

117TH CONGRESS
1ST SESSION

H. R. 5734

To amend the Internal Revenue Code of 1986 to establish a system for the taxation of catastrophic risk transfer companies to ensure sufficient capital to cover catastrophic insurance losses, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

OCTOBER 26, 2021

Mr. HIMES (for himself, Mrs. MURPHY of Florida, Mr. LUETKEMEYER, and Mr. LAHOOD) introduced the following bill; which was referred to the Committee on Ways and Means, and in addition to the Committee on the Judiciary, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To amend the Internal Revenue Code of 1986 to establish a system for the taxation of catastrophic risk transfer companies to ensure sufficient capital to cover catastrophic insurance losses, and for other purposes.

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. SHORT TITLE.**

4 This Act may be cited as the “Catastrophic Risk
5 Transfer Act of 2021” or the “CART Act”.

1 **SEC. 2. TAXATION OF CATASTROPHIC RISK TRANSFER**
 2 **COMPANIES.**

3 (a) IN GENERAL.—Subchapter M of chapter 1 of the
 4 Internal Revenue Code of 1986 is amended by adding at
 5 the end the following new part:

6 **“PART V—CATASTROPHIC RISK TRANSFER**
 7 **COMPANIES**

“Sec. 860M. Catastrophic risk transfer companies.

“Sec. 860N. Taxation of catastrophic risk transfer companies.

“Sec. 860O. Taxation of security holders of catastrophic risk transfer company;
 limitations applicable to dividends received from catastrophic
 risk transfer company.

“Sec. 860P. Dividends paid by catastrophic risk transfer company after close
 of taxable year.

8 **“SEC. 860M. CATASTROPHIC RISK TRANSFER COMPANIES.**

9 “(a) GENERAL RULE.—For purposes of this subtitle,
 10 the term ‘catastrophic risk transfer company’ means any
 11 domestic corporation which—

12 “(1) is—

13 “(A) created or organized under the laws
 14 of a State which has enacted a State law which
 15 enables the organization and licensure of a spe-
 16 cial purpose insurer (whether or not designated
 17 as such under such State law) which is capable
 18 of carrying out the activities described in para-
 19 graph (2), and

20 “(B) regulated and licensed as such a spe-
 21 cial purpose insurer by the State commissioner

1 of insurance or other State official charged with
2 regulation of insurance within the State,

3 “(2) the principal purpose of which is the car-
4 rying out of the activities of catastrophic risk trans-
5 fer, but only if—

6 “(A) substantially all of such activities re-
7 late to business other than general annuity
8 business, and

9 “(B) such activities are limited to—

10 “(i) issuing equity and debt securities,

11 “(ii) owning qualified investments,

12 and

13 “(iii) entering into one or more insur-
14 ance or reinsurance agreements covering
15 catastrophic risks from persons who are
16 not related to such corporation at any time
17 during the period beginning with the date
18 such agreements are entered into and end-
19 ing with the last day of the period such
20 agreements are in effect, and

21 “(3) is authorized by the State commissioner of
22 insurance or other State official charged with regula-
23 tion of insurance within the State to carry out the
24 activities of catastrophic risk transfer.

1 “(b) LIMITATIONS.—A corporation shall not be con-
2 sidered a catastrophic risk transfer company for any tax-
3 able year unless—

4 “(1) it files with its return for the taxable year
5 an election to be a catastrophic risk transfer com-
6 pany or has made such election for a previous tax-
7 able year,

8 “(2) at least 90 percent of its gross income is
9 derived from—

10 “(A) investment income from qualified in-
11 vestments, and

12 “(B)(i) reinsurance premiums received
13 from a regulated insurance company, or

14 “(ii) insurance premiums from—

15 “(I) a governmental agency,

16 “(II) a company the assets of which
17 exceed \$100,000,000, or

18 “(III) a company that is transferring
19 a sufficiently large pool of a single type of
20 underlying risk that the insurance of such
21 pool of risk would on a stand-alone basis
22 constitute operation of an insurance busi-
23 ness under part II of subchapter L, and

24 “(3) the limit of the insurance or reinsurance
25 being provided is fully collateralized.

1 “(c) SPECIAL RULE FOR SERIES ISSUANCES.—If a
2 catastrophic risk transfer company (within the meaning
3 of subsection (a)), or a protected cell of such company,
4 issues a series or class of securities which primarily has
5 recourse to, or is primarily linked to, a designated reinsur-
6 ance agreement and pool of collateral or assets, such series
7 or class shall be treated as a separate corporation for pur-
8 poses of this title (other than determining whether the re-
9 quirements of subsection (a) are met).

