing the taxable income of any
17 insurance company subject to tax imposed by
18 section 831, any loss from a noninsurance busi-
19 ness shall be limited under the principles of sec-
20 tion 1503(c).

21 “(j) SPECIAL RULE FOR CONTROLLED GROUPS.—

22 “(1) SMALL INSURANCE COMPANY DEDUCTION
23 DETERMINED ON CONTROLLED GROUP BASIS.—For
24 purposes of subsections (h) and (i)—

1 “(A) all insurance companies which are
2 members of the same controlled group shall be
3 treated as 1 insurance company, and

4 “(B) any small insurance company deduc-
5 tion determined with respect to such group
6 shall be allocated among the insurance compa-
7 nies which are members of such group in
8 proportion to their respective tentative taxable
9 incomes.

10 “(2) NONINSURANCE MEMBERS INCLUDED FOR
11 ASSET TEST.—For purposes of subsection (h)(3), all
12 members of the same controlled group (whether or
13 not insurance companies) shall be treated as 1
14 company.

15 “(3) CONTROLLED GROUP.—For purposes of
16 this subsection, the term ‘controlled group’ means
17 any controlled group of corporations (as defined in
18 section 1563(a)); except that subsections (a)(4) and
19 (b)(2)(D) of section 1563 shall not apply.

20 “(4) ADJUSTMENTS TO PREVENT EXCESS DET-
21 RIMENT OR BENEFIT.—Under regulations prescribed
22 by the Secretary, proper adjustments shall be made
23 in the application of this subsection to prevent any
24 excess detriment or benefit (whether from year-to-

1 year or otherwise) arising from the application of
2 this subsection.”

3 **SEC. 3. EFFECTIVE DATE.**

4 The amendments made by this Act shall apply to tax-
5 able years beginning after December 31, 1994.

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