

The percentage determined and proclaimed by the Secretary or his delegate under clause (ii) shall be based on such data with respect to domestic life insurance companies for the preceding taxable year as the Secretary or his delegate considers representative. Such percentage shall be computed on the basis of a ratio the numerator of which is the excess of the assets over the total insurance liabilities, and the denominator of which is the total insurance liabilities,

(B) The surplus held in the United States is the excess of the assets held in the United States over the total insurance liabilities on United States business.

For purposes of this paragraph and subsection **[(c)] (b)**, the term "total insurance liabilities" means the sum of the total reserves (as defined in section 801(c)) plus (to the extent not included in total reserves) the items referred to in paragraphs (3), (4), and (5) of section 810(c).

(3) *REDUCTION OF SECTION 881 TAX.*—In the case of any foreign corporation taxable under this part, there shall be determined—

(A) the amount which would be subject to tax under section 881 if the amount taxable under such section were determined without regard to sections 103 and 894, and

(B) the amount of the reduction provided by paragraph (1).

The tax under section 881 (determined without regard to this paragraph) shall be reduced (but not below zero) by an amount which is the same proportion of such tax as the amount referred to in subparagraph (B) is of the amount referred to in subparagraph (A); but such reduction in tax shall not exceed the increase in tax under this part by reason of the reduction provided by paragraph (1).

[(c)] (b) DISTRIBUTIONS TO SHAREHOLDERS.—

(1) *IN GENERAL.*—In applying sections 802(b) (3) and 815 **[(for purposes of subsection (a))]** with respect to a foreign corporation the amount of the distributions to shareholders shall be determined by multiplying the total amount of the distributions to shareholders (within the meaning of section 815) of the foreign **[(life insurance company)]** corporation by whichever of the following percentages is selected by the taxpayer for the taxable year:

(A) the percentage which the minimum figure for the taxable year (determined under subsection **[(b)] (a) (2)-(A)**) is of the excess of the assets of the company over the total insurance liabilities; or

(B) the percentage which the total insurance liabilities on United States business for the taxable year is of the company's total insurance liabilities.

(2) *DISTRIBUTIONS PURSUANT TO CERTAIN MUTUALIZATIONS.*—In applying section 815(e) **[(for purpose of subsection (a))]** with respect to a foreign corporation—

(A) the paid-in capital and paid-in surplus referred to in section 815(e) (1) (A) of a foreign **[(life insurance company)]** corporation is the portion of such capital and surplus determined by multiplying such capital and surplus by the per-