

Special Loss Discount Account and Special Estimated Tax Payments for Insurance Companies

▶ Attach to tax return.

| | |
|------|--------------------------------|
| Name | Employer Identification Number |
|------|--------------------------------|

Part I Special Loss Discount Account (See instructions.)

| Accident year | 19..... | 19..... | 19..... | 19..... | 19..... |
|--|---------|---------|---------|---------|---------|
| 1 Balance at the beginning of the year | | | | | |
| 2 Undiscounted unpaid losses . . . | | | | | |
| 3 Discounted unpaid losses . . . | | | | | |
| 4 Special loss discount limitation. Subtract line 3 from line 2 . . . | | | | | |
| 5 Additions—section 847(4) . . . | | | | | |
| 6 Subtractions—section 847(5) . . . | | | | | |
| 7 Balance at the end of the year. Add lines 1 and 5 and subtract line 6 from the result | | | | | |

Part II Special Estimated Tax Payments (See instructions.)

| | | | | | |
|--|--|--|--|--|--|
| 8 Balance at the beginning of the year | | | | | |
| 9 Payments made for year | | | | | |
| 10 Payments applied for year | | | | | |
| 11 Balance at the end of the year. Add lines 8 and 9 and subtract line 10 from the result | | | | | |

Part III Tax Benefit Associated with the Additional Deduction under Section 847 (See instructions.)

| | (a) | (b) |
|--|-----|-----|
| 12 Taxable income from Form 1120-PC, page 1, line 1 or Form 1120-L, page 1, line 28 | 12 | |
| 13 Amount from Form 1120-PC, Schedule A, line 27 or Form 1120-L, page 1, line 18 | 13 | |
| 14 Adjusted taxable income. Add lines 12 and 13 | 14 | |
| 15 Total tax | 15 | |
| 16 Tax credits | 16 | |
| 17 Other taxes | 17 | |
| 18 Net tax. Subtract line 16 from line 15 and add line 17 to the result | 18 | |
| 19 Tentative tax benefit. Subtract line 18, column (b) from line 18, column (a) | | 19 |
| 20 Additional tax benefits from section 847 deduction (attach computation schedule(s)) | | 20 |
| 21 Tax benefit from section 847 deduction. Add lines 19 and 20 | | 21 |

Paperwork Reduction Act Notice.—We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

The time needed to complete and file this form varies depending on individual circumstances. The estimated average time is:

| | |
|--|----------------|
| Recordkeeping | 6 hr., 42 min. |
| Learning about the law or the form | 47 min. |
| Preparing, copying, assembling, and sending the form to the IRS | 56 min. |

If you have any comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. See the instructions for Form 1120-PC or Form 1120-L.

General Instructions

(References are to the Internal Revenue Code.)

Purpose of Form.—Form 8816 must be filed by insurance companies that elect to take an additional deduction under section 847.

When to File.—Attach Form 8816 to the Form 1120-PC or Form 1120-L filed by the corporation for the tax year of the additional deduction and for each subsequent tax year there remains an amount of unpaid losses resulting from the deduction.

Specific Instructions

Note: Line references are to the 1994 Form 1120-L and 1994 Form 1120-PC.

Part I—Special Loss Discount Account (SLDA)

Keep a separate SLDA for each accident year an additional deduction under section 847 is claimed. Do not net amounts from one year against amounts from another year.

Line 1.—Enter the balance in the SLDA at the beginning of the year for which this return is filed.

Line 2.—Enter the undiscounted unpaid losses (as defined in section 846(b)) for each accident year, measured as of the end of the tax year, related to losses incurred in tax years beginning after December 31, 1986. See section 847(1)(A) for details.

Line 3.—Enter the related discounted unpaid losses determined under section 846. See section 847(1)(B) for details.

Line 5.—The amount entered on line 5 may not exceed the amount on line 4. The total of the amount(s) reported on line 5 must be the same amount as on Form 1120-PC, Schedule A, line 27, or Form 1120-L, page 1, line 18. Generally, additions are only made in the initial year of a specific loss year's account.

Line 6.—Enter on this line and on Form 1120-PC, Schedule A, line 12 or Form 1120-L, page 1, line 7 amounts that are required to be removed from the SLDA and included in income. See section 847(5) for details. If there are entries under 2 or more columns, enter the total of all columns on Form 1120-PC, Schedule A, line 12 or Form 1120-L, page 1, line 7.

Line 7.—The amount entered on this line may not exceed the amount on line 4.

Part II—Special Estimated Tax Payments

Use Part II to reconcile the corporation's special estimated tax payments for each tax year it has made a section 847 election.

Line 8.—The amount entered on this line should be the same as the ending balance for this account for the year immediately preceding this year. If the amounts are different, attach an explanation.

Line 9.—Enter the total payments made for this accident year. The amount entered on this line for the current accident year must agree with the figures shown on line 21 of this form, and Form 1120-PC, page 1, line 14d or Form 1120-L, page 1, line 30d. Generally, payments are only made in the initial year an account is established. If amounts are added in subsequent years, attach an explanation.

Line 10.—Enter the total payments applied to pay additional tax due as a result of including in income amounts

required by section 847(5). The total of the amount(s) on line 10 must agree with the amount on Form 1120-PC, line 14b, page 1 or Form 1120-L, page 1, line 30b.

Part III—Tax Benefit Associated with the Additional Deduction Under Section 847

Use Part III to determine the tax benefit of the section 847 deduction. Complete lines 12 and 13, column (a) and line 13, column (b), using the figures from the corporation's tax return. Entries are required in both columns.

Line 15, Column (a).—Figure the tax due on the amount shown on line 14 and enter the result on line 15.

Line 15, Column (b).—Enter the amount from Form 1120-PC, page 1, line 6 or Form 1120-L, Schedule K, line 3.

Line 16, Column (a)—Enter the allowable tax credits. Any credit limitations should be recomputed using lines 14 and 15. Attach a schedule showing all computations.

Line 16, Column (b)—Enter the amount from Form 1120-PC, page 1, line 7e or Form 1120-L, Schedule K, line 5.

Line 17, Column (a).—Enter any other taxes the corporation is required to pay. See Form 1120-PC, page 1, lines 9 through 12 or Form 1120-L, Schedule K, lines 7 through 9b. Also enter any other taxes the corporation is required to add to Form 1120-PC, line 13, page 1 or Form 1120-L, Schedule K, line 10. Attach a schedule showing the recomputation of "other taxes" (e.g., alternative minimum tax).

Line 17, Column (b).—Enter the sum of lines 9 through 12, page 1, Form 1120-PC or the sum of lines 7 through 9b, Schedule K, Form 1120-L.

Line 20.—Enter any additional tax benefits derived from the section 847 additional deduction, such as those from a net operating loss carryback or the filing of a consolidated return.

Line 21.—The amount shown on this line must agree with the special estimated tax payments made during the year as shown on Form 1120-PC, page 1, line 14d or Form 1120-L, page 1, line 30d. Line 21 may not be zero or a negative amount.

