



# FINANCIAL SERVICES

## - Insurance Tax Bulletin

PRICEWATERHOUSECOOPERS 

### IRS Re-posts Section 807(f) Coordinated Settlement Position February 21, 2008

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In May of 2007, the IRS published a 2001 coordinated issue settlement position guide on examinations of Section 807 adjustments to basis, which explains under what circumstances changes are a "change in basis" or a correction of error. The IRS re-posted the position guide this month adding the following text:

"The Service's position, nevertheless, is not free from litigating hazards. For example, given the substantial discussion that preceded publication of Rev. Rul 94-74, 1994-2 C.B. 157, and the underlying coordinated issue paper, there may be hazards concerning the difference between an actuarial assumption and an error. Furthermore, potential disagreements could arise concerning CARVM and the calculation of tax reserves, possibly giving rise to litigation."

**PwC Observes:** As mentioned in the prior issued Alert, the IRS' position in this paper is not new, and the Service has taken, since the release of Rev. Rul. 94-74, a broad interpretation of what constitutes a change in basis. According to the Service, it is a logical and reasonable statement of what is a change in basis versus correction of error.

For additional information please call Anthony DiGilio at (202) 414-1702 or contact your local insurance tax professional. Please visit us at: <http://www.pwc.com/us/insurance/tax>

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