

(1) In general.-- The amendments made by this section shall take effect on January 1, 2007.

(2) Subsection (d).-- The amendment made by subsection (d) shall apply to taxable periods beginning on or after July 1, 2007.

Subtitle B--Reforming Exempt Organizations

PART 1--GENERAL REFORMS

[*1211] **Sec. 1211. REPORTING ON CERTAIN ACQUISITIONS OF INTERESTS IN INSURANCE CONTRACTS IN WHICH CERTAIN EXEMPT ORGANIZATIONS HOLD AN INTEREST.**

(a) Reporting Requirements.--

(1) In general.-- Subpart B of part III of subchapter A of chapter 61 (relating to information concerning transactions with other persons), as amended by this Act, is amended by adding at the end the following new section:

"Sec. 6050V. <26 USC 6050V> RETURNS RELATING TO APPLICABLE INSURANCE CONTRACTS IN WHICH CERTAIN EXEMPT ORGANIZATIONS HOLD INTERESTS.

"(a) In General.--Each applicable exempt organization which makes a reportable acquisition shall make the return described in subsection (c).

"(b) Time for Making Return.--Any applicable exempt organization required to make a return under subsection (a) shall file such return at such time as may be established by the Secretary.

"(c) Form and Manner of Returns.--A return is described in this subsection if such return--

"(1) is in such form as the Secretary prescribes,

"(2) contains the name, address, and taxpayer identification number of the applicable exempt organization and the issuer of the applicable insurance contract, and

"(3) contains such other information as the Secretary may prescribe.

"(d) Definitions.--For purposes of this section--

"(1) Reportable acquisition.-- The term 'reportable acquisition' means the acquisition by an applicable exempt organization of a direct or indirect interest in any applicable insurance contract in any case in which such acquisition is a part of a structured transaction involving a pool of such contracts.

"(2) Applicable insurance contract.----

"(A) In general.--The term 'applicable insurance contract' means any life insurance, annuity, or endowment contract with respect to which both an applicable exempt organization and a person other than an applicable exempt organization have directly or indirectly held an interest in the contract (whether or not at the same time).

"(B) Exceptions.--Such term shall not include a life insurance, annuity, or endowment contract if--

"(i) all persons directly or indirectly holding any interest in the contract (other than applicable exempt organizations) have an insurable interest in the insured under the contract independent of any interest of an applicable exempt organization in the contract,

109 P.L. 280, *1211; 120 Stat. 780, **1073;
2006 Enacted H.R. 4; 109 Enacted H.R. 4

"(ii) the sole interest in the contract of an applicable exempt organization or each person other than an applicable exempt organization is as a named beneficiary, or

"(iii) the sole interest in the contract of each person other than an applicable exempt organization is--

"(I) as a beneficiary of a trust holding an interest in the contract, but only if the person's designation as such beneficiary was made without consideration and solely on a purely gratuitous basis, or

"(II) as a trustee who holds an interest in the contract in a fiduciary capacity solely for the benefit of applicable exempt organizations or persons otherwise described in subclause (I) or clause (i) or (ii).

"(3) Applicable exempt organization.-- The term 'applicable exempt organization' means--

"(A) an organization described in section 170(c),

"(B) an organization described in section 168(h)(2)(A)(iv), or

"(C) an organization not described in paragraph (1) or (2) which is described in section 2055(a) or section 2522(a).

"(e) Termination.--This section shall not apply to reportable acquisitions occurring after the date which is 2 years after the date of the enactment of this section."

(2) Conforming amendment.-- The table of sections for subpart B of part III of subchapter A of chapter 61 is amended by adding at the end the following new item:

"Sec. 6050V. Returns relating to applicable insurance contracts in which certain exempt organizations hold interests."

(b) Penalties.--

(1) In general.-- Subparagraph (B) of section 6724(d)(1), as amended by this Act, <26 USC 6724> is amended by redesignating clauses (xiv) through (xix) as clauses (xv) through (xx) and by inserting after clause (xiii) the following new clause:

"(xiv) section 6050V (relating to returns relating to applicable insurance contracts in which certain exempt organizations hold interests),"

(2) Intentional disregard.-- Section 6721(e)(2) is amended by striking "or" at the end of subparagraph (B), by striking "and" at the end of subparagraph (C) and inserting "or", and by adding at the end the following new subparagraph:

"(D) in the case of a return required to be filed under section 6050V, 10 percent of the value of the benefit of any contract with respect to which information is required to be included on the return, and"

[**1074] (c) Study.--

(1) In general.-- The Secretary of the Treasury shall undertake a study on--

(A) the use by tax exempt organizations of applicable insurance contracts (as defined under section 6050V(d)(2) of the Internal Revenue Code of 1986, as added by subsection (a)) for the purpose of sharing the benefits of the organization's insurable interest in individuals insured under such contracts with investors, and

(B) whether such activities are consistent with the tax exempt status of such organizations.

(2) Report.-- Not later than 30 months after the date of the enactment of this Act, the Secretary of the Treasury

109 P.L. 280, *1211; 120 Stat. 780, **1074;
2006 Enacted H.R. 4; 109 Enacted H.R. 4

shall report on the study conducted under paragraph (1) to the Committee on Finance of the Senate and the Committee on Ways and Means of the House of Representatives.

(d) <26 USC 6050V> Effective Date.--The amendments made by this section shall apply to acquisitions of contracts after the date of enactment of this Act.