SOCIETY OF ACTUARIES

Article from

Small Talk

March 2018

Issue 49

President Signs Tax Reform Bill With Numerous Changes Affecting the Insurance Industry

By Ann Cammack, Michael Beaty, Norman Hannawa, Scott Guasta, Howard Stecker and Jeff Levey

Editor's note: This article originally appeared in the EY Tax Alert. *Copyright © 2018 Ernst & Young LLP. Reprinted by permission of Ernst & Young LLP. All rights reserved. To read the full article and disclaimer, click here.*

On December 22, 2017, the President signed the "Tax Cuts and Jobs Act" (H.R. 1) (referred to herein as the final bill, the bill or the new law) into law, the first major overhaul of the federal income tax in more than 30 years. The enactment of the bill came a week after the House and Senate conferees to the Tax Cuts and Jobs Act released a Conference Agreement (December 15, 2017), which was ultimately approved by the Senate (December 19, 2017) and the House (December 20, 2017). Previously, the House of Representatives passed its version of the Tax Cuts and Jobs Act on November 16th (House Bill) and, two weeks later, the Senate passed its tax reform bill on December 2nd (Senate Bill).

The bill dramatically lowers the corporate tax rate from 35% to 21% beginning in 2018. This rate reduction, as well as other changes, did come at a significant revenue cost and, as a result, the bill needed to raise revenue through other changes in the tax law. Among these changes were provisions that directly impact insurance companies. All of the insurance-specific provisions in the final bill were scored as revenue raisers by the Joint Committee on Taxation (JCT), with the largest revenue being generated from the changes in the tax reserve calculations for life and property/casualty companies. In all, the bill's insurance tax provisions are expected to raise approximately $40 billion over the next 10 years, excluding the other revenue raisers on corporations that are also applicable to insurers. This Alert identifies key changes in the new law relevant to the insurance industry. Companies must study the bill closely, assess its impact and immediately begin the process of recording and disclosing the financial reporting effects of the new law. ■

Please link to the official regulation for your own analysis at *https://www.congress.gov/bill/115th-congress/house-bill/1.*

Ann Cammack is part of EY's National Tax team and can be reached at *Ann.Cammack@ey.com*.

Michael Beaty is a member of the Financial Services Office team at EY and can be reached at *Michael.Beaty@ey.com.*

Norman Hannawa is a member of the Financial Services Office team at EY and can be reached at *Norman.Hannawa@ey.com.*

Scott Guasta is a member of the Financial Services Office team at EY and can be reached at *Scott.Guasta@ey.com.*

Howard Stecker is a member of the Financial Services Office team at EY and can be reached *Howard.Stecker@ey.com.*

Jeff Levey is a member of the Washington Council EY team and can be reached at *Jeff.Levey@ey.com.*