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### **Tax Extender Bill Introduced**

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The Joint Committee on Taxation released a 175-page, year-end catchall tax bill late Monday evening, which could pass the House this week. The bill includes provisions affecting the captive insurance industry, particularly captives making 831(b) elections for tax years beginning 2017.

The tax extender bill would increase the annual premium limitation for captives making 831(b) elections from \$1.2m to \$2.2m and also would provide additional restrictions which must be satisfied in order for a captive to make an 831(b) tax election. Under the terms of the proposed bill, captives will be required to satisfy 1 of 2 tests in order to make an 831(b) election:

1. Risk Cap – not more than 20% risk to any insured/policy-owner
2. Or, if you fail #1 above, introduction of an Alternative Diversification. Provision test; which essentially requires ownership in the captive to mirror ownership in the insured enterprise

Compliance with these new requirements may prove to be difficult for many captive managers. Based on a review of the tax extender bill requirements, captive insurance structures utilized by Oxford Risk Management Group will enable our clients to continue to accomplish their risk management goals via captives making an 831(b) election. If you have any additional questions, please contact your Oxford representative to arrange a call to discuss further.

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