10 “(d) FAILURE TO SATISFY GROSS INCOME TEST.—

11 “(1) DISCLOSURE REQUIREMENT.—A cata-
12 strophic risk transfer company which fails to meet
13 the requirement of paragraph (2) of subsection (b)
14 for any taxable year shall nevertheless be considered
15 to have satisfied the requirement of such paragraph
16 for such taxable year if—

17 “(A) following the catastrophic risk trans-
18 fer company identification of the failure to meet
19 such requirement for such taxable year, a de-
20 scription of each item of its gross income de-
21 scribed in such paragraph is set forth in a
22 schedule for such taxable year filed in the man-
23 ner provided by the Secretary, and

1 “(B) the failure to meet such requirement
2 is due to reasonable cause and not due to will-
3 ful neglect.

4 “(2) IMPOSITION OF TAX ON FAILURES.—If
5 paragraph (1) applies to catastrophic risk transfer
6 company for any taxable year, there is hereby im-
7 posed on such company a tax in an amount equal to
8 the excess of—

9 “(A) the gross income of such company
10 which is not derived from sources referred to in
11 subsection (b)(2), over

12 “(B) one-ninth of the gross income of such
13 company which is derived from such sources.

14 “(e) DEFINITIONS.—For purposes of this part—

15 “(1) CATASTROPHIC RISK.—

16 “(A) IN GENERAL.—The term ‘cata-
17 strophic risk’ means a risk of loss which has a
18 low likelihood of occurring but which will be
19 large in amount.

20 “(B) SPECIAL RULES.—For purposes of
21 subparagraph (A)—

22 “(i) in the case of direct insurance, a
23 risk of loss shall not be treated as large in
24 amount unless such loss would exceed
25 \$25,000,000 if it occurs, and

1 “(ii) in the case of mortality risk, the
2 risk of loss transferred may be taken into
3 account under subparagraph (A) only if it
4 involves a pool of mortality or longevity
5 risks.

6 “(2) INVESTMENTS AND INCOME.—

7 “(A) QUALIFIED INVESTMENT.—The term
8 ‘qualified investment’ means—

9 “(i) cash,

10 “(ii) interests in money market funds,
11 and

12 “(iii) investment-grade debt securities
13 and funds primarily holding such debt se-
14 curities.

15 “(B) INVESTMENT INCOME.—The term
16 ‘investment income’ means interest that is ac-
17 crued or received on, distributions in connection
18 with, or proceeds from the disposition of, quali-
19 fied investments.

20 “(3) REGULATED INSURANCE COMPANY.—The
21 term ‘regulated insurance company’ means any com-
22 pany which is licensed to engage in the business of
23 insurance in a State and which is subject to State
24 law which regulates insurance (within the meaning
25 of section 514(b)(2) of the Employee Retirement In-

1 come Security Act of 1974, as in effect on the date
2 of the enactment of this section).

3 “(4) RELATED PERSON.—A person shall be
4 treated as related person to another person if such
5 person bears a relationship to such other person de-
6 scribed in section 267(b) or 707(b).

7 **“SEC. 860N. TAXATION OF CATASTROPHIC RISK TRANSFER**
8 **COMPANIES.**

9 “(a) REQUIREMENTS APPLICABLE TO CATA-
10 STROPHIC RISK TRANSFER COMPANIES.—The provisions
11 of this part (other than subsection (c) of this section) shall
12 not be applicable to a catastrophic risk transfer company
13 for a taxable year unless—

14 “(1) the deduction for dividends paid during
15 the taxable year (as defined in section 561) equals
16 or exceeds 90 percent of its catastrophic risk trans-
17 fer company taxable income for the taxable year de-
18 termined without regard to subsection (b)(2)(C), and

19 “(2) as of the close of the taxable year, the cat-
20 astrophic risk transfer company has no earnings and
21 profits accumulated in any taxable year to which the
22 provisions of this part (or the corresponding provi-
23 sions of prior law) did not apply to it.

24 “(b) METHOD OF TAXATION OF COMPANIES.—

1 “(1) IMPOSITION OF TAX ON CATASTROPHIC
2 RISK TRANSFER COMPANIES.—There is hereby im-
3 posed for each taxable year upon the catastrophic
4 risk transfer company taxable income of every cata-
5 strophic risk transfer company a tax computed as
6 provided in section 11, as though the catastrophic
7 risk transfer company taxable income were the tax-
8 able income referred to in section 11.

