

Policy Review Opportunity

Are Your Business Policies Subject to Taxation? If you have:

**Now
New**

- ✓ Life insurance policies issued after August 17, 2006, where the
- ✓ Business is owner of the policy and the business or related party is the beneficiary of a policy on the life of an employee (i.e., key person, debt liquidation, buy-sell, endorsement split dollar, nonqualified deferred compensation/SERP), and an
- ✓ Employee notice and consent was **not** completed before policy issue.

The death benefit is subject to income tax under IRC §101(j).

Recent notice provides opportunity to correct IRC §101(j) tax.

When the employer-owned life insurance legislation under IRC §101(j) was enacted in 2006, advisors believed the only way to correct a situation where the above conditions existed was to surrender the contract and reissue a new contract after proper notice and consent had been obtained.

However, a recent IRS notice provides another option which means an opportunity for you. **A Section 1035 exchange to a new policy with a larger face amount or other material change is deemed a new contract, on which proper notice and consent can be obtained before issue.**

Review Business Cases Today

Life Insurance issued by The Prudential Insurance Company of America and its affiliates.

This has been prepared to assist our licensed financial professionals. It is designed to provide general information in regard to the subject matter covered. It should be used with the understanding that we are not rendering legal, accounting or tax advice. Such services should be provided by the client's own advisors. Accordingly, any information in this document cannot be used by any taxpayer for purposes of avoiding penalties under the Internal Revenue Code.

Securities and Insurance Products: Not Insured by FDIC or Any Federal Government Agency. May Lose Value.
Not a Deposit of or Guaranteed by Any Bank or Bank Affiliate.

FOR INTERNAL USE ONLY. NOT FOR USE WITH THE PUBLIC.

©2009 The Prudential Insurance Company of America
751 Broad Street, Newark, NJ 07102-3777
0153726-00001-00 Ed. 06/09



Prudential