

Tax Insights | January 10, 2024
**Tracking Tax News
You Need to Know**



Tax Court Rules Microcaptive Arrangement Not Insurance for Tax Purposes

The U.S. Tax Court [issued an opinion](#) January 4 that denied the deduction of expenses paid in a microcaptive insurance arrangement. In *Keating v. Commissioner*, the court found that the arrangement was not considered insurance for tax purposes as the entities did not operate as bona fide insurance companies. Additionally, distributions received by taxpayers from the microcaptive company were not considered qualified dividends because the company was not an insurance company and its election to be treated as a corporation was invalid.

IRS Grants Extension to Elect Disregarded Entity Treatment

The Internal Revenue Service [published a private letter ruling](#) granting a taxpayer an extension to file Form 8832, which allows taxpayers to elect to be classified as a disregarded entity (DRE) for federal tax purposes. The private letter ruling was previously issued October 5. An eligible entity with a single owner can elect to be classified as a DRE. In this matter, the taxpayer was otherwise eligible to make the election but inadvertently failed to make that election in a timely manner.

Pennsylvania Revises Common Level Ratios for Realty Transfer Taxes

The Pennsylvania Department of Revenue [revised common level ratio \(CLR\) real estate valuation factors](#) to calculate realty transfer tax January 1. The CLR factors apply to filings from July 1, 2023, through June 30, 2024, and the department adjusted the factors to reflect county-level assessment base changes.



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