9 “(2) CATASTROPHIC RISK TRANSFER COMPANY
10 TAXABLE INCOME.—The catastrophic risk transfer
11 company taxable income shall be the taxable income
12 of the catastrophic risk transfer company adjusted
13 as follows:

14 “(A) The net operating loss deduction pro-
15 vided in section 172 shall not be allowed.

16 “(B) The deductions for corporations pro-
17 vided in part VIII (except section 248) in sub-
18 chapter B (section 241 and following, relating
19 to the deduction for dividends received, etc.)
20 shall not be allowed.

21 “(C) The deduction for dividends paid (as
22 defined in section 561) shall be allowed.

23 “(D) The taxable income shall be com-
24 puted without regard to section 443(b) (relating

1 to computation of tax on change of annual ac-
2 counting period).

3 “(E) The taxable income shall be com-
4 puted without regard to section 454(b) (relating
5 to short-term obligations issued on a discount
6 basis) if the company so elects in a manner pre-
7 scribed by the Secretary.

8 “(F) There shall be deducted an amount
9 equal to the tax imposed by subsection (d)(2) of
10 section 860M for the taxable year.

11 “(G) There will be allowed as a deduction
12 loss adjustment expenses and expenses of—

13 “(i) modeling firms, claims reviewers,
14 loss reserve specialists, attorneys, account-
15 ants, actuaries, indenture trustees (includ-
16 ing reinsurance trustees and paying
17 agents), independent directors, administra-
18 tors of the catastrophic risk transfer com-
19 pany, rating agencies of any securities
20 issued by the catastrophic risk transfer
21 company, reset and calculation agents, re-
22 porting agencies, data providers, model es-
23 crow agents, securities listings, and securi-
24 ties listing agents, and

1 “(ii) other professionals or service
2 providers, or other out-of-pocket costs in-
3 curred with issuing securities, reasonably
4 related thereto.

5 “(3) SECTION 311(b) NOT TO APPLY TO CER-
6 TAIN DISTRIBUTIONS.—Section 311(b) shall not
7 apply to any distribution by a catastrophic risk
8 transfer company to which this part applies, if such
9 distribution is in redemption of its stock or securi-
10 ties upon the demand of the holder.

11 “(4) TIME CERTAIN DIVIDENDS TAKEN INTO
12 ACCOUNT.—For purposes of this title, any dividend
13 declared by a catastrophic risk transfer company
14 during any calendar year and payable to security
15 holders of record on a specified date in such a year
16 shall be deemed—

17 “(A) to have been received by each security
18 holder on December 31 of such calendar year,
19 and

20 “(B) to have been paid by such company
21 on December 31 of such calendar year (or, if
22 earlier, as provided in section 860P).

23 The preceding sentence shall apply only if such divi-
24 dend is actually paid by the company prior to the

1 15th day of the 9th month of the following calendar
2 year.

3 “(c) EARNINGS AND PROFITS.—

4 “(1) DISTRIBUTIONS TO MEET REQUIREMENTS
5 OF SUBSECTION (a)(2).—Any distribution which is
6 made in order to comply with the requirements of
7 subsection (a)(2)—

8 “(A) shall be treated for purposes of this
9 subsection and subsection (a)(2) as made from
10 earnings and profits which, but for the distribu-
11 tion, would result in a failure to meet such re-
12 quirements (and allocated to such earnings on
13 a first-in, first-out basis), and

14 “(B) to the extent treated under subpara-
15 graph (A) as made from accumulated earnings
16 and profits, shall not be treated as a distribu-
17 tion for purposes of subsection (b)(2)(C) and
18 section 860P.

19 “(2) CATASTROPHIC RISK TRANSFER COM-
20 PANY.—For purposes of this subsection, the term
21 ‘catastrophic risk transfer company’ includes a do-
22 mestic corporation which is a catastrophic risk
23 transfer company determined without regard to the
24 requirements of subsection (a).

