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Synopsis of Frequently Asked Questions Paper on Tax Reserve Methods and Assumptions

By the Tax Work Group of the Life Practice Council of the American Academy of Actuaries, Barbara Gold, Chairperson

The Tax Work Group of the Life Practice Council of the American Academy of Actuaries has received questions about how changes to actuarial assumptions as part of reserving methods prescribed by the NAIC may impact the determination of deductible amounts for tax reporting. As a result, the Tax Work Group has prepared a frequently asked questions (FAQ) paper that discusses Tax Reserve Methods and Assumptions.

The FAQ paper describes various questions concerning changes in methods, factors and assumptions used in the calculation of statutory reserves, and what the impact of such changes might be on the methods, factors and assumptions used in the determination of tax-deductible reserves. The FAQ paper is focused on the Internal Revenue Code effective during 2017. The Tax

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Work Group identifies a number of open issues that do not have clear IRS guidance, and offers commentary based on tax reserve principles of general applicability.

The FAQ paper may be accessed at http://www.actuary.org/files/publications/Academy_Tax_FAQ_on_Life_Insurance_Tax_Reserve_Methods_and_Assumptions.pdf. ■

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