

January 2017

Notice 2016-66 Extension

As we advised in November, the IRS issued Notice 2016-66 which identifies the micro captive insurance strategy as a “transaction of interest.” As a result of this Notice, there is a variety of information that is required to be submitted to the IRS relative to the captive insurance transaction. In accordance with Treasury Regulations, the Notice dictated that the designated information was due to the IRS by January 30, 2017 (90 days after the identification as a “transaction of interest”). ERS has been working with all of our captive owners to collect the necessary information to comply with the notice.

Many of us in the industry felt that the window of time for the delivery of the information was unreasonably narrow, particularly given the fact that the information was being requested at year-end when most businesses are inundated with a variety of other demands and information reporting for the IRS.

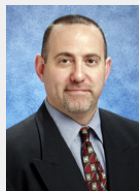
After requests from members of the Senate Finance Committee and discussions with The Self Insurance Institute of America, the IRS extended the reporting deadline from January 30, 2017 to May 1, 2017. While we were well prepared to meet the original deadline, we welcome this extension of time.

The intention of the Notice was to identify criterion to determine which captive insurance transactions were improperly entered into solely for tax avoidance purposes. ERS fully supports the position that captive insurance companies are first and foremost a risk management tool and we do not form captive insurance companies as tax avoidance schemes.

We look forward to working with you to complete this disclosure exercise and continuing to assist you in addressing your organizations’ risk management functions.

We sincerely appreciate your trust in us as your service providers.

About the author



Alan J. Fine,
CPA, JD, Member - Insurance Advisory Services
314-983-1292 Direct

Brown Smith Wallace LLC
314-983-1200 Main

For more information visit: www.bswllc.com

Alan is a Member in Brown Smith Wallace's Insurance Advisory Services group, where he specializes in the taxation of insurance companies. Alan has 22 years of tax experience, working closely with insurance companies for 20 years. Prior to joining Brown Smith Wallace, Alan was a senior manager with a national accounting firm.

Circular 230 disclosure: To ensure compliance with requirements imposed by the U.S. Internal Revenue Service, we inform you that any U.S. federal tax advice contained in this document is not intended or written to be used, and cannot be used, for the purpose of (a) avoiding penalties under the U.S. Internal Revenue Code or (b) promoting, marketing or recommending to another party any transaction or matter addressed herein.

The views and statements expressed in this document are for general information only. ERS, LLC is not, by means of this publication, rendering accounting, business, financial, investment, legal, tax, or other professional advice or services. This document provides general information about certain legal and accounting issues and should not be regarded as rendering legal or accounting advice to any person or entity. As such, the information is not privileged and does not create a client relationship with the companies, or any of its employees. This document does not constitute an offer to represent you, and you should not act, or refrain from acting, based upon any information so provided. In addition, the information contained in this document is not specific to any particular case or situation and may not reflect the most current developments.