

Tax Insights | April 20, 2023
Tracking Tax News,
You Need to Know



IRS Proposes Disclosure Rules on Micro-captive Transactions

The IRS and the Treasury Department proposed <u>regulations</u> on the disclosure of micro-captive insurance transactions. The proposed regulations are in response to court rulings, which held that the IRS had not issued proper notice before trying to establish rules governing micro-captives. Micro-captive transactions involve small insurers owned by the businesses they insure. The proposed rules would clarify what types of transactions should be considered as listed transactions or transactions of interest, which must be reported to the IRS.

Insurance Industry Group Recommends General Rule for Book Minimum Tax

The American Council of Life Insurers submitted a comment <u>letter</u> asking the IRS to adopt a general rule to treat unrealized gains and losses on variable insurance contracts for purposes of the corporate alternative minimum tax. Under the IRS's notice, a change in the value of variable contracts will be disregarded for purposes of determining adjusted financial statement income. A variable contract is what a customer pays into an investment account, and beneficiaries receive payments based on the value of the investment. The industry group argued that applying a general rule would provide more flexibility for newly developed life insurance or annuity products.

Circuit Court Approves Tax Court's Refusal to Redetermine Interest Payment

The Eleventh Circuit Court <u>held</u> that the U.S. Tax Court correctly ruled that it lacked jurisdiction to redetermine the amount of interest sought by a taxpayer on the excess payment of funds toward their tax bill because it was not an overpayment. The taxpayer sent the IRS a \$10 million payment as a deposit toward a gift tax liability, and the IRS refunded a balance of \$3.4 million. The taxpayer later petitioned the Tax Court, arguing that the IRS owed him \$1.2 million in interest for the overpayment. The IRS insisted that the Tax Court lacked the jurisdiction to redetermine the amount of interest.



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