

108TH CONGRESS
1ST SESSION

S. 735

To amend the Internal Revenue Code of 1986 to clarify the exemption from tax for small property and casualty insurance companies.

IN THE SENATE OF THE UNITED STATES

MARCH 27, 2003

Mr. BOND (for himself and Mr. JOHNSON) 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 clarify the exemption from tax for 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.**

4 This Act may be cited as the “Small Insurance Com-
5 pany Inflation Adjustment Act”.

6 **SEC. 2. CLARIFICATION OF EXEMPTION FROM TAX FOR**
7 **SMALL PROPERTY AND CASUALTY INSUR-**
8 **ANCE COMPANIES.**

9 (a) PREMIUM LIMITATIONS INCREASED TO REFLECT
10 INFLATION SINCE FIRST IMPOSED.—

1 (1) INCREASED LIMITATIONS FOR EXEMPTION
2 FROM TAX.—

3 (A) Subparagraph (A) of section
4 501(c)(15) of the Internal Revenue Code of
5 1986 is amended by striking “\$350,000” and
6 inserting “\$575,000”.

7 (B) Paragraph (15) of section 501(c) of
8 such Code is amended by adding at the end the
9 following new subparagraph:

10 “(D) In the case of any taxable year begin-
11 ning in a calendar year after 2003, the
12 \$575,000 amount set forth in subparagraph (A)
13 shall be increased by an amount equal to—

14 “(i) \$575,000, multiplied by

15 “(ii) the cost-of-living adjustment de-
16 termined under section 1(f)(3) for such
17 calendar year by substituting ‘calendar
18 year 2002’ for ‘calendar year 1992’ in sub-
19 paragraph (B) thereof.

20 If the amount as adjusted under the preceding
21 sentence is not a multiple of \$1,000, such
22 amount shall be rounded to the next lowest
23 multiple of \$1,000.”.

24 (2) INCREASED LIMITATIONS FOR ALTERNATIVE
25 TAX LIABILITY.—

1 (A) Clause (i) of section 831(b)(2)(A) of
2 such Code is amended to read as follows:

3 “(i) the net written premiums (or, if
4 greater, direct written premiums) for the
5 taxable year exceed the amount applicable
6 under section 501(c)(15)(A) but do not ex-
7 ceed \$1,971,000, and”.

8 (B) Paragraph (2) of section 831(b) of
9 such Code is amended by adding at the end the
10 following new subparagraph:

11 “(C) INFLATION ADJUSTMENT.—In the
12 case of any taxable year beginning in a calendar
13 year after 2003, the \$1,971,000 amount set
14 forth in subparagraph (A) shall be increased by
15 an amount equal to—

16 “(i) \$1,971,000, multiplied by

17 “(ii) the cost-of-living adjustment de-
18 termined under section 1(f)(3) for such
19 calendar year by substituting ‘calendar
20 year 2002’ for ‘calendar year 1992’ in sub-
21 paragraph (B) thereof.

22 If the amount as adjusted under the preceding
23 sentence is not a multiple of \$1,000, such
24 amount shall be rounded to the next lowest
25 multiple of \$1,000.”.

1 (b) **EFFECTIVE DATE.**—The amendments made by
2 this section shall apply to taxable years beginning after
3 December 31, 2002.

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