

## **IRS Issues New Form 8925 For Corporate Owned Life Insurance Contracts Subject to 101 (j)**

As a complement to the Notice and Consent requirements of 101(j), Congress enacted a reporting requirement in section 6039I which is applicable to employer-owned life insurance contracts.

The IRS has issued the reporting form that policyholders should complete and attach to their Form 1120 (or other tax form) on which they will be reporting their income taxes. Although the statute applies to life insurance contracts issued after August 17, 2006 (subject to some limitations), Form 8925 does not require any reporting for any tax year ending before November 14, 2007.

A sample of the Form 8925 has been attached and can be found on the Internal Revenue Services website by typing the hyperlink below in your Internet browser:

<http://www.irs.gov/pub/irs-pdf/f8925.pdf>

Neither West Coast Life Insurance Company nor its representatives offer legal or tax advice. Please consult your legal or tax advisor for more information regarding this issue and the possible applicability to your clients.

# Report of Employer-Owned Life Insurance Contracts

OMB No. 1545-2089

▶ Attach to the policyholder's tax return—See instructions.

Attachment  
Sequence No. **160**

Name(s) shown on return	Identifying number
Name of policyholder, if different from above	Identifying number, if different from above

Type of business	
<b>1</b> Enter the number of employees the policyholder had at the end of the tax year . . . . .	<b>1</b>
<b>2</b> Enter the number of employees included on line 1 who were insured at the end of the tax year under the policyholder's employer-owned life insurance contract(s) issued after August 17, 2006. See <i>Section 1035 exchanges</i> below for an exception . . . . .	<b>2</b>
<b>3</b> Enter the total amount of employer-owned life insurance in force at the end of the tax year for employees who were insured under the contract(s) specified on line 2 . . . . .	<b>3</b>
<b>4a</b> Does the policyholder have a valid consent (see instructions) for each employee included on line 2? . . . . . <input type="checkbox"/> Yes <input type="checkbox"/> No	
<b>b</b> If "No," enter the number of employees included on line 2 for whom the policyholder does not have a valid consent . . . . .	<b>4b</b>

## General Instructions

Section references are to the Internal Revenue Code unless otherwise noted.

### Purpose of Form

Use Form 8925 to report the number of employees covered by employer-owned life insurance contracts issued after August 17, 2006, and the total amount of employer-owned life insurance in force on those employees at the end of the tax year. Policyholders must also indicate whether a valid consent has been received from each covered employee, and the number of covered employees for which a valid consent has not been received. See section 6039I for more information.

### Definitions

**Employer-owned life insurance contract.** For purposes of Form 8925, an insurance contract is an employer-owned life insurance contract if it is owned by a policyholder as defined below, and covers the life of the policyholder's employee(s) on the date the life insurance contract is issued. If you have master contracts, see section 101(j)(3) for additional information.

**Policyholder.** Generally, a policyholder is a person who is (a) engaged in a trade or business that employs the person insured under the employer-owned life insurance contract and (b) the direct or indirect beneficiary of the employer-owned life insurance contract.

**Related person.** A related person is considered a policyholder if that person is (a) related to the policyholder (defined earlier) under sections 267(b) or 707(b)(1), or (b) engaged in a trade or business under common control with the policyholder. See sections 52(a) and (b).

**Employee.** Employee includes an officer, director, or highly compensated employee under section 414(q).

**Insured.** An individual must be a U.S. citizen or resident to be considered insured under an employer-owned life insurance contract. Both individuals covered by a contract covering the joint lives of two individuals are considered insured.

**Notice and consent requirements.** To qualify as an employer-owned life insurance contract, the policyholder must meet the notice and consent requirements listed below before the issuance of the contract.

- 1.** Provide written notification to the employee stating the policyholder intends to insure the employee's life and the maximum face amount for which the employee could be insured at the time the contract was issued.
- 2.** Provide written notification to the employee that the policyholder will be a beneficiary of any proceeds payable upon the death of the employee.
- 3.** Receive written consent from the employee. See *Valid consent* under the instructions for line 4a.

### Who Must File

Generally, every policyholder owning one or more employer-owned life

insurance contracts issued after August 17, 2006, must file Form 8925 for each tax year the contract(s) is owned. However, you are not required to file Form 8925 for any tax year ending before November 14, 2007.

### Section 1035 exchanges.

Policyholders are not required to complete Form 8925 for a life insurance contract issued after August 17, 2006, as part of a section 1035 exchange for a contract issued before August 18, 2006.

However, any material increase in the death benefit or other material change to the contract will cause it to be treated as a new contract and the policyholder is required to file Form 8925. For master contracts under section 264(f)(4)(E), the addition of covered lives is treated as a new contract only for the additional covered lives.

See sections 1035 and 264(f)(4)(E) for more information.

### How To File

Attach Form 8925 to the policyholder's income tax return for each tax year ending after November 13, 2007, during which the policyholder has employer-owned life insurance contract(s) in force.

### Recordkeeping

You must keep adequate records to support the information reported on Form 8925.

## Specific Instructions

### Name of Policyholder

Enter the name of the policyholder (defined earlier).

**Identifying Number**

The identifying number of an individual is a social security number. For all other taxpayers, it is an employer identification number.

**Type of Business**

Enter the policyholder's trade or business activity.

**Line 4a**

**Valid consent.** Before the issuance of the employer-owned life insurance contract, the employee must provide written consent (a) to be insured under the contract and (b) that coverage may continue after the insured terminates employment.

**Paperwork Reduction Act Notice**

We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated burden for individual taxpayers filing this form is approved under OMB control number 1545-0074 and is included in the estimates shown in the instructions for their individual income tax return. The estimated burden for all other taxpayers who file this form is shown below.

**Recordkeeping** . . . 2 hrs., 23 min.

**Learning about the law or the form** . . . . . 1 hr., 00 min.

**Preparing the form** . . . 1 hr., 4 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. See the instructions for the tax return with which this form is filed.