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## Welcome to *Insurance Tax Quarterly*



### Featured Report

#### Global tax risks bring increased challenges

In response to today's complex, global tax developments and to better understand a company's global tax position, the Organization for Economic Cooperation and Development (OECD) undertook a major study on Base Erosion and Profit Shifting (BEPS) designed to give taxing authorities the tools to combat inappropriate tax planning strategies and increase the transparency of groups' global tax affairs.



### Trending

## [Economic considerations of Trump's tax proposals](#)

A report—U.S. Economic Update—examines the cyclical and structural backdrop that could affect the efficacy of Donald Trump's plans as he enters the presidency.

Tax Reform | A KPMG report—[Economic considerations of Trump's tax proposals](#)—examines the cyclical and structural backdrop that could affect the efficacy of Donald Trump's plans as he enters the presidency. The discussion includes a look at Trump's tax policies including proposals for lower individual (personal) and corporate taxes, and considers two offsets to pay for the tax cuts.

Tax Reform | Presented in easy to compare table format, we present the positions between the Camp proposal, the House blueprint and President-elect Trump's campaign proposal on a list of tax issues, including individual tax, business tax, international tax, life insurance companies, P&C insurance companies, and more. Read [here](#).

State Tax | The Arizona Department of Revenue recently released a ruling addressing whether two companies were considered "insurance companies" so that they were exempt from paying Arizona corporate income tax. Read/Listen to podcast [here](#).



## News and Points of View

### [Adjustments to life insurance reserves determined as change in basis](#)

An IRS field attorney advice memorandum concludes that an increase in a life insurance company's tax reserves for an annuity rider due to a change in the statutory reserve, which eliminated the effect of the statutory cap, is a change in basis in computing reserves subject to section 807(f).

### [Insurance company is owner of trust fund and underlying assets](#)

The IRS issued a private letter ruling\* concluding that a life insurance company, not the variable contract holder, is the owner of a state business trust fund and its underlying assets because the contract holder doesn't have any control over the fund's investments. Click to read for clarification on this ruling and our perspective.

### [Notice 2016-66: "Micro-captive insurance" identified as "transaction of interest"](#)

The IRS recently released an advance version of Notice 2016-66 that identifies a type of transaction involving a "micro-captive insurance" structure as a "transaction of interest" (i.e., a tax avoidance transaction) for purposes of Reg. section 1.6011-4(b)(6) and sections 6111 and 6112. We provide the history and our point of view on this Notice.

### [R.V.I. Guaranty Co. and the Concept of "Fortuity"](#)

This article takes a look back at the landmark Tax Court decision in *R.V.I. Guaranty Co.* not to adopt the RS's consistently asserted position of the elements of "fortuity." KPMG's **Sheryl Flum**, **Jean Baxley** and **Drake Jenkins** provide an overview of the

case's background and discuss two arguments the government has previously employed when analyzing whether an arrangement entails fortuity.

#### [Foreign Insurer: To Elect or Not to Elect \(That is a Question\)](#)

Section 953(d) allows some foreign insurance companies to elect to be treated as a domestic corporation for U.S. tax purposes. In this article, KPMG's **Sheryl Flum**, **Jean Baxley** and **Liz Petrie** provide clarification on this election, why insurers would elect section 953(d), how this election is made and more.

#### [IRS Chief Counsel Advice: Treatment of reimbursements on high deductible policies under section 832](#)

The IRS publicly released a Chief Counsel Advice (CCA) memorandum that concludes that the uncollectible portion of a deductible layer reimbursement under a high deductible insurance policy is not a loss under section 832(b)(5), but may be a section 166 bad debt deductible under section 832(c)(10). This article provides the background on this CCA and clarification on the two issues that are addressed in the memorandum.

#### [Insurance: PLR allows use of foreign statement reserves](#)

The IRS recently released a private letter ruling concluding that the foreign statement reserves maintained by a wholly owned insurance company (CFC A) established under the laws of another country with respect to its exempt annuity contracts are an appropriate means of measuring income within the meaning of section 954(i)(4)(B)(ii). This article provides a background on this ruling as well as our point of view.

#### [Section 1060 insurance acquisition—deductibility of ceding commissions](#)

The IRS publicly released a Chief Counsel Advice (CCA) memorandum that addresses a life reinsurance business acquisition, whereby a subsidiary entered into a retrocession agreement with a seller when it acquired the seller's life reinsurance business. This article provides a background on this memorandum, insight into the statutory provisions and our thoughts of this CCA.

#### [Notice 2016-63: Updated transition guidance on use of mortality tables \(life insurance\)](#)

The IRS released an advance version of Notice 2016-63 that provides updated transition guidance for the 2017 Commissioners' Standard Ordinary (CSO) mortality and morbidity tables interpreting the reasonable mortality charge requirement of section 7702(c)(3)(B)(i) and providing safe harbor rules. We provide you in-depth clarification and observations on this Notice.

#### [Section 385 final regulations: Initial reaction to insurance – specific provisions](#)

The Treasury Department and IRS recently released final and temporary section 385 regulations ("Final 385 Regulations") addressing the treatment of related party debt for U.S. tax purposes. This report contains a high-level summary of the insurance tax aspects of the Final 385 Regulations based upon an initial review of the new rules.



[On-Demand Webcast | Section 385 Regulations – Implications for Insurance Companies](#)

This one hour Webcast will look at the impact of the Section 385 regulations on insurance companies. Professionals from KPMG's Business Tax Services and Washington National Tax will address:

We hope you found our inaugural issue informative. If you have any feedback for the next issue, please e-mail [cdegobbi@kpmg.com](mailto:cdegobbi@kpmg.com).

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