

Happy New Year!

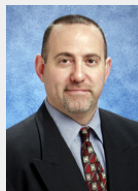
As we mentioned last month, there were proposed changes to section 831(b) which were part of the omnibus bill extending a wide variety of tax provisions. We are pleased to let you know that the Senate approved, and President Obama signed the legislation into law prior to the Holiday break.

The changes to the law go into effect for years beginning after December 31, 2016. The most significant aspect of the law is the increased premium limitation from \$1,200,000 to \$2,200,000 per year, with the cap being indexed for inflation going forward.

The law also implements alternate criteria for companies seeking to qualify for the 831(b) election – meaning that companies must qualify under at least one of the tests. The first test addresses ownership of the entity compared to the ownership of the insureds, and allows for only a de minimis difference between them. The other test focuses on concentration of risk insured by the entity.

Given the complex wording of the law, over the course of the next few months we will be evaluating the specific impact, if any, to each of our clients and providing recommendations for meeting the qualifications where necessary. We are very excited about these changes, the continued Congressional commitment to our industry, and most importantly the additional opportunities it provides to our clients.

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 18 years of tax experience, working closely with insurance companies for 16 years. Prior to joining Brown Smith Wallace, Alan was a senior manager with a national accounting firm.

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