

108TH CONGRESS
1ST SESSION

S. 992

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 SENATE OF THE UNITED STATES

MAY 5, 2003

Mr. NICKLES (for himself, Mr. CONRAD, and Mr. BUNNING) 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 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 2003”.

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 redes-
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, 2003.

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, 2002.

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