26 CFR 601.105: Examination of returns and claims for refund, credit, or abatement; determination of tax liability
(Also: 842(b))


SECTION 1. PURPOSE

This revenue procedure provides the domestic asset/liability percentages and domestic investment yields needed by foreign life insurance companies and foreign property and liability insurance companies to compute their minimum effectively connected net investment income under section 842(b) of the Internal Revenue Code for taxable years beginning after December 31, 2017. Instructions are provided for computing foreign insurance companies' liabilities for the estimated tax and installment payments of estimated tax for taxable years beginning after December 31, 2017. For more specific guidance regarding the computation of the amount of net investment income to be included by a foreign insurance company on its U.S. income tax return, see Notice 89-96, 1989-2 C.B. 417. For the domestic asset/liability percentage and domestic investment yield, as well as instructions for computing foreign insurance companies' liabilities for estimated tax and installment payments of estimated tax for taxable years beginning after December 31, 2016, see Rev. Proc. 2018-45, 2018-37 I.R.B. 428.

SECTION 2. PERCENTAGES AND YIELDS

.01 DOMESTIC ASSET/LIABILITY PERCENTAGES FOR 2018. The Secretary determines the domestic asset/liability percentage separately for life insurance companies and property and liability insurance companies. For the first taxable year beginning after December 31, 2017, the relevant domestic asset/liability percentages are:

118.3 percent for foreign life insurance companies, and

201.2 percent for foreign property and liability insurance companies.

.02 DOMESTIC INVESTMENT YIELDS FOR 2018. The Secretary prescribes separate
domestic investment yields for foreign life insurance companies and for foreign property
and liability insurance companies. For the first taxable year beginning after December
31, 2017, the relevant domestic investment yields are:

4.5 percent for foreign life insurance companies, and

3.5 percent for foreign property and liability insurance companies.

.03 SOURCE OF DATA FOR 2018. The section 842(b) percentages to be used for the
2018 tax year are based on tax return data following similar methodology as used for
the 2017 year.

SECTION 3. ESTIMATED TAXES

To compute estimated tax and the installment payments of estimated tax due for
taxable years beginning after December 31, 2017, a foreign insurance company must
compute its estimated tax payments by adding to its income other than net investment
income the greater of (i) its net investment income as determined under section
842(b)(5) that is actually effectively connected with the conduct of a trade or business
within the United States for the relevant period, or (ii) the minimum effectively connected
net investment income under section 842(b) that would result from using the most
recently available domestic asset/liability percentage and domestic investment yield.
Thus, for installment payments due after the publication of this revenue procedure, the
domestic asset/liability percentages and the domestic investment yields provided in this
revenue procedure must be used to compute the minimum effectively connected net
investment income. However, if the due date of an installment is less than 20 days after
the date this revenue procedure is published in the Internal Revenue Bulletin, the
asset/liability percentages and domestic investment yields provided in Rev. Proc. 2018-
45 may be used to compute the minimum effectively connected net investment income
for such installment. For further guidance in computing estimated tax, see Notice 89-
96.

SECTION 4. EFFECTIVE DATE

This revenue procedure is effective for taxable years beginning after December

SECTION 5. DRAFTING INFORMATION

The principal author of this revenue procedure is Sheila Ramaswamy of the
Office of Associate Chief Counsel (International). For further information regarding this
revenue procedure contact Sheila Ramaswamy at (202) 317-6938 (not a toll free call).