

CLIENT UPDATE

To: All Mesirow Financial Compensation Strategies Clients
From: Jennifer M. Fabri
Date: 11/14/2007
Re: IRS issues regulations on COLI reporting

The Internal Revenue Service has issued proposed and temporary regulations under Revenue Code §6039I, which requires employers who maintain COLI contracts subject to 101(j) to file annually a report with the IRS. The temporary regulations are applicable for tax years ending after November 13, 2007. Employers will likely have to file IRS form 8925 to report COLI contracts (purchased on or after August 17, 2006) beginning with their 2007 tax year.

Currently IRS form 8925 has only been released in draft form; the final form is targeted for release on January 7, 2008. As of yet, it is unknown whether the form will serve as an attachment to the employer's tax return or as a stand alone form to be filed separately.

The information required under Code §6039I for policies issues after the enactment of the Pension Protection Act, August 17, 2006, includes:

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

Mesirow Financial Compensation Strategies is working with the various insurance carriers with whom our clients have relationships to ensure that the data necessary for the above reporting will be provided in a timely and accurate manner. For additional information, please reference the attached Washington Report, issued by our industry lobbyist, AALU. We will continue to keep you informed as we learn more about this topic.

This memo is not intended as a definitive statement regarding the law, but rather to alert our clients regarding our understanding of its impact on nonqualified deferred compensation and Corporate Owned Life Insurance. Mesirow Financial Compensation Strategies does not engage in the practice of law or accounting. Anything contained herein dealing with legal, tax or accounting matters should be discussed with your legal,

tax, payroll administrators, and accounting advisors.

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