



FINANCIAL SERVICES

- Insurance Tax Bulletin

PRICEWATERHOUSECOOPERS 

IRS Corrects Section 338 Regulations May 10, 2006

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The IRS issued corrections to the final, temporary, and proposed Section 338 regulations which were issued on April 10, 2006. As published, the IRS felt that the regulations contained errors that could prove to be misleading and were in need of clarification.

In the final and temporary regulations, Par. 2. Section 1.388.11T contained a typographical error. The original read, "B equals old target's undiscounted unpaid losses (determined section 846(b)(1) as of the close of the acquisition date." The error was corrected by revising paragraph (d)(3)(ii)(2) to read as follows: "B equals old target's undiscounted unpaid losses (determined under section 846(b)(1) as of the close of the acquisition date."

In the proposed regulations, paragraph instruction for Par. 5. contained a typographical error. The original read, "Par. 5. Section 1.846-2 as amended by adding new paragraph (d) to read is follows." The error was corrected to read "Par. 5. Section 1.846- 2 is amended by adding new paragraph (d) to read as follows."

PwC Observes: While neither error significantly changes the meaning of the regulations, the corrections do add clarity.

For additional information please call Anthony DiGilio at (202) 414-1702 or contact your local insurance tax professional.

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