

unpaid by using the interest rate and loss payment patterns applicable to accident years ending with calendar year 1987.

“(3) FRESH START.—

“(A) IN GENERAL.—Except as otherwise provided in this paragraph, any difference between—

“(i) the amount determined to be the unpaid losses and expenses unpaid for the year preceding the 1st taxable year of an insurance company beginning after December 31, 1986, determined without regard to paragraph (2), and

“(ii) such amount determined with regard to paragraph (2), shall not be taken into account for purposes of the Internal Revenue Code of 1986.

“(B) RESERVE STRENGTHENING IN YEARS AFTER 1985.—Subparagraph (A) shall not apply to any reserve strengthening in a taxable year beginning in 1986, and such strengthening shall be treated as occurring in the taxpayer’s 1st taxable year beginning after December 31, 1986.

“(C) EFFECT ON EARNINGS AND PROFITS.—The earnings and profits of any insurance company for its 1st taxable year beginning after December 31, 1986, shall be increased by the amount of the difference determined under subparagraph (A) with respect to such company.

“(4) APPLICATION OF FRESH START TO COMPANIES WHICH BECOME SUBJECT TO SECTION 831(a) TAX IN LATER TAXABLE YEAR.—If—

“(A) an insurance company was not subject to tax under section 831(a) of the Internal Revenue Code of 1986 for its 1st taxable year beginning after December 31, 1986, by reason of being—

“(i) subject to tax under section 831(b) of such Code, or

“(ii) described in section 501(c) of such Code and exempt from tax under section 501(a) of such Code, and

“(B) such company becomes subject to tax under such section 831(a) for any later taxable year, paragraph (2) and subparagraphs (A) and (C) of paragraph (3) shall be applied by treating such later taxable year as its 1st taxable year beginning after December 31, 1986, and by treating the calendar year in which such later taxable year begins as 1987; and paragraph (3)(B) shall not apply.”

#### TRANSITIONAL RULE

Pub. L. 115–97, title I, §13523(e), Dec. 22, 2017, 131 Stat. 2152, provided that: “For the first taxable year beginning after December 31, 2017—

“(1) the unpaid losses and the expenses unpaid (as defined in paragraphs (5)(B) and (6) of section 832(b) of the Internal Revenue Code of 1986) at the end of the preceding taxable year, and

“(2) the unpaid losses as defined in sections 807(c)(2) and 805(a)(1) of such Code at the end of the preceding taxable year,

shall be determined as if the amendments made by this section [amending this section] had applied to such unpaid losses and expenses unpaid in the preceding taxable year and by using the interest rate and loss payment patterns applicable to accident years ending with calendar year 2018, and any adjustment shall be taken into account ratably in such first taxable year and the 7 succeeding taxable years. For subsequent taxable years, such amendments shall be applied with respect to such unpaid losses and expenses unpaid by using the interest rate and loss payment patterns applicable to accident years ending with calendar year 2018.”

#### [§ 847. Repealed. Pub. L. 115–97, title I, § 13516(a), Dec. 22, 2017, 131 Stat. 2144]

Section, added Pub. L. 100–647, title VI, § 6077(a), Nov. 10, 1988, 102 Stat. 3707; amended Pub. L. 101–239, title VII, § 7816(n), Dec. 19, 1989, 103 Stat. 2422; Pub. L. 115–97, title I, § 12001(b)(8)(B), Dec. 22, 2017, 131 Stat. 2093, related to special estimated tax payments.

#### Statutory Notes and Related Subsidiaries

##### EFFECTIVE DATE OF REPEAL

Pub. L. 115–97, title I, § 13516(b), Dec. 22, 2017, 131 Stat. 2144, provided that: “The amendments made by this section [repealing this section] shall apply to taxable years beginning after December 31, 2017.”

#### § 848. Capitalization of certain policy acquisition expenses

##### (a) General rule

In the case of an insurance company—

(1) specified policy acquisition expenses for any taxable year shall be capitalized, and

(2) such expenses shall be allowed as a deduction ratably over the 180-month period beginning with the first month in the second half of such taxable year.

##### (b) 5-year amortization for first \$5,000,000 of specified policy acquisition expenses

###### (1) In general

Paragraph (2) of subsection (a) shall be applied with respect to so much of the specified policy acquisition expenses of an insurance company for any taxable year as does not exceed \$5,000,000 by substituting “60-month” for “180-month”.

###### (2) Phase-out

If the specified policy acquisition expenses of an insurance company exceed \$10,000,000 for any taxable year, the \$5,000,000 amount under paragraph (1) shall be reduced (but not below zero) by the amount of such excess.

##### (3) Special rule for members of controlled group

In the case of any controlled group—

(A) all insurance companies which are members of such group shall be treated as 1 company for purposes of this subsection, and

(B) the amount to which paragraph (1) applies shall be allocated among such companies in such manner as the Secretary may prescribe.

For purposes of the preceding sentence, the term “controlled group” means any controlled group of corporations as defined in section 1563(a); except that subsections (a)(4) and (b)(2)(D) of section 1563 shall not apply, and subsection (b)(2)(C) of section 1563 shall not apply to the extent it excludes a foreign corporation to which section 842 applies.

##### (4) Exception for acquisition expenses attributable to certain reinsurance contracts

Paragraph (1) shall not apply to any specified policy acquisition expenses for any taxable year which are attributable to premiums or other consideration under any reinsurance contract.

##### (c) Specified policy acquisition expenses

For purposes of this section—

###### (1) In general

The term “specified policy acquisition expenses” means, with respect to any taxable year, so much of the general deductions for such taxable year as does not exceed the sum of—