

Industry Update

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.

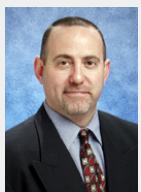
After requests from members of the Senate Finance Committee and discussions with The Self Insurance Institute of America, the IRS extended the reporting deadline from January 30, 2017 to May 1, 2017. While we were well prepared to meet the original deadline, we welcome this extension of time.

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.

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