

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.

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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

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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.

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).

