



LARGE BUSINESS AND  
INTERNATIONAL DIVISION

DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
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MEMORANDUM FOR ALL LB&I EMPLOYEES

FROM: Theodore D. Setzer */s/Theodore D. Setzer*  
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SUBJECT: Interim Guidance on Deviation from Mid-Cycle Risk Analysis for  
Micro-Captive Insurance Cases

The purpose of this memorandum is to communicate to all LB&I employees certain changes to the mid-cycle risk analysis during examinations for Micro-Captive Insurance Campaign cases.

**Background:** The Micro-Captive Insurance Campaign, announced in 2017, addresses a promoted captive insurance strategy used by midsize businesses seeking tax-motivated means for allegedly transferring risk. The Micro-Captive Insurance Campaign is a single-issue campaign, and the captive insurance issue continues until the examination is completed.

**Change:** Effective as of the date of this memorandum, a mid-cycle risk analysis as described in [IRM 4.46.3.3.6](#), Documenting the Risk Analysis, is no longer required for micro-captive insurance cases if:

- 1) The case is part of the Micro-Captive Insurance Campaign (project code 1138)
- 2) The only issue is captive insurance

**Effect on Other Documents:** This guidance will be incorporated into IRM 4.46.3 by a date not to exceed two years from the date of this memorandum.

**Contact:** LB&I Policy Office through the [LB&I Policy Gateway](#) and [Creating a Request](#).

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