
EMPLOYER: Sample Client

PLAN: Executive Deferred Compensation Plan

REPORT: Returns and Records with Respect to Employer-Owned Insurance Contracts

FOR THE PERIOD ENDING: 12/31/2024

IMPORTANT

The COLI Best Practices Act was signed into law on August 17, 2006. It was designed to codify the life insurance industry's "best practices" regarding uses of employer-owned life insurance and amends the Internal Revenue Code of 1986 to exclude from gross income the proceeds from certain employer-owned life insurance policies. The Act amended Section 101 by adding subsection (j), "Treatment of Certain Employer-Owned Life Insurance Contracts," and added Section 6039I, "Returns and Records With Respect to Employer-Owned Life Insurance Contracts." The IRS has created new forms to be included with employer tax returns. Regulations require that the policy owner file an annual return using Form 8925: "Report of Employer-Owned Life Insurance Contracts." Form 8925 can be accessed in the forms section on the IRS website.

Form 8925 contains the following instruction to employers: **"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.*"

<p>IF THE REQUIREMENTS OF IRC §101(j) ARE NOT MET, THEN THE LIFE INSURANCE PROCEEDS RECEIVED BY THE EMPLOYER WILL BE SUBJECT TO INCOME TAX TO THE EXTENT THAT THE PROCEEDS EXCEED THE EMPLOYER'S COST BASIS IN THE POLICY</p>
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The following reports are intended to assist you in compiling data on policies administered by The Pangburn Group. This data needs to be combined with similar data on all policies you own on the lives of employees. The following reports identify policies that we recordkeep in three categories:

Section I - Policies issued after 08/17/2006 and presumably subject to reporting on Form 8925

Section II - Policies issued prior to 08/17/2006, exchanged after that date, and possibly subject to reporting if materially modified*

Section III - Policies issued on or before August 17,2006 which should not be subject to IRC section 101(j) reporting, if not materially modified*

(If our records do not include 1 or more policies in a given Section, that Section will be intentionally omitted.)

IT IS YOUR EXCLUSIVE RESPONSIBILITY TO OBTAIN VALID CONSENT FROM APPLICABLE EMPLOYEES AND TO TIMELY AND ACCURATELY FILE FORM 8925. YOU ARE URGED TO CONSULT YOUR TAX AND ACCOUNTING PROFESSIONALS FOR THE MOST CURRENT REPORTING REQUIREMENTS.

***Materially Modified** - within the meaning of section 863(d) of Pension Protection Act of 2006 (P.L. 109-280). For more information on material modification, see Q&A-14 in Notice 2009-48.

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SECTION I

Policies Issued after 08/17/2006

	<u>Insured</u>	<u>Carrier</u>	<u>Policy Number</u>	<u>Issue / Exchange Date</u>	<u>Total Amount Of Insurance In Force*</u>
1.	Doe, Chris	ABC Life	852963741	01/01/2009	916,659
2.	Jones, Bob	ABC Life	741852963	01/01/2007	2,154,791
				Total:	3,071,450
TOTAL Death Benefit Amounts under Sections I & II:					3,071,450

*The policies listed in all three sections of this report include all the policies administered by The Pangburn Group irrespective of the insured's employment status at the end of the tax year. Please refer to the General Instructions attached to IRS Tax Form 8925.

COLI Best Practices Summary

Under Section 101(j), in the case of an employer-owned life insurance contract, the amount of death benefit an employer is allowed to exclude from gross income is equal to the sum of the premiums and other amounts paid for the contract unless the following requirements are met:

1. Before a policy is issued, the employee must:

- a) be notified in writing that the employer 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.
- b) provide written consent to be insured under the contract during and after active employment.
- c) be informed in writing that the employer will be the beneficiary of any death benefits.

2. Any one of the following must apply:

- a) The insured was an employee at any time during the 12-month period before the insured's death.
- b) At the time of issuance, the insured was:
 - i) a director.
 - ii) a highly compensated employee.*
 - iii) a highly compensated individual.**
- c) Death benefits are paid to:
 - i) a family member of the insured.
 - ii) a designated non-employer beneficiary of the insured under the contract.
 - iii) a trust established for a family member or other named beneficiary.
 - iv) the estate of the insured.
- d) Death benefits are used to purchase an equity (or partnership capital or profits) interest in the applicable policyholder from such a family member, beneficiary, trust, or estate.

Under Section 6039I, every applicable policyholder owning one or more employer-owned life insurance contracts, issued after the date of the enactment of this section, must file a return (at such time and in such manner as the Secretary shall by regulations prescribe) showing, for each year such contracts that are owned, the following:

1. the number of employees of the applicable policyholder at the end of the year.
2. the number of such employees insured under such contracts.
3. the total amount of insurance in force at the end of the year under such contracts.
4. the name, address, and taxpayer identification number of the applicable policyholder, and the type of business in which the policyholder is engaged.
5. that the applicable policyholder has a valid consent for each insured employee (or, if all such consents are not obtained, the number of insured employees for whom such consent was not obtained).

DEFINITIONS:

Employees - The term "employee" includes an officer, director, and highly compensated employee (within the meaning of section 414(q) (without regard to paragraph (1)(B)(ii) thereof) of the Internal Revenue Code).

Insured - The term "insured" means, with respect to an employer-owned life insurance contract, an individual covered by the contract who is a United States citizen or resident. In the case of a contract covering the joint lives of two individuals, references to an insured include both of the individuals.

***Highly Compensated Employee** - within the meaning of section 414(q) (without regard to paragraph (1)(B)(ii) thereof) of the Internal Revenue Code.

****Highly Compensated Individual** - within the meaning of section 105(h)(5) of the Internal Revenue Code, except that "35 percent" shall be substituted for "25 percent" in subparagraph (C) .