

106TH CONGRESS  
1ST SESSION

# H. R. 2431

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

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## IN THE HOUSE OF REPRESENTATIVES

JULY 1, 1999

Mr. CRANE (for himself, Mrs. JOHNSON of Connecticut, Mr. RAMSTAD, Mr. WELLER, Mr. PORTMAN, and Mr. SAM JOHNSON of Texas) introduced the following bill; which was referred to the Committee on Ways and Means

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## 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, 1998.

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

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:**

1999 .....	40
2000 .....	50
2001 .....	60
2002 .....	70
2003 .....	80
2004 .....	90.

4           (e) ELECTION FOR PRE-2005 YEARS OF GROUPS  
 5 WITH INSURANCE COMPANIES.—For taxable years begin-  
 6 ning after December 31, 1998, and before January 1,  
 7 2005, 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, 1999.—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, 1999.

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 enactment of this Act).

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