

107TH CONGRESS
1ST SESSION

S. 795

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

APRIL 26, 2001

Mr. THOMPSON (for himself, Ms. COLLINS, Mr. CONRAD, Mr. FRIST, Mrs. LINCOLN, Mr. DEWINE, and Mr. KERRY) 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.

1 (b) CONFORMING AMENDMENTS.—

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

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

12 (c) EFFECTIVE DATE.—The amendments made by
13 this section shall apply to taxable years beginning after
14 December 31, 2000.

15 (d) PHASE-IN OF APPLICATION OF CERTAIN LOSSES
16 AGAINST INCOME OF INSURANCE COMPANIES.—For tax-
17 able years beginning after December 31, 2000, and before
18 January 1, 2007—

19 (1) IN GENERAL.—If—

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

1 (B) the common parent of such group has
2 elected to treat all such companies as includible
3 corporations, and

4 (C) the consolidated taxable income of the
5 members of the group not taxed under such
6 section 801 results in a consolidated net oper-
7 ating loss for such taxable year,

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

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

For taxable years beginning	The applicable percentage is:
in:	
2001	40
2002	50
2003	60
2004	70
2005	80
2006	90.

4 (e) ELECTION FOR PRE-2007 YEARS OF GROUPS
 5 WITH INSURANCE COMPANIES.—For taxable years begin-
 6 ning after December 31, 2000, and before January 1,
 7 2007, the common parent of an affiliated group which in-
 8 cludes 1 or more domestic insurance companies subject to
 9 tax under section 801 of such Code may elect to treat all
 10 such insurance companies as corporations which are not
 11 includible corporations within the meaning of subsection
 12 (b) of section 1504 of such Code, if, as of the date of
 13 the enactment of this section—

14 (1) such affiliated group included 1 or more in-
 15 surance companies subject to tax under section 801
 16 of such Code, and

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

20 (f) NO CARRYBACK BEFORE JANUARY 1, 2001.—To
 21 the extent that a consolidated net operating loss is allowed

1 or increased by reason of the amendments made by this
2 section, such loss may not be carried back to a taxable
3 year beginning before January 1, 2001.

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

7 (h) SUBSIDIARY STOCK BASIS ADJUSTMENTS.—A
8 parent corporation's basis in the stock of a subsidiary cor-
9 poration shall be adjusted to reflect the preconsolidation
10 income, gain, deduction and loss incurred during a period
11 when such corporations were members of an affiliated
12 group (determined without regard to section 1504(b)(2)
13 of such Code as in effect on the day before the date of
14 enactment of this Act) but were not included in a consoli-
15 dated return of such group by operation of section
16 1504(c)(2)(A) of such Code (as in effect on the day before
17 the date of the enactment of this Act).

18 (i) WAIVER OF 5-YEAR WAITING PERIOD.—Under
19 regulations prescribed by the Secretary of the Treasury
20 or his delegate, an automatic waiver from the 5-year wait-
21 ing period for reconsolidation provided in section
22 1504(a)(3) of such Code shall be granted to any corpora-
23 tion which was previously an includible corporation but
24 was subsequently deemed a nonincludible corporation as
25 a result of becoming a subsidiary of a corporation which

1 was not an includible corporation solely by operation of
2 section 1504(c)(2) of such Code (as in effect on the day
3 before the date of the enactment of this Act).

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