

## AMENDMENTS

1999—Subsec. (b)(2). Pub. L. 106-170, § 532(c)(3), substituted “section 1221(a)(2)” for “section 1221(2)”.

Subsec. (c)(3). Pub. L. 106-170, § 532(c)(1)(D), substituted “section 1221(a)” for “section 1221”.

1996—Subsec. (g). Pub. L. 104-191 added subsec. (g).

1988—Subsec. (a)(6). Pub. L. 100-647, § 1011(e)(5)(A), in subpar. (A) substituted “eligible deferred compensation plan” for “eligible State deferred compensation plan”, and in subpar. (B), inserted “or any organization (other than a governmental unit) exempt from tax under this subtitle,” after “foregoing,” and substituted “agency or instrumentality, or organization” for “or agency or instrumentality”.

Subsec. (f)(3). Pub. L. 100-647, § 1010(k), added par. (3). 1986—Subsec. (a)(3). Pub. L. 99-514, § 1136(b), substituted “(26), and (27)” for “and (26)”.

Pub. L. 99-514, § 1112(d)(4), substituted “(22), and (26)” for “and (22)”.

Pub. L. 99-514, § 1106(d)(3)(C), inserted “(17),” after “(16),”.

Subsec. (a)(6)(A). Pub. L. 99-514, § 1821(n), in amending subpar. (A) generally, inserted “an eligible State deferred compensation plan (within the meaning of section 457(b)), or”.

Subsec. (e). Pub. L. 99-514, § 1821(o), amended subsec. (e) generally. Prior to amendment, subsec. (e) read as follows: “If an election under section 1504(c)(2) is in effect with respect to an affiliated group for the taxable year, all items of the members of such group which are not life insurance companies shall not be taken into account in determining the amount of the tentative LICIT of members of such group which are life insurance companies.”

1984—Subsec. (b)(1)(A). Pub. L. 98-369, § 1001(b)(10), (e), substituted “6 months” for “1 year” in two places, applicable to property acquired after June 22, 1984, and before Jan. 1, 1988. See Effective Date of 1984 Amendment note below.

## EFFECTIVE DATE OF 1999 AMENDMENT

Amendment by Pub. L. 106-170 applicable to any instrument held, acquired, or entered into, any transaction entered into, and supplies held or acquired on or after Dec. 17, 1999, see section 532(d) of Pub. L. 106-170, set out as a note under section 170 of this title.

## EFFECTIVE DATE OF 1996 AMENDMENT

Pub. L. 104-191, title III, § 332(b), Aug. 21, 1996, 110 Stat. 2069, provided that:

“(1) IN GENERAL.—The amendment made by this section [amending this section] shall take effect on January 1, 1997.

“(2) ISSUANCE OF RIDER NOT TREATED AS MATERIAL CHANGE.—For purposes of applying sections 101(f), 7702, and 7702A of the Internal Revenue Code of 1986 to any contract—

“(A) the issuance of a qualified accelerated death benefit rider (as defined in section 818(g) of such Code (as added by this Act)), and

“(B) the addition of any provision required to conform an accelerated death benefit rider to the requirements of such section 818(g), shall not be treated as a modification or material change of such contract.”

## EFFECTIVE DATE OF 1988 AMENDMENT

Pub. L. 100-647, title I, § 1011(e)(5)(B), Nov. 10, 1988, 102 Stat. 3461, provided that: “The amendments made by this paragraph [amending this section] shall apply to contracts issued after December 31, 1986.”

Amendment by section 1010(k) of Pub. L. 100-647 effective, except as otherwise provided, as if included in the provision of the Tax Reform Act of 1986, Pub. L. 99-514, to which such amendment relates, see section 1019(a) of Pub. L. 100-647, set out as a note under section 1 of this title.

## EFFECTIVE DATE OF 1986 AMENDMENT

Amendment by section 1106(d)(3)(C) of Pub. L. 99-514 applicable to benefits accruing in years beginning after

Dec. 31, 1988, except as otherwise provided, see section 1106(i)(5) of Pub. L. 99-514 set out as a note under section 415 of this title.

Amendment by section 1112(d)(4) of Pub. L. 99-514 applicable to plan years beginning after Dec. 31, 1988, with special rule regarding collective bargaining agreements ratified before Mar. 1, 1986, and with provision for waiver of the excise tax on reversions, see section 1112(e) of Pub. L. 99-514, set out as a note under section 401 of this title.

Amendment by section 1821(n), (o) of Pub. L. 99-514 effective, except as otherwise provided, as if included in the provisions of the Tax Reform Act of 1984, Pub. L. 98-369, div. A, to which such amendment relates, see section 1881 of Pub. L. 99-514, set out as a note under section 48 of this title.

## EFFECTIVE DATE OF 1984 AMENDMENT

Amendment by Pub. L. 98-369 applicable to property acquired after June 22, 1984, and before Jan. 1, 1988, see section 1001(e) of Pub. L. 98-369, set out as a note under section 166 of this title.

## REGULATIONS

Secretary of the Treasury or his delegate to issue before Feb. 1, 1988, final regulations to carry out amendments made by section 1112 of Pub. L. 99-514, see section 1141 of Pub. L. 99-514, set out as a note under section 401 of this title.

PLAN AMENDMENTS NOT REQUIRED UNTIL  
JANUARY 1, 1989

For provisions directing that if any amendments made by subtitle A or subtitle C of title XI [§§ 1101-1147 and 1171-1177] or title XVIII [§§ 1800-1899A] of Pub. L. 99-514 require an amendment to any plan, such plan amendment shall not be required to be made before the first plan year beginning on or after Jan. 1, 1989, see section 1140 of Pub. L. 99-514, as amended, set out as a note under section 401 of this title.

