

“(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 Repealed.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.

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—

(A) 2.09 percent of the net premiums for such taxable year on specified insurance contracts which are annuity contracts,

(B) 2.45 percent of the net premiums for such taxable year on specified insurance contracts which are group life insurance contracts, and

(C) 9.2 percent of the net premiums for such taxable year on specified insurance contracts not described in subparagraph (A) or (B).

**(2) General deductions**

The term “general deductions” means the deductions provided in part VI of subchapter B (sec. 161 and following, relating to itemized deductions) and in part I of subchapter D (sec. 401 and following, relating to pension, profit sharing, stock bonus plans, etc.).

**(d) Net premiums**

For purposes of this section—

**(1) In general**

The term “net premiums” means, with respect to any category of specified insurance contracts set forth in subsection (c)(1), the excess (if any) of—

(A) the gross amount of premiums and other consideration on such contracts, over

(B) return premiums on such contracts and premiums and other consideration incurred for reinsurance of such contracts.

The rules of section 803(b) shall apply for purposes of the preceding sentence.

**(2) Amounts determined on accrual basis**

In the case of an insurance company subject to tax under part II of this subchapter, all