

106TH CONGRESS  
2D SESSION

# H. R. 3905

To amend the Internal Revenue Code of 1986 to repeal the provision taxing policyholder dividends of mutual life insurance companies and to repeal the policyholders surplus account provisions.

---

## IN THE HOUSE OF REPRESENTATIVES

MARCH 13, 2000

Mr. HOUGHTON (for himself, Mr. NEAL of Massachusetts, Mrs. JOHNSON of Connecticut, Mr. KLECZKA, Mr. SAM JOHNSON of Texas, Mr. MATSUI, Mr. MCCRERY, Mr. CARDIN, Mr. LEWIS of Kentucky, and Mr. BECERRA) 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 repeal the provision taxing policyholder dividends of mutual life insurance companies and to repeal the policyholders surplus account provisions.

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 “Life Insurance Tax  
5       Simplification Act of 2000”.

1 **SEC. 2. REPEAL OF REDUCTION OF DEDUCTIONS FOR MU-**  
2 **TUAL LIFE INSURANCE COMPANIES.**

3 (a) IN GENERAL.—Section 809 of the Internal Rev-  
4 enue Code of 1986 (relating to reductions in certain de-  
5 duction of mutual life insurance companies) is hereby re-  
6 pealed.

7 (b) CONFORMING AMENDMENTS.—

8 (1) Subsections (a)(2)(B) and (b)(1)(B) of sec-  
9 tion 807 of such Code are each amended by striking  
10 “the sum of (i)” and by striking “plus (ii) any ex-  
11 cess described in section 809(a)(2) for the taxable  
12 year,”.

13 (2)(A) The last sentence of section 807(d)(1) of  
14 such Code is amended by striking “section  
15 809(b)(4)(B)” and inserting “paragraph (6)”.

16 (B) Subsection (d) of section 807 of such Code  
17 is amended by adding at the end the following new  
18 paragraph:

19 “(6) STATUTORY RESERVES.—The term ‘statu-  
20 tory reserves’ means the aggregate amount set forth  
21 in the annual statement with respect to items de-  
22 scribed in section 807(c). Such term shall not in-  
23 clude any reserve attributable to a deferred and un-  
24 collected premium if the establishment of such re-  
25 serve is not permitted under section 811(c).”

1           (3) Subsection (c) of section 808 of such Code  
2           is amended to read as follows:

3           “(c) AMOUNT OF DEDUCTION.—The deduction for  
4           policyholder dividends for any taxable year shall be an  
5           amount equal to the policyholder dividends paid or accrued  
6           during the taxable year.”

7           (4) Subparagraph (A) of section 812(b)(3) of  
8           such Code is amended by striking “sections 808 and  
9           809” and inserting “section 808”.

10          (5) Subsection (c) of section 817 of such Code  
11          is amended by striking “(other than section 809)”.

12          (6) Subsection (c) of section 842 of such Code  
13          is amended by striking paragraph (3) and by redesh-  
14          ignating paragraph (4) as paragraph (3).

15          (7) The table of sections for subpart C of part  
16          I of subchapter L of chapter 1 of such Code is  
17          amended by striking the item relating to section  
18          809.

19          (c) EFFECTIVE DATE.—The amendments made by  
20          this section shall apply to taxable years beginning after  
21          December 31, 1999.

22       **SEC. 3. REPEAL OF POLICYHOLDERS SURPLUS ACCOUNT**  
23       **PROVISIONS.**

24          (a) IN GENERAL.—Section 815 of the Internal Rev-  
25          enue Code of 1986 (relating to distributions to share-

1 holders from pre-1984 policyholders surplus account) is  
2 hereby repealed.

3 (b) CONFORMING AMENDMENTS.—

4 (1) Section 801 of such Code is amended by  
5 striking subsection (c).

6 (2) The table of sections for subpart D of part  
7 I of subchapter L of chapter 1 of such Code is  
8 amended by striking the item relating to section  
9 815.

10 (c) EFFECTIVE DATE.—The amendments made by  
11 this section shall apply to taxable years beginning after  
12 December 31, 1999.

○