1 “(d) PROCEDURES SIMILAR TO DEFICIENCY DIVI-
2 DEND PROCEDURES MADE APPLICABLE.—

3 “(1) IN GENERAL.—If—

4 “(A) there is a determination that the pro-
5 visions of this part do not apply to a cata-
6 strophic risk transfer company for any taxable
7 year (hereafter in this subsection referred to as
8 the ‘non-CART year’), and

9 “(B) such catastrophic risk transfer com-
10 pany meets the distribution requirements of
11 paragraph (2) with respect to the non-CART
12 year,

13 then, for purposes of applying subsection (a)(2) to
14 subsequent taxable years, the provisions of this part
15 shall be treated as applying to such catastrophic risk
16 transfer company for the non-CART year. If the de-
17 termination under subparagraph (A) is solely as a
18 result of the failure to meet the requirements of sub-
19 section (a)(2), the preceding sentence shall also
20 apply for purposes of applying subsection (a)(2) to
21 the non-CART year and the amount referred to in
22 paragraph (2)(A)(i) shall be the portion of the accu-
23 mulated earnings and profits which resulted in such
24 failure.

25 “(2) DISTRIBUTION REQUIREMENTS.—

1 “(A) IN GENERAL.—The distribution re-
2 quirements of this paragraph are met with re-
3 spect to any non-CART year if, within the 90-
4 day period beginning on the date of the deter-
5 mination (or within such longer period as the
6 Secretary may permit), the catastrophic risk
7 transfer company makes 1 or more qualified
8 designated distributions and the amount of
9 such distributions is not less than the excess
10 of—

11 “(i) the portion of the accumulated
12 earnings and profits of the catastrophic
13 risk transfer company (as of the date of
14 the determination) which are attributable
15 to the non-CART year, over

16 “(ii) any interest payable under para-
17 graph (3).

18 “(B) QUALIFIED DESIGNATED DISTRIBUTION.—For purposes of this paragraph, the
19 term ‘qualified designated distribution’ means
20 any distribution made by the catastrophic risk
21 transfer company if—
22 transfer company if—

23 “(i) section 301 applies to such dis-
24 tribution, and

1 “(ii) such distribution is designated
2 (at such time and in such manner as the
3 Secretary shall by regulations prescribe) as
4 being taken into account under this para-
5 graph with respect to the non-CART year.

6 “(C) EFFECT ON DIVIDENDS PAID DEDUC-
7 TION.—Any qualified designated distribution
8 shall not be included in the amount of dividends
9 paid for purposes of computing the dividends
10 paid deduction for any taxable year.

11 “(3) INTEREST CHARGE.—

12 “(A) IN GENERAL.—If paragraph (1) ap-
13 plies to any non-CART year of a catastrophic
14 risk transfer company, such catastrophic risk
15 transfer company shall pay interest at the un-
16 derpayment rate established under section
17 6621—

18 “(i) on an amount equal to 50 percent
19 of the amount referred to in paragraph
20 (2)(A)(i), and

21 “(ii) for the period—

22 “(I) which begins on the last day
23 prescribed for payment of the tax im-
24 posed for the non-CART year (deter-

1 mined without regard to extensions),
2 and

3 “(II) which ends on the date the
4 determination is made.

5 “(B) COORDINATION WITH SUBTITLE F.—

6 Any interest payable under subparagraph (A)
7 may be assessed and collected at any time dur-
8 ing the period during which any tax imposed
9 for the taxable year in which the determination
10 is made may be assessed and collected.

11 “(4) PROVISIONS NOT TO APPLY IN THE CASE
12 OF FRAUD.—The provisions of this subsection shall
13 not apply if the determination contains a finding
14 that the failure to meet any requirement of this part
15 was due to fraud with intent to evade tax.

16 “(5) DETERMINATION.—For purposes of this
17 subsection, the term ‘determination’ has the mean-
18 ing given to such term by section 860(e). Such term
19 also includes a determination by the catastrophic
20 risk transfer company filed with the Secretary that
21 the provisions of this part do not apply to the cata-
22 strophic risk transfer company for a taxable year.

23 “(e) DEFINITIONS.—For purposes of this part—

1 “(1) the terms ‘dividend’ and ‘distribution’ shall
2 include payments made to holders of debt securities,
3 and

4 “(2) the term ‘security holder’ shall include
5 holders of equity and debts securities issued by a
6 catastrophic risk transfer company.

7 **“SEC. 8600. TAXATION OF SECURITY HOLDERS OF CATA-**
8 **STROPHIC RISK TRANSFER COMPANY; LIM-**
9 **TATIONS APPLICABLE TO DIVIDENDS RE-**
10 **CEIVED FROM CATASTROPHIC RISK TRANS-**
11 **FER COMPANY.**

12 “(a) CHARACTER OF DIVIDENDS.—Each catastrophic
13 risk transfer company shall identify in a statement issued
14 to each security holder the portion of its dividends paid
15 with respect to the year, under the rules of section 860N,
16 which are attributable to the following types of income of
17 the catastrophic risk transfer company:

18 “(1) Interest.

