

106TH CONGRESS
1ST SESSION

S. 1933

To amend the Internal Revenue Code of 1986 to permit the consolidation of life insurance companies with other companies.

IN THE SENATE OF THE UNITED STATES

NOVEMBER 16, 1999

Mr. THOMPSON introduced the following bill; which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to permit the consolidation of life insurance companies with other 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. CONSOLIDATION OF LIFE INSURANCE COMPA-**
4 **NIES WITH OTHER COMPANIES PERMITTED.**

5 (a) IN GENERAL.—Section 1504(b) of the Internal
6 Revenue Code of 1986 (defining includible corporation) is
7 amended by striking paragraph (2) and by redesignating
8 paragraphs (3) through (8) as paragraphs (2) through
9 (7), respectively.

10 (b) CONFORMING AMENDMENTS.—

1 (1) Section 1503 of such Code is amended by
2 striking subsection (c) (relating to special rule for
3 application of certain losses against income of insur-
4 ance companies taxed under section 801) and by re-
5 designating subsections (d), (e), and (f) as sub-
6 sections (b), (c), and (d), respectively.

7 (2) Section 1504 of such Code is amended by
8 striking subsection (c) and by redesignating sub-
9 sections (d), (e), and (f) as subsections (c), (d), and
10 (e), respectively.

11 (c) EFFECTIVE DATE.—The amendments made by
12 this section shall apply to taxable years beginning after
13 December 31, 1998.

14 (d) PHASE-IN OF APPLICATION OF CERTAIN LOSSES
15 AGAINST INCOME OF INSURANCE COMPANIES.—For tax-
16 able years beginning after December 31, 1998, and before
17 January 1, 2005—

18 (1) IN GENERAL.—If—

19 (A) an affiliated group includes 1 or more
20 domestic insurance companies each of which is
21 subject to tax under section 801 of the Internal
22 Revenue Code of 1986,

23 (B) the common parent of such group has
24 elected to treat all such companies as includible
25 corporations, and

1 (C) the consolidated taxable income of the
 2 members of the group not taxed under such
 3 section 801 results in a consolidated net oper-
 4 ating loss for such taxable year,
 5 then, under regulations prescribed by the Secretary
 6 of the Treasury or his delegate, the amount of such
 7 loss which cannot be absorbed in the applicable
 8 carryback periods against the taxable income of such
 9 members not taxed under such section 801 shall be
 10 taken into account in determining the consolidated
 11 taxable income of the affiliated group for such tax-
 12 able year to the extent of the applicable percentage
 13 of such loss or the applicable percentage of the tax-
 14 able income of the members taxed under such sec-
 15 tion 801, whichever is less. The unused portion of
 16 such loss shall be available as a carryover, subject to
 17 the same limitations (applicable to the sum of the
 18 loss for the carryover year and the loss (or losses)
 19 carried over to such year), in applicable carryover
 20 years.

21 (2) APPLICABLE PERCENTAGE.—For purposes
 22 of paragraph (1), the applicable percentage shall be
 23 determined in accordance with the following table:

For taxable years beginning	The applicable percentage is:	
in:		
1999		40
2000		50
2001		60

**For taxable years beginning The applicable percentage is:
in:**

2002	70
2003	80
2004	90.

1 (e) ELECTION FOR PRE-2005 YEARS OF GROUPS
2 WITH INSURANCE COMPANIES.—For taxable years begin-
3 ning after December 31, 1998, and before January 1,
4 2005, the common parent of an affiliated group which in-
5 cludes 1 or more domestic insurance companies subject to
6 tax under section 801 of such Code may elect to treat all
7 such insurance companies as corporations which are not
8 includible corporations within the meaning of subsection
9 (b) of section 1504 of such Code, if, as of the date of
10 the enactment of this section—

11 (1) such affiliated group included 1 or more in-
12 surance companies subject to tax under section 801
13 of such Code, and

14 (2) no additional election was in effect under
15 section 1504(c)(2) of such Code (as in effect on the
16 day before the date of the enactment of this Act).

17 (f) NO CARRYBACK BEFORE JANUARY 1, 1999.—To
18 the extent that a consolidated net operating loss is allowed
19 or increased by reason of the amendments made by this
20 section, such loss may not be carried back to a taxable
21 year beginning before January 1, 1999.

1 (g) NONTERMINATION OF GROUP.—No affiliated
2 group shall terminate solely as a result of the amendments
3 made by this section.

4 (h) SUBSIDIARY STOCK BASIS ADJUSTMENTS.—A
5 parent corporation's basis in the stock of a subsidiary cor-
6 poration shall be adjusted to reflect the preconsolidation
7 income, gain, deduction and loss incurred during a period
8 when such corporations were members of an affiliated
9 group (determined without regard to section 1504(b)(2)
10 of such Code as in effect on the day before the date of
11 enactment of this Act) but were not included in a consoli-
12 dated return of such group by operation of section
13 1504(c)(2)(A) of such Code (as in effect on the day before
14 the date of the enactment of this Act).

15 (i) WAIVER OF 5-YEAR WAITING PERIOD.—Under
16 regulations prescribed by the Secretary of the Treasury
17 or his delegate, an automatic waiver from the 5-year wait-
18 ing period for reconsolidation provided in section
19 1504(a)(3) of such Code shall be granted to any corpora-
20 tion which was previously an includible corporation but
21 was subsequently deemed a nonincludible corporation as
22 a result of becoming a subsidiary of a corporation which
23 was not an includible corporation solely by operation of

1 section 1504(c)(2) of such Code (as in effect on the day
2 before the date of enactment of this Act).

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