HIGHLIGHTS OF THIS ISSUE

These synopses are intended only as aids to the reader in identifying the subject matter covered. They may not be relied upon as authoritative interpretations.

EXCISE TAX

Notice 2021-66, page 901.
Notice 2021-66 provides the initial list of taxable substances under section 4672(a) required by section section 80201(c)(3) of the Infrastructure Investment and Jobs Act (Public Law 117-58, 135 Stat. 429) to be published by the Secretary of the Treasury no later than January 1, 2022. The notice also addresses the registration requirements imposed by section 4662(b)(10)(C) and (c)(2)(B) to exempt certain sales and uses of taxable chemicals from tax, and provides the procedural rules that apply to taxpayers subject to the reinstated Superfund chemical taxes. In addition, pending further guidance, the notice suspends Notice 89-61, 1989-1 C.B. 717, as modified by Notice 95-39, 1995-1 C.B. 312, which prescribed the former process for certain persons to request that certain substances be added to or removed from the list of taxable substances under section 4672(a)(3) as previously in effect. Finally, the notice requests comments on whether any issues related to the reinstated Superfund chemical taxes require clarification or additional guidance.

EXEMPT ORGANIZATIONS

Announcement 2021-18, page 910.
This announcement revokes Announcement 2001-33, 2001-17 IRB 1137. Announcement 2001-33 provided tax-exempt organizations with reasonable cause for purposes of relief from the penalty imposed under § 6652(c)(1)(A)(ii) of the Internal Revenue Code if they reported compensation on their annual information returns in the manner described in Announcement 2001-33 instead of in accordance with certain form instructions. The Announcement instructs affected tax-exempt organizations to follow the specific instructions to the Form 990, Form 990-EZ, and Form 990-PF, effective for annual information returns required for taxable years beginning on or after January 1, 2022 (the earliest of which will be filed in May 2023).

TAX CONVENTIONS

Announcement 2021-19, page 912.
The Competent Authorities of the United States and the Republic of Malta entered into a Competent Authority Arrangement under paragraph 3 of Article 25 (Mutual Agreement Procedure) of the U.S.-Malta Treaty (Treaty) confirming that certain pension or other retirement arrangements, including Maltese personal retirement schemes, are not treated as “pension funds” for purposes of the Treaty and that distributions from these schemes are not “pensions or other similar remuneration” for purposes of the Treaty. Consequently, treaty benefits cannot be obtained with respect to these schemes.

INCOME TAX

The revenue procedure sets forth the unpaid loss discount factors for the 2021 accident year for purposes of section 846 of the Internal Revenue Code. The revenue procedure also prescribes the salvage discount factors for the 2021 accident year, which must be used to compute discounted estimated salvage recoverable under section 832 of the Internal Revenue Code.
The IRS Mission

Provide America's taxpayers top-quality service by helping them understand and meet their tax responsibilities and enforce the law with integrity and fairness to all.

Introduction

The Internal Revenue Bulletin is the authoritative instrument of the Commissioner of Internal Revenue for announcing official rulings and procedures of the Internal Revenue Service and for publishing Treasury Decisions, Executive Orders, Tax Conventions, legislation, court decisions, and other items of general interest. It is published weekly.

It is the policy of the Service to publish in the Bulletin all substantive rulings necessary to promote a uniform application of the tax laws, including all rulings that supersede, revoke, modify, or amend any of those previously published in the Bulletin. All published rulings apply retroactively unless otherwise indicated. Procedures relating solely to matters of internal management are not published; however, statements of internal practices and procedures that affect the rights and duties of taxpayers are published.

Revenue rulings represent the conclusions of the Service on the application of the law to the pivotal facts stated in the revenue ruling. In those based on positions taken in rulings to taxpayers or technical advice to Service field offices, identifying details and information of a confidential nature are deleted to prevent unwarranted invasions of privacy and to comply with statutory requirements.