19 “(2) Tax-exempt interest.

20 “(3) Qualified dividend income, within the
21 meaning of subparagraph (B) of section 1(h)(11) of
22 this title.

23 “(4) Dividends other than qualified dividend in-
24 come.

25 “(5) Capital gains.

1 “(6) Insurance or reinsurance premiums.

2 “(b) LOOK THROUGH FOR TAXATION OF DIVI-
3 DENDS.—

4 “(1) GENERAL.—Except as provided in sub-
5 section (n) of section 871 or subsection (f) of section
6 881 of this title, each security holder shall be subject
7 to taxation under this title on the dividends received
8 from a catastrophic risk transfer company in the
9 same manner as if such security holder had received
10 the portions of each dividend identified on the state-
11 ment provided under subsection (a) directly.

12 “(2) DIVIDEND INCOME.—In computing any de-
13 duction under section 243 with respect to the por-
14 tion of a dividend identified on the statement under
15 subsection (a) as dividend income referenced in
16 paragraphs (3) or (4) of such subsection, such por-
17 tion shall be treated as received from a corporation
18 which is not a 20-percent owned corporation.

19 “(3) CAPITAL GAIN INCOME.—The portion of a
20 dividend identified on the statement under sub-
21 section (a) as capital gain income referenced in
22 paragraph (5) of such subsection shall be treated by
23 the security holders as a gain from the sale or ex-
24 change of a capital asset held for more than 1 year.

1 **“SEC. 860P. DIVIDENDS PAID BY CATASTROPHIC RISK**
2 **TRANSFER COMPANY AFTER CLOSE OF TAX-**
3 **ABLE YEAR.**

4 “(a) GENERAL RULE.—For purposes of this chapter,
5 if a catastrophic risk transfer company—

6 “(1) declares a dividend on or before the later
7 of—

8 “(A) the 15th day of the 9th month fol-
9 lowing the close of the taxable year, or

10 “(B) in the case of an extension of time
11 for filing the company’s return for the taxable
12 year, the due date for filing such return taking
13 into account such extension, and

14 “(2) distributes the amount of such dividend to
15 security holders in the 12-month period following the
16 close of such taxable year and not later than the
17 date of the first dividend payment of the same type
18 of dividend made after such declaration,

19 the amount so declared and distributed shall, except as
20 provided in subsection (b) and to the extent the company
21 elects in such return in accordance with regulations pre-
22 scribed by the Secretary, be considered as having been
23 paid during such taxable year.

24 “(b) RECEIPT BY SECURITY HOLDER.—Amounts to
25 which subsection (a) applies shall be treated as received

1 by the security holder in the taxable year in which the
2 distribution is made.”.

3 (b) EXEMPTION FROM WITHHOLDING TAXES ON
4 NONRESIDENT ALIENS AND FOREIGN CORPORATIONS.—

5 (1) NONRESIDENT ALIENS.—Section 871 of the
6 Internal Revenue Code of 1986 is amended by redes-
7 ignating subsection (n) as subsection (o) and by in-
8 serting after subsection (m) the following:

9 “(n) EXEMPTION FOR QUALIFIED INVESTMENT IN-
10 COME DIVIDENDS OF CATASTROPHIC RISK TRANSFER
11 COMPANIES.—

12 “(1) IN GENERAL.—Except as provided in para-
13 graph (2), no tax shall be imposed under paragraph
14 (1)(A) of subsection (a) on any qualified investment
15 income dividend received from a catastrophic risk
16 transfer company which meets the requirements of
17 section 860M(a) for the taxable year with respect to
18 which the dividend is paid.