## PART II—OTHER INSURANCE COMPANIES

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|--------------|---|
| Sec.<br>831. | Tax on insurance companies other than life insurance companies. |
| 832.         | Insurance company taxable income.                               |
| 833.         | Treatment of Blue Cross and Blue Shield organizations, etc.     |
| 834.         | Determination of taxable investment income.                     |
| 835.         | Election by reciprocal.   |

## PRIOR PROVISIONS

A prior part II (§§ 821 to 826) related to mutual insurance companies other than life and certain marine insurance companies and other than fire and flood insurance companies which operated on the basis of perpetual policies or premium deposits, consisted of sections 821-826, prior to repeal (except for sections 822 and 826 which were renumbered sections 834 and 835, respectively, by Pub. L. 99-514, title X, § 1024(a)(1)-(3), Oct. 22, 1986, 100 Stat. 2405. See Prior Provisions note set out under section 818 of this title.

## AMENDMENTS

1988—Pub. L. 100-647, title I, § 1010(f)(7), Nov. 10, 1988, 102 Stat. 3454, substituted “Tax on insurance companies other than life insurance companies” for “Tax on insurance companies (other than life or mutual), mutual marine insurance companies, and certain mutual fire or flood insurance companies” in item 831.

1986—Pub. L. 99-514, title X, §§ 1012(b)(2), 1024(a)(2), (c)(18), Oct. 22, 1986, 100 Stat. 2393, 2405, 2408, redesignated part III (§ 831 et seq.) as II and added items 833, 834, and 835. Former part II (§ 821 et seq.) was repealed.

1962—Pub. L. 87-834, § 8(g)(4)(C), Oct. 16, 1962, 76 Stat. 999, substituted “and certain mutual fire or flood insurance companies” for “and mutual fire insurance companies issuing perpetual policies” in item 831.

**§ 831. Tax on insurance companies other than life insurance companies**

**(a) General rule**

Taxes computed as provided in section 11 shall be imposed for each taxable year on the taxable income of every insurance company other than a life insurance company.

**(b) Alternative tax for certain small companies**

**(1) In general**

In lieu of the tax otherwise applicable under subsection (a), there is hereby imposed for each taxable year on the income of every insurance company to which this subsection applies a tax computed by multiplying the taxable investment income of such company for such taxable year by the rates provided in section 11(b).

**(2) Companies to which this subsection applies**

**(A) In general**

This subsection shall apply to every insurance company other than life if—

- (i) the net written premiums (or, if greater, direct written premiums) for the taxable year do not exceed \$2,200,000,
- (ii) such company meets the diversification requirements of subparagraph (B), and
- (iii) such company elects the application of this subsection for such taxable year.

The election under clause (iii) shall apply to the taxable year for which made and for all subsequent taxable years for which the requirements of clauses (i) and (ii) are met. Such an election, once made, may be revoked only with the consent of the Secretary.

**(B) Diversification requirements**

**(i) In general**

An insurance company meets the requirements of this subparagraph if—

- (I) no more than 20 percent of the net written premiums (or, if greater, direct written premiums) of such company for the taxable year is attributable to any one policyholder, or
- (II) such insurance company does not meet the requirement of subclause (I) and no person who holds (directly or indirectly) an interest in such insurance company is a specified holder who holds (directly or indirectly) aggregate interests in such insurance company which constitute a percentage of the entire interests in such insurance company which is more than a de minimis percentage higher than the percentage of interests in the relevant specified assets with respect to such insurance company held (directly or indirectly) by such specified holder.

**(ii) Aggregation of certain spousal interests**

For purposes of clause (i)(II), any interest in the insurance company referred to in such clause which is held (directly or indirectly) by an individual who is a spouse of the specified holder, and who is a citizen of the United States, shall be treated as held by the specified holder.

**(iii) Specified holder**

For purposes of this subparagraph, the term “specified holder” means, with respect to any insurance company, any individual who holds (directly or indirectly) an interest in such insurance company and who—

- (I) is a lineal descendent (including by adoption) of an individual who holds an interest (directly or indirectly) in the specified assets with respect to such insurance company or of such individual's spouse,
- (II) is a spouse of any lineal descendent described in subclause (I), or
- (III) is not a citizen of the United States and is a spouse of an individual who holds an interest (directly or indirectly) in the specified assets with respect to such insurance company.

**(iv) Definitions**

For purposes of this subparagraph—

**(I) Relevant specified assets**

The term “relevant specified assets” means, with respect to any specified holder with respect to any insurance company, the aggregate amount of the specified assets, with respect to such insurance company, any interest in which is held (directly or indirectly) by any spouse or specified relation of such specified holder. Such term shall not include any specified asset solely by reason of an interest in such asset which was acquired by such spouse or specified relation by bequest, devise, or inheritance from a decedent during the taxable year of the insurance company or the preceding taxable year. For purposes of this subclause, the term “specified relation” means any individual with respect to whom the specified holder bears a relationship described in subclause (I) or (II) of clause (iii).

**(II) Specified assets**

The term “specified assets” means, with respect to any insurance company, the trades or businesses, rights, or assets with respect to which the net written premiums (or direct written premiums) of such insurance company are paid.

**(III) Indirect interest**

An indirect interest includes any interest held through a trust, estate, partnership, or corporation.

**(IV) De minimis**

Except as otherwise provided by the Secretary in regulations or other guidance, 2 percentage points or less shall be treated as de minimis.

**(C) Controlled group rules**

**(i) In general**

For purposes of this paragraph—

- (I) in determining whether any company is described in clause (i) of subparagraph (A), such company shall be treated