

MEDIA ADVISORY: Deadline for Small Captive Insurance Company Filing is January 30, 2017

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Caplin & Drysdale, Chartered

For inquiries, please contact:

Charles M. Ruchelman at cruchelman@capdale.com

Urgent Action:

Deadline for Small Captive Insurance Company Filing is January 30, 2017

Caplin & Drysdale's Tax Controversies Group

Advises Urgent Action on Small Captive Insurance Transaction Reporting Requirements

On November 1, 2016, the Treasury Department and the IRS, via Notice 2016-66 (2017-47 IRB _), classified certain captive insurance transactions, electing treatment under section 831(b) of the Internal Revenue Code, as "transactions of interest." The IRS believes these transactions have a "potential for tax avoidance or evasion," and are implementing significant reporting responsibilities on businesses, captives, owners, and managers, with considerable penalties for non-compliance. **The deadline for filing is January 30, 2017.**

Taxpayers who have established a captive insurance company, and elected to be taxed pursuant to section 831 (b) of the Code, must immediately determine whether they have a reporting obligation with respect to their participation via Form 8886 Reportable Transaction Disclosure Statement with the Office of Tax Shelter Analysis, and with future income tax returns.

Failure to timely report transactions as required will be subject to potential section 6707A penalties, as well as possible accuracy related penalties under sections 6662 or 6662A, which could be significant.

Managers, CPAs, actuaries, and other advisors who have formed or assisted with these captive insurance companies also must determine immediately whether they need to report their assistance via Form 8918 Material Advisor Disclosure Statement and to preserve all documents related to the transaction. Failure to timely report as a material advisor as required will be subject to potential section 6707 penalties.

For inquiries, please contact **Charles M. Ruchelman** (cruchelman@capdale.com)

Attorneys

Charles M. Ruchelman

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