

TAXATION OF LIFE INSURANCE
COMPANIES

COMPARISON OF ITEMS ENTERING INTO TAX
COMPUTATIONS UNDER H.R. 4245, THE 1955
FORMULA AND THE 1942 FORMULA

PREPARED FOR THE USE OF THE
SENATE COMMITTEE ON FINANCE
BY THE STAFF OF
THE JOINT COMMITTEE ON
INTERNAL REVENUE TAXATION



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PART ONE—UNDER THE BILL

A. With all taxable income

\$900	of net investment income (all taxable)
700	policy and other contract liability deduction
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200	taxable investment income

B. With \$100 of tax-exempt income

\$1,000	of investment yield
100	tax-exempt income
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900	of net investment income
\$700	unadjusted policy and other contract liability deduction
70	adjustment $\left\{ \frac{700}{1000} \times \$100 \right\}$ for the tax-exempt interest
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630	
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270	taxable investment income

(NOTE.—They have the same net investment income but the taxable investment income of the taxpayer with the tax-exempt interest is \$70 higher.)