Rulings and procedures reported in the Bulletin do not have the force and effect of Treasury Department Regulations, but they may be used as precedents. Unpublished rulings will not be relied on, used, or cited as precedents by Service personnel in the disposition of other cases. In applying published rulings and procedures, the effect of subsequent legislation, regulations, court decisions, rulings, and procedures must be considered, and Service personnel and others concerned are cautioned against reaching the same conclusions in other cases unless the facts and circumstances are substantially the same.

The Bulletin is divided into four parts as follows:

This part includes rulings and decisions based on provisions of the Internal Revenue Code of 1986.

Part II.—Treaties and Tax Legislation.
This part is divided into two subparts as follows: Subpart A, Tax Conventions and Other Related Items, and Subpart B, Legislation and Related Committee Reports.

Part III.—Administrative, Procedural, and Miscellaneous.
To the extent practicable, pertinent cross references to these subjects are contained in the other Parts and Subparts. Also included in this part are Bank Secrecy Act Administrative Rulings. Bank Secrecy Act Administrative Rulings are issued by the Department of the Treasury's Office of the Assistant Secretary (Enforcement).

Part IV.—Items of General Interest.
This part includes notices of proposed rulemakings, disbarment and suspension lists, and announcements.

The last Bulletin for each month includes a cumulative index for the matters published during the preceding months. These monthly indexes are cumulated on a semiannual basis, and are published in the last Bulletin of each semiannual period.

The contents of this publication are not copyrighted and may be reprinted freely. A citation of the Internal Revenue Bulletin as the source would be appropriate.
Part III

Superfund; Initial List of Taxable Substances; Registration; Procedural Rules; Request for Comments; Suspension of Notice 89-61

Notice 2021-66

SECTION 1. PURPOSE

This notice relates to section 80201 of the Infrastructure Investment and Jobs Act (IIJA), Public Law 117-58, 135 Stat. 429 (November 15, 2021), which reinstates, effective July 1, 2022, the excise taxes imposed on certain chemical substances by sections 4661 and 4671 of the Internal Revenue Code (Code) (collectively, Superfund chemical taxes) and modifies the applicable rates of tax and other provisions related to those taxes. (Unless otherwise stated, all section references in this notice are to the Code.) Pursuant to section 80201(c)(3) of the IIJA, this notice provides the initial list of taxable substances under section 4672(a) required to be published by the Secretary of the Treasury or her delegate (Secretary) no later than January 1, 2022. This notice also addresses the registration requirements imposed by section 4662(b)(10)(C) and (c)(2)(B) to exempt certain sales and uses of taxable chemicals from tax, and provides the procedural rules that apply to taxpayers subject to the reinstated Superfund chemical taxes. In addition, pending further guidance, this notice suspends Notice 89-61, 1989-1 C.B. 717, as modified by Notice 95-39, 1995-1 C.B. 312, which prescribed the former process for certain persons to request that certain substances be added to or removed from the list of taxable substances under section 4672(a)(3) as previously in effect. Finally, this notice requests comments on whether any issues related to the reinstated Superfund chemical taxes require clarification or additional guidance.

SECTION 2. BACKGROUND

The Comprehensive Environmental Response, Compensation, and Liability Act of 1980 (CERCLA), Public Law 96-510, 94 Stat. 2767 (1980), informally referred to as “Superfund,” was enacted, in part, to create a hazardous substance cleanup program. Section 221 of CERCLA established the “Hazardous Substance Response Trust Fund,” which was funded, in part, by the section 4661(a) tax on sales of taxable chemicals (enacted by section 211 of CERCLA) and the section 4671(a) tax on sales or uses of imported taxable substances that use one or more taxable chemicals in their manufacture or production (enacted by section 515 of the Superfund Amendments and Reauthorization Act of 1986, Public Law 99-499, 100 Stat. 1613 (1986)). The Superfund chemical taxes as previously in effect expired on December 31, 1995.

Effective July 1, 2022, section 80201 of the IIJA reinstates the Superfund chemical taxes with several modifications, including to the applicable rates of tax. In addition, section 80201(c)(1) of the IIJA modifies the method under section 4672(a)(2)(B) for determining whether a substance is a taxable substance by lowering the required percentage of taxable chemicals used to produce the substance from 50 percent to 20 percent of the weight (or value) of the materials used to produce such substance.

