

I.R.C. § 831(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.

I.R.C. § 831(b)

Alternative Tax For Certain Small Companies

I.R.C. § 831(b)(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).

I.R.C. § 831(b)(2) Companies To Which This Subsection Applies

I.R.C. § 831(b)(2)(A) In General —

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

I.R.C. § 831(b)(2)(A)(i)

— the net written premiums (or, if greater, direct written premiums) for the taxable year do not exceed \$2,200,000,

I.R.C. § 831(b)(2)(A)(ii)

— such company meets the diversification requirements of subparagraph (B), and

I.R.C. § 831(b)(2)(A)(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.

I.R.C. § 831(b)(2)(B)

Diversification Requirements

I.R.C. § 831(b)(2)(B)(i)

In General — An insurance company meets the requirements of this subparagraph if—

I.R.C. § 831(b)(2)(B)(i)(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

I.R.C. § 831(b)(2)(B)(i)(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.

I.R.C. § 831(b)(2)(B)(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.

I.R.C. § 831(b)(2)(B)(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.R.C. § 831(b)(2)(B)(iii)(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,

I.R.C. § 831(b)(2)(B)(iii)(II)

— is a spouse of any lineal descendent described in subclause (I), or

I.R.C. § 831(b)(2)(B)(iii)(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.

I.R.C. § 831(b)(2)(B)(iv)

Definitions — For purposes of this subparagraph—

I.R.C. § 831(b)(2)(B)(iv)(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).

I.R.C. § 831(b)(2)(B)(iv)(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.

I.R.C. § 831(b)(2)(B)(iv)(III)

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

I.R.C. § 831(b)(2)(B)(iv)(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.

I.R.C. § 831(b)(2)(C)

Controlled Group Rules

I.R.C. § 831(b)(2)(C)(i)

In General — For purposes of this paragraph—

I.R.C. § 831(b)(2)(C)(i)(I)

— in determining whether any company is described in clause (i) of subparagraph (A), such company shall be treated as receiving during the taxable year amounts described in such clause (i) which are received during such year by all other companies which are members of the same controlled group as the insurance company for which the determination is being made, and

I.R.C. § 831(b)(2)(C)(i)(II)

— in determining the attribution of premiums to any policyholder under subparagraph (B)(i), all policyholders which are related (within the meaning of [section 267\(b\)](#) or 707(b)) or are members of the same controlled group shall be treated as one policyholder.

I.R.C. § 831(b)(2)(C)(ii)

Controlled Group — For purposes of clause (i), the term “controlled group” means any controlled group of corporations (as defined in [section 1563\(a\)](#)); except that—

I.R.C. § 831(b)(2)(C)(ii)(I)

— “more than 50 percent” shall be substituted for “at least 80 percent” each place it appears in [section 1563\(a\)](#), and

I.R.C. § 831(b)(2)(C)(ii)(II)

— subsections (a)(4) and (b)(2)(D) of [section 1563](#) shall not apply.

I.R.C. § 831(b)(2)(D)

Look-Through Of Reinsurance And Fronting Arrangements — In the case of reinsurance or any fronting, intermediary, or similar arrangement, the term “policyholder” means each policyholder of the underlying direct written insurance with respect to such reinsurance or arrangement.

I.R.C. § 831(b)(2)(E) Inflation Adjustment

— In the case of any taxable year beginning in a calendar year after 2015, the dollar amount set forth in subparagraph (A)(i) shall be increased by an amount equal to—

I.R.C. § 831(b)(2)(E)(i) — such dollar amount, multiplied by

I.R.C. § 831(b)(2)(E)(ii) — the cost-of-living adjustment determined under [section 1\(f\)\(3\)](#) for such calendar year by substituting “calendar year 2013” for “calendar year 2016” in subparagraph (A)(ii) thereof.

If the amount as adjusted under the preceding sentence is not a multiple of \$50,000, such amount shall be rounded to the next lowest multiple of \$50,000.

I.R.C. § 831(b)(3)

Limitation On Use Of Net Operating Losses — For purposes of this part, a net operating loss (as defined in section [172](#)) shall not be carried—

I.R.C. § 831(b)(3)(A)

— to or from any taxable year for which the insurance company is not subject to the tax imposed by subsection (a), or

I.R.C. § 831(b)(3)(B)

— to any taxable year if, between the taxable year from which such loss is being carried and such taxable year, there is an intervening taxable year for which the insurance company was not subject to the tax imposed by subsection (a).