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From the Chair
Forward to 2017!

By Don Walker

As tax actuaries, looking back at the history of life insurance taxation in the United States, we can identify a number of calendar years that are engraved on our consciousness as watershed events. If your area of interest is product taxation, as mine has been, you probably have had recurring dreams (or nightmares) about 1982, 1984, and 1988. If your interest is more attuned to company tax, you put more emphasis on years that have seen major changes to the Internal Revenue Code. Recent years have been relatively quiet from our collective point of view, perhaps because of larger issues elsewhere (the Great Recession, health care) or because of divided government. But here we are in 2017, with a new administration and a possibly united government. Things may happen. Could this be a watershed year?

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As your Taxation Section Council met in Las Vegas at the 2016 SOA Annual Meeting & Exhibit, our focus was on what we knew then—Principle-Based Reserving (PBR) would take effect in 2017 and there would be a need for the IRS to provide guidance on how tax reserves would be impacted. We had a long discussion about the best ways to disseminate information to our members. Tentative plans were drafted for meeting sessions at the 2017 Life and Annuity Symposium, Valuation Actuary Symposium, and SOA Annual Meeting & Exhibit, as well as webinars and articles in *Taxing Times*, such as the "IRS Notice 2016-63 – Safe Harbor Guidance for 2017 CSO" article included in this edition. Since no one could be sure when the IRS would issue guidance, we would need to be flexible and ready to react quickly. Our bottom line was that PBR would be our first priority. The sidebar to this article comments on progress to date.

PRINCIPLE-BASED RESERVING

The IRS Priority Guidance Plan contains "Guidance under Sections 807 and 816 regarding the determination of life insurance reserves for life insurance and annuity contracts using principles-based methodologies, including stochastic reserves based on conditional tail expectation." As reported in the ACLI Update column of our June 2016 issue, the ACLI specifically identified three categories of issues for guidance: (1) product qualification guidance, (2) reserve transition guidance and (3) substantive reserve guidance. ACLI singled out product qualification guidance as the most time-sensitive set of issues, and the IRS heeded this request with Notice 2016-63. IRS has not yet addressed the requests for reserve transition guidance and substantive reserve guidance.

Three weeks later, as we met for our first council call of the 2016–17 term, I asked the team (council and friends, especially our members from the tax bar) to speculate on what the results of the election would do to modify our mission for the New Year. Peter Winslow and John Adney were happy to oblige, and while they could only tell us what was making the rounds in Washington circles, they were able to give us a picture of what could happen. Briefly put, they indicated that the Tax Code would probably be in play and that meaningful information on potential changes could come from the Budget Resolutions in February/March. With this observation in hand, the council decided that we would need to be able to react just as quickly and flexibly to this possibility as we were planning to do for PBR.

I believe fervently that the primary mission of every Society of Actuaries section is education of our members. We are fortunate in the Taxation Section to have solid contacts with those in the American Academy of Actuaries who draft and comment on proposals, as well as those in the trade groups that speak for the industry and its customers. We have a section newsletter that sets the standard for a peer-reviewed digest of news and ideas. We have an alliance of actuaries and legal practitioners who work well together. And we feel that we have respect from the staff at the IRS and Treasury. As I write these words in November 2016, I am confident that we can achieve our mission in 2017.

It will be interesting! ■

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