1 T.C. 555 (1943)

For a company to be considered a ‘life insurance company’ under federal tax law, more than 50% of its total reserve funds must be true life insurance reserves computed using actuarial principles and required by law.

Summary

General Life Insurance Co. challenged the Commissioner’s determination of tax deficiencies, arguing it qualified as a life insurance company under sections 201-203 of the Revenue Acts of 1936 and 1938 and the Internal Revenue Code. The Tax Court held that General Life was not a life insurance company for tax purposes because its mortuary fund, comprising 60% of its gross income, was not a true life insurance reserve calculated using actuarial principles. The court further determined that premiums received were includable in the company’s gross income, rejecting the argument that these were trust funds.

Facts

General Life Insurance Co., operating under Texas law, issued life insurance policies. The company allocated 60% of its gross income (after membership fees or initial premiums) to a

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