



IRS Issues Final Regulations on Reporting Requirement for Employer-Owned Life Insurance

The IRS has issued final regulations on the reporting requirement for certain employers that own life insurance contracts on their employees. The requirement applies to contracts issued after August 17, 2006 and the regulations are applicable for tax years ending after November 6, 2008.

Background

The Pension Protection Act of 2006 (PPA) revised the taxation of employer-owned life insurance contracts, defined as those that cover an employee on the date the contract is issued, and under which the employer is the owner and beneficiary. In general, only the premiums paid will be tax-free upon the insured's death. However, if the employer notifies and obtains consent of the individual to be insured, the revised taxation will not apply with respect to certain highly compensated and other employees, or when the death proceeds are paid to a family member or trust or are used to purchase an equity interest in the employer.

PPA also instituted a new reporting requirement under Internal Revenue Code Section 6039I for employers owning contracts issued after August 17, 2006. The IRS has now issued final regulations on this reporting requirement.

Final Regulations

The [final regulations](#) are substantially similar to temporary regulations issued last year. With regard to the information required to be reported, they basically reiterate the information outlined in the law. Thus, for each year contracts on employees are owned, employers must report –

- the number of employees at the end of the year
- the number of employees insured at the end of the year
- the total amount of insurance in force at the end of the year
- the employer's name, address and taxpayer identification number
- the employer has a valid consent for all insured employees or, if not, the number for whom no consent was obtained.

The regulations require this information to be provided on [Form 8925](#), "Report of Employer-Owned Life Insurance Contracts," which is to be attached to the employer's tax return by its due date.

The regulations are applicable for tax years ending after November 6, 2008.

Conclusion

These regulations do not provide any new information, but serve as a reminder to affected employers of this reporting requirement.

This FYI is intended to provide general information. It does not offer legal advice or purport to treat all the issues surrounding any one topic.