

Opinion No. 77**Taxation—Corporation License Tax—
Deduction For Reserves**

HELD: 1. An insurance company may not take any deduction for reserves required by law if it is reporting on a separate accounting basis.

2. An insurance company may take a deduction for reserves required by law if it is reporting on an apportionment basis.

June 19, 1956

State Board of Equalization
State Capitol Building
Helena, Montana

Gentlemen:

This will acknowledge your request for an opinion dated January 28, 1956.

You ask for answers to the following questions:

1. May an insurance company take the deduction for reserves required by law set forth in Section 84-1502 (6), R.C.M., 1947, if it is reporting on a separate accounting basis?

2. May an insurance company take the deduction for reserves required by law as set forth in Section 84-1502(6) R.C.M., 1947, if it is reporting on an apportionment basis?

(1) An insurance company may **not** take any deduction for reserves required by law if it is reporting on a separate accounting basis.

The deduction for reserves may only be taken from "gross income received by such corporation within

the year from all sources". If such corporation is reporting on separate accounting basis, it is not reporting "gross income . . . from all sources" and thus it is not entitled to take the reserve deduction.

(2) An insurance company **may** take a deduction for reserves required by law if it is reporting on an apportionment basis.

If it is reporting on an apportionment basis, it is reporting "gross income . . . from all sources" and thus is entitled to the deduction.

Very truly yours,
ARNOLD H. OLSEN,
Attorney General.