

# Washington Reports



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## **Congressmen Propose Legislation on Life Settlement Tax Treatment and Reporting**

A bill proposed in the U.S. House of Representatives pertaining to sales of life insurance contracts on the secondary market (“life settlements”) would, if enacted: (1) impose various reporting requirements on life settlement transactions and payments of death benefits from the underlying policies, (2) eliminate the requirement that the owner of a life insurance policy reduce the policy’s tax basis by the premiums paid for cost of insurance when determining taxable gain from settlement of the policy, and (3) expand the transfer for value exception to include transfers of a life insurance policy to an entity in which the insured is an employee, director, officer, 5% owner, or independent contractor and more than 50% of the entity assets consist of life insurance policies. See H.R. 1262.