19 “(2) EXCEPTIONS.—Paragraph (1) shall not
20 apply—

21 “(A) to any qualified investment income
22 dividend received from a catastrophic risk
23 transfer company by a person to the extent
24 such dividend is attributable to investment in-
25 come received by such company on indebtedness

1 issued by such person or by any corporation or
2 partnership with respect to which such person
3 is a 10-percent shareholder,

4 “(B) to any qualified investment income
5 dividend with respect to stock of a catastrophic
6 risk transfer company unless the person who
7 would otherwise be required to deduct and with-
8 hold tax from such dividend under chapter 3 re-
9 ceives a statement (which meets requirements
10 similar to the requirements of subsection
11 (h)(5)) that the beneficial owner of such stock
12 is not a United States person, and

13 “(C) to any qualified investment income
14 dividend paid to any person within a foreign
15 country (or any such dividend payment ad-
16 dressed to, or for the account of, persons within
17 such foreign country) during any period de-
18 scribed in subsection (h)(6) with respect to such
19 country.

20 Subparagraph (C) shall not apply to any dividend
21 with respect to any stock which was acquired on or
22 before the date of the publication of the Secretary’s
23 determination under subsection (h)(6).

24 “(3) QUALIFIED INVESTMENT INCOME DIVI-
25 DEND.—For purposes of this paragraph, the term

1 ‘qualified investment income dividend’ means the
2 portion of any dividend distributed by a catastrophic
3 risk transfer company—

4 “(A) which is attributable to investment
5 income from qualified investments earned dur-
6 ing a taxable year in which the catastrophic
7 risk transfer company meets the requirements
8 of subsection (b) of section 860M and sub-
9 section (a) of section 860N, and

10 “(B) which is reported by the company as
11 a qualified investment income dividend in writ-
12 ten statements furnished to its security hold-
13 ers.”.

14 (2) FOREIGN CORPORATIONS.—Section 881 of
15 such Code is amended by redesignating subsection
16 (f) as subsection (g) and by inserting after sub-
17 section (e) the following:

18 “(f) EXEMPTION FOR QUALIFIED INVESTMENT IN-
19 COME DIVIDENDS OF CATASTROPHIC RISK TRANSFER
20 COMPANIES.—

21 “(1) IN GENERAL.—Except as provided in para-
22 graph (2), no tax shall be imposed under paragraph
23 (1)(A) of subsection (a) on any qualified investment
24 income dividend received from a catastrophic risk
25 transfer company which meets the requirements of

1 section 860M(a) for the taxable year with respect to
2 which the dividend is paid.

3 “(2) EXCEPTIONS.—Paragraph (1) shall not
4 apply any dividend described in section 871(n)(2).

5 “(3) QUALIFIED INVESTMENT INCOME DIVI-
6 DEND.—For purposes of this paragraph, the term
7 ‘qualified investment income dividend’ has the same
8 meaning given such term by section 871(n)(3).”.

9 (c) CONFORMING AMENDMENT.—The table of parts
10 for subchapter M of chapter 1 of the Internal Revenue
11 Code of 1986 is amended by adding at the end the fol-
12 lowing new item:

“PART V-CATASTROPHIC RISK TRANSFER COMPANIES.”.

13 **SEC. 3. STATE TAXATION OF REINSURANCE PREMIUMS OF**
14 **CATASTROPHIC RISK TRANSFER COMPANIES.**

15 (a) PREVENTION OF DOUBLE TAXATION.—A taxing
16 jurisdiction other than the State under the laws of which
17 a catastrophic risk transfer company is created or orga-
18 nized shall not impose a premium tax on any premiums
19 paid to, or received by, such company on a policy of rein-
20 surance.

21 (b) COORDINATION OF RATE OF PREMIUM TAX
22 WITH TAX ON FOREIGN REINSURERS.—If a State allowed
23 under subsection (a) imposes a premium tax on a cata-
24 strophic risk transfer company on premiums on a policy
25 of reinsurance, the amount of such tax shall not exceed

1 the tax which would have been imposed under section
2 4371 of the Internal Revenue Code of 1986 if such pre-
3 miums were paid to a foreign insurer or reinsurer.

4 (c) DEFINITIONS.—For purposes of this section—

5 (1) CATASTROPHIC RISK TRANSFER COM-
6 PANY.—The term “catastrophic risk transfer com-
7 pany” has the meaning given such term by section
8 860M of the Internal Revenue Code of 1986.

9 (2) POLICY OF REINSURANCE.—The term “pol-
10 icy of reinsurance” has the meaning given such term
11 by section 4372(f) of such Code.

12 (3) TAXING JURISDICTION.—The term “taxing
13 jurisdiction” means any of the several States, the
14 District of Columbia, or any territory or possession
15 of the United States, any municipality, city, county,
16 or any other political subdivision within the terri-
17 torial limits of the United States with the authority
18 to impose a premium tax on a policy of reinsurance.

○