



## CLIENT UPDATE

**To:** All Mesirow Financial Compensation Strategies Clients  
**From:** Jennifer M. Fabri  
**Date:** 1/18/2008  
**Re:** IRS Issues COLI Reporting Form 8925

The Internal Revenue Service recently released the new reporting form (Form 8925) that is required to be filed by policyholders that own Corporate Owned Life Insurance (COLI).

Form 8925 (see attached) is part of the reporting requirements established under Section 101(j) of the Revenue Code, which requires that COLI must satisfy certain statutory requirements in order to maintain its tax-favored status. In general, these requirements are as follows:

- The insured must be notified in writing before the policy is issued, of the policyholder's intention to insure their life and the maximum face value/ death benefit for which they will be insured,
- the proposed insured must sign a consent to being insured and
- the insured must be notified in writing that the policyholder will be the beneficiary of any death proceeds.

These requirements are in effect for all COLI policies issued on or after August 17, 2006, subject to certain conditions and limitations. Even though the statute was effective for policies issued August 17, 2006 or later, Form 8925 does not require any reporting for tax years ending before November 14<sup>th</sup>, 2007. This form is to be completed and attached to Form 1120 (or other tax form if applicable). The following information is required to complete the form:

1. The number of employees the policyholder had at the end of the tax reporting period (December 31, 2007 for calendar-year employers).
2. The number of employees for whom COLI contracts were issued August 17<sup>th</sup> or later (covered employees).
3. The total amount of insurance in-force on the covered employees.
4. Confirmation that a valid consent was obtained from each of the covered employees (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. 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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