News from Senator

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FOR IMMEDIATE RELEASE

October 8, 1982

Dole Calls for Study of Possible Comprehensive Revision of Insurance Company Tax Laws

WASHINGTON--

Senator Robert J. Dole (R.-Kans.), Chairman of the Committee on Finance, announced today that he has asked for reports on options for comprehensive revision of insurance company tax laws.

"I am asking the staffs of the Finance Committee and Joint Committee on Taxation to prepare a report analyzing various options for a comprehensive revision of the portion of the Internal Revenue Code concerning insurance companies. I am also asking the General Accounting Office to prepare a report on the taxation of property and casualty insurance companies to supplement their extensive report on life insurance company taxation issued a year ago," Senator Dole stated.

Senator Dole noted that these studies will supplement the study of financial intermediaries generally now being prepared by the Treasury Department. "It is my hope that these reports will give sufficient and balanced information to provide the basis for real reform in the area of insurance company taxation. For too long the complicated structure of the Internal Revenue Code has not been sufficiently flexible to adapt effectively to a changing economic environment and to new products. There have been loopholes for the creative while other companies may have been overtaxed or competitively disadvantaged. This state of affairs has made the IRS cautious in giving advice to companies and has left them without guidance in many areas. It may well be time for a comprehensive reform to simplify and rationalize insurance company taxes. I hope these efforts initiated today will hasten realization of these goals."

The Tax Equity and Fiscal Responsibility Act of 1982 included a revision of the tax laws relating to life insurance companies. These changes were generally intended to apply only for 1982 and

1983 to give Congress an opportunity to prepare more permanent legislation.

"This year's legislation represented a reasonable, short-term compromise between the valid concerns of the Government to eliminate unintended tax benefits and the desire of the life insurance industry to bear a reasonable share of the corporate tax burden. However, it was clear to me that, if we were to enact permanent legislation, we would need more information about how the tax laws impact not only life insurance companies, but also property and casualty insurance companies. Property and casualty companies sell many products similar to those sold by life insurance companies and are often affiliated with life insurance companies, but they are taxed in a substantially different manner," the Senator added.

"We may not be able to complete comprehensive revisions by the end of 1983 and be forced to accept an extension of the 1982 Act provisions. However, if we don't start now there will be little chance for anything more than an extension of some sort. It would be unfair both to the insurance industry and to the Government to attempt to revise the insurance company tax laws without sufficient analysis and study. I have asked the committee staffs to confer with representatives from the insurance industry, the Treasury Department, tax professionals who work in the area, and others who may be able to provide useful information. I would hope that the staffs will be able to report, at least on a provisional basis, by next spring.

"Similarly, I am asking GAO for an empirical study of the taxation of the property-casualty insurance industry to complement their extensive study of the taxation of life insurance companies published last September. I am hopeful that preliminary data could also be available for committee use by next spring."

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