SECTION 3. LAW

Section 4661(a) imposes a tax on any taxable chemical sold by the manufacturer, producer, or importer. Section 4661(b) provides a list of taxable chemicals and the amount of tax imposed by section 4661(a) on those chemicals. Section 4662 provides definitions and special rules applicable to the section 4661(a) tax. Section 4662(b)(10)(C) and (c)(2)(B) requires parties to sales of certain intermediate hydrocarbon streams and inventory exchanges to be registered by the IRS in order to qualify for the exceptions in section 4662(b)(10)(A) and (c)(2)(A).

Section 4671(a) imposes a tax on any taxable substance sold or used by the importer. Section 4671(b) provides that the amount of tax imposed by section 4671(a) with respect to any taxable substance is equal to the amount of tax that would have been imposed by section 4661 on the taxable chemicals used as materials in the manufacture of the taxable substance if such taxable chemicals had been sold in the United States for use in the manufacture or production of the taxable substance.

Section 4672 provides definitions and special rules applicable to the section 4671(a) tax.

Section 4672(a)(1) generally provides that the term “taxable substance” means any substance which, at the time of sale or use by the importer, is listed as a taxable substance. Section 4672(a)(3) provides a list of taxable substances.

Section 4672(a)(2), as modified by section 80201(c)(1) of the IIJA, generally provides that a substance shall be listed under section 4672(a)(1) if (A) the substance is contained in the list in section 4672(a)(3), or (B) the Secretary determines, in consultation with the Administrator of the Environmental Protection Agency and the Commissioner of U.S. Customs and Border Protection, that taxable chemicals constitute more than 20 percent of the weight (or more than 20 percent of the value) of the materials used to produce such substance (determined on the basis of the predominant method of production). Section 4672(a)(2) further provides that an importer or exporter of any substance may request a determination on whether that substance should be added to or removed from the list of taxable substances.

Notice 89-61 provides rules for filing a petition to request a modification of the list of taxable substances under section 4672(a).

SECTION 4. INITIAL LIST OF TAXABLE SUBSTANCES UNDER SECTION 4672(a)

Section 80201(c)(2) of the IIJA creates a presumption that any substance that was determined to be a taxable substance under section 4672(a)(2) prior to November 15, 2021 (the date of enactment of the IIJA), continues to be treated as a taxable substance for purposes of section 4672(a)(2). As noted above, section 80201(c)(3) of the IIJA requires the Secretary to pub-
lish an initial list of taxable substances under section 4672(a) by January 1, 2022. Based on the presumption in section 80201(c)(2) of the IIJA and other considerations, such as the reduction of the weight and value thresholds in section 4672(a)(2)(B) from 50 percent to 20 percent made by section 80201(c)(1) of the IIJA and determinations regarding taxable substances previously made pursuant to the process described in Notice 89-61, the Department of the Treasury (Treasury Department) and the Internal Revenue Service (IRS) have determined that the initial list of taxable substances required to be published by section 80201(c)(3) of the IIJA includes only the taxable substances listed in section 4672(a)(3) and the following substances:

1,4 butanediol
1,3-butylene glycol
1,5,9-cyclododecatriene
2-ethyl hexanol
2-ethylhexyl acrylate
2,2,4-trimethyl-1,3-pentanediol diisobutyrate
2,2,4-trimethyl-1,3-pentanediol monoisobutyrate
acetic acid
acetylene black
adipic acid
adiponitrile
allyl chloride
alpha-methylstyrene
aniline
benzaldehyde
benzoic acid
bisphenol-A
butanol
butyl acrylate
butyl benzyl phthalate
chlorinated polyethylene
cyclododecanol
decabromodiphenyl oxide
di-2 ethyl hexyl phthalate
di-n-hexyl adipate
diethanolamine
diglycidyl ether of bisphenol-A
diisopropanolamine
dimethyl terephthalate
dimethyl-2, 6-naphthalene dicarboxylate
diphenyl oxide
diphenylamine
epichlorohydrin
ethyl acetate
ethyl acrylate