

There is a much simpler way to end all the discussion. This bill needs a basic amendment. The whole problem is not that some transactions have a tax avoidance and some don't. The problem is that insurance premiums receive a tax deduction in the first place. My recommendation is to amend this bill and remove all business deduction eligibility for any and all insurance premiums. This would include insurers to reinsurers and reinsurers to reinsurers on shore to off shore. Any premium transaction originating in the US receives no business expense deduction.

That creates several benefits.

1. The IRS no longer has to argue about captives and alternative risk vehicles qualifying., Since there is no deduction for the premium paid the reason to challenge is largely eliminated.
2. Removing the deduction substantially reduces tax evasion schemes masquerading as insurance.
3. The impact on tax revenues will be huge.
4. Insurance will not be used for risk spreading and financing only. This loss of the deduction will promote better and more efficient insurance market conduct because the playing field has been fully leveled.
5. Business will be encouraged to purchase needed insurance only and avoid trying to find ways to use insurance to avoid taxation.

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