

103<sup>D</sup> CONGRESS  
1<sup>ST</sup> SESSION

# H. R. 1668

To amend the Internal Revenue Code of 1986 with respect to the treatment of deposits under certain perpetual insurance policies.

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IN THE HOUSE OF REPRESENTATIVES

APRIL 2, 1993

Mr. CARDIN introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 with respect to the treatment of deposits under certain perpetual insurance policies.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. TREATMENT OF DEPOSITS UNDER CERTAIN**  
4 **PERPETUAL INSURANCE POLICIES.**

5 (a) GENERAL RULE.—Section 7872 of the Internal  
6 Revenue Code of 1986 (relating to treatment of loans with  
7 below-market interest rates) is amended by redesignating  
8 subsection (h) as subsection (i) and by inserting after sub-  
9 section (g) the following new subsection:

1       “(h) TREATMENT OF DEPOSITS UNDER CERTAIN  
2 PERPETUAL INSURANCE POLICIES.—

3           “(1) IN GENERAL.—This section shall not apply  
4 to any deposit made by a policyholder under a quali-  
5 fied perpetual policy.

6           “(2) QUALIFIED PERPETUAL POLICY.—For  
7 purposes of paragraph (1), the term ‘qualified per-  
8 petual policy’ means any insurance policy—

9           “(A) which provides insurance for property  
10 damage or casualty with respect to qualified  
11 residential property (or the contents thereof),  
12 and

13           “(B) which is funded only by the policy-  
14 holder placing with the insurance company a  
15 cash deposit (and does not provide for any peri-  
16 odic premiums) and such deposit is fully re-  
17 fundable (except for a penalty for early with-  
18 drawal) upon cancellation of the policy.

19 For purposes of the preceding sentence, the term  
20 ‘qualified residential property’ means any personal  
21 residence and any building used for residential pur-  
22 poses with 10 or fewer dwelling units.”

23       (b) CONFORMING AMENDMENT.—Paragraph (1) of  
24 section 7872(c) of such Code is amended by striking “sub-  
25 section (g)” and inserting “subsections (g) and (h)”.

1       (c) EFFECTIVE DATE.—The amendments made by  
2 this section shall apply to taxable years ending after the  
3 date of the enactment of this Act.

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