

TAX CUTS AND JOBS ACT OF 2017:

IRC 6050Y INFORMATION REPORTING REQUIREMENTS FOR REPORTABLE POLICY SALES

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IRC Section 6050Yⁱ was added by the Tax Cuts and Jobs Act and requires that certain information be reported (a) when a reportable policy sale (RPS) occurs, (b) when death benefits are paid from a policy that was a RPS, and (c) when there is a transfer of a policy to a foreign person. Items (b) and (c) apply to life insurance carriers (referred to as “Issuers”), while item (a) applies to any direct or indirect acquirer of a policy that was a RPS.

The new reporting requirements apply only to a RPS or to a death benefit payable from a policy that was a RPS that occurs after 12/31/2018.

Information reporting requirements will be satisfied by utilizing three IRS forms, namely, 1099-LSⁱⁱ, 1099-SBⁱⁱⁱ, and 1099-R^{iv}. Furthermore, additional written statements will be required in certain circumstances.

Please note that the required information listed below is based on the IRS drafts of the 1099 forms as of this writing and could be subject to modification. Please check for the publication of final forms before filing.

Form 1099-LS

- To be filed by Acquirer (any person or entity that acquires a life insurance policy or any interest in a life insurance policy involving a RPS)
- Copy A to IRS
- Copy B to each payment recipient (could include broker/agent that receives part of payment)
- Copy C to Issuer
- Additionally, each payment recipient and each Issuer to receive a written statement with name, address, and telephone number of a person who can provide information about the filing

Required Information

- Acquirer’s name, address, TIN, telephone number and an information contact
- Each payment recipient’s name, address, TIN, telephone number
- Policy number
- Amount paid to payment recipient(s)
- Date of sale
- Issuer’s name

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Report Timing

- **To IRS** - On or before 2/28 (3/31 if filed electronically) of the year following the calendar year in which the RPS occurred
- **To payment recipient(s)** - On or before 2/15 of the year following the calendar year in which the RPS occurred
- **To Issuers** - Later of 20 calendar days after the RPS or 5 calendar days after the “applicable state law rescission period.” If the “later date” is after 1/15 of the year following the calendar year in which the RPS occurred, then file by the 1/15 date.
- **Transition Rule for Reporting** - for a RPS occurring after 12/31/2018 and on or before 10/31/2019, report by the later of above or 2/28/2020

Form 1099-SB

- To be filed by Issuer who (a) receives a statement from an Acquirer in a RPS (such as a copy of a 1099-LS) or (b) receives a notice of a transfer of any policy to a foreign person
- Copy A to IRS
- Copy B to each seller
- Additionally, each payment recipient and each Issuer to receive a written statement with name, address, and telephone number of a person who can provide information about the filing
- There are certain exceptions to filing requirements - including none required in a 1035 exchange

Required Information

- Issuer’s name, address, TIN, telephone number, and an information contact
- Each seller’s name, address, TIN
- Policy number
- Estimate of the seller’s “investment in the contract”
- Surrender amount (i.e., amount seller would have received if surrendered in lieu of sale)

Report Timing

- **To IRS** - On or before 2/28 (3/31 if filed electronically) of the year following the calendar year in which the RPS occurred
- **To seller(s)** - On or before 2/15 of the year following the calendar year in which the RPS occurred

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Form 1099-R

- To be filed by Issuer upon paying a death benefit from a policy that was a RPS (called a reportable death benefit)
- Additionally, each payment recipient to receive a written statement with the below information and the name, address, and telephone number of a person who can provide information about the filing

Required Information

- Issuer's name, address, TIN, and an information contact
- Payment recipient's name, address, TIN
- Date of payment
- Gross amount of the reportable death benefit
- Estimate of the buyer's "investment in the contract"

Report Timing

- **To payment recipient(s)** - On or before 12/31 of the year following the calendar year in which the RPS occurred
- **Transition Rule for Reporting** - for a reportable policy death benefit occurring after 12/31/2018 and on or before 10/31/2019, report by the later of above or 2/28/2020

ⁱ See <https://www.govinfo.gov/content/pkg/FR-2019-10-31/pdf/2019-23559.pdf>

ⁱⁱ See <https://www.irs.gov/forms-pubs/about-form-1099-ls>

ⁱⁱⁱ See <https://www.irs.gov/forms-pubs/about-form-1099-sb>

^{iv} See <https://www.irs.gov/pub/irs-pdf/f1099r.pdf> and <https://www.irs.gov/pub/irs-pdf/i1099r.pdf>

^v "Investment in the contract" means the aggregate amount of premiums or other consideration paid for the contract, less the aggregate amount received under the contract, to the extent that such amount was excludable from gross income.