

---

# ***Financial Services - Insurance Tax Bulletin***

July 2, 2012

ITB 12-25

## *IRS denies Taxpayer's request to revoke small insurance company election*

In PLR 201225013, the IRS denied a taxpayer's request to revoke an inadvertent election to be treated as a small insurance company, finding the election invalid since the taxpayer was not an insurance company in the year the election was made.

Taxpayer provides home insurance to homeowners. During its first year of operations, Taxpayer's incurred only start-up business expenses, and earned interest income. Upon filing its income tax return, Taxpayer inadvertently made the election to be treated as a small insurance company. However, Taxpayer noted the election the following year and requested a ruling for the election to be revoked.

Based on the facts and the law, the IRS ruled that Taxpayer was not an insurance company in the year it made the election and could not be treated as a small insurance company. As such, the IRS denied Taxpayer's request to revoke the election for the first year of operations because the election was invalid, and did not need to be revoked.

### ***PwC Observation***

Companies electing to be taxed as "small insurance" companies should confirm that they qualify as an insurance company for federal income tax purposes.

***For further information***, please feel free to contact Anthony DiGilio at (703) 918-4812 or contact your local insurance tax professional.

*Please visit us at: <http://www.pwc.com/us/insurance/tax>*

Solicitation.

This document is for general information purposes only, and should not be used as a substitute for consultation with professional advisors.

© 2012 PricewaterhouseCoopers LLP, a Delaware limited liability partnership. All rights reserved. PwC refers to the United States member firm, and may sometimes refer to the PwC network. Each member firm is a separate legal entity. Please see [www.pwc.com/structure](http://www.pwc.com/structure) for further details.