

Financial Services - Insurance Tax Bulletin

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IRS updates 2011-2012 priority guidance plan

The IRS recently released an updated 2011-2012 Priority Guidance Plan, which includes 14 items of additional guidance that are to be added to the original list of 317 projects that are priorities for the plan year ending June 2012, as well as the more routine guidance published on an annual basis. Through this update, the IRS summarized the periodic updates throughout the plan year and requests comments and suggestions for additional projects. This year's plan addresses a variety of issues, and indicates that implementing health care reform law will be a major priority in the coming year. The plan also features a broad range of projects in the international area, with a strong focus on implementing FATCA.

The following ten insurance specific items were listed by the IRS in the 2011-2012 Priority Guidance Plan, some of which were previously listed in the 2010-2011 Priority Guidance Plan. The only insurance specific item that the IRS revised with this second quarter update was related to salvage discount factors. The insurance specific items are set forth below:

- Final regulations under §72 on the exchange of property for an annuity contract. Proposed regulations were published on October 18, 2006.
- Guidance on annuity contracts with a long-term care insurance feature under §§72 and 7702B. (Published as Notice 2011-68)
- Revenue ruling addressing “prepaid interest” on policyholder loans for purposes of §803. (Published as Revenue Ruling 2011-15)
- Revenue ruling clarifying whether deficiency reserves should be taken into account in computing statutory reserves under §807(d)(6).

- Revenue ruling on the determination of the company's share and policyholders' share of the net investment income of a life insurance company under §812.
- Revenue ruling under §801 addressing the application of Revenue Ruling 2005-40 or Revenue Ruling 92-93 to health insurance arrangements that are sponsored by a single employer.
- Guidance on exchanges under §1035 of annuities for long-term care insurance contracts.
- Regulations under §§4375-4377 to implement the provisions of the ACA to fund the Patient-Centered Outcomes Research Trust Fund.
- Regulations under §7702 defining cash surrender value.
- Revenue procedure providing the domestic asset/liability percentages and the domestic investment yield percentages for taxable years beginning after December 31, 2009, for foreign companies conducting insurance business in the United States. (Published as Revenue Procedure 2011-45)
- Revenue ruling setting forth the prevailing state assumed interest rates provided for calculating reserves under § 807 for contracts issued in 2010 and 2011. (Published as Revenue Ruling 2011-23)
- Revenue procedure providing the loss payment patterns and discount factors for the 2011 accident year to be used for computing unpaid losses under § 846. (Published as Revenue Procedure 2011-53)
- Revenue procedure providing the salvage discount factors for the 2011 accident year to be used for computing discounted estimated salvage recoverable under §832. (Published as Revenue Procedure 2011-54)

The guidance plan also lists a number of non insurance specific provisions which may be of interest to insurance in the areas of employee benefits, executive compensation, financial products, international tax, transfer pricing, amongst others. One such issue is § 162(m), which is listed under Employee Benefits; section B, item 10. Moreover, another issue is guidance on the annual fee on health insurance providers under § 9010, which is listed under Excise Tax, item 9. As such, taxpayers should review the entire document for other provisions of that may be of interest.

PwC Observation

There is never a guarantee that the IRS and Treasury will accomplish all the tasks on the plan during the course of a given year. Although a few of the items listed have already been accomplished, we will have to wait and see how many additional items are actually completed by the end of the 2011-2012 plan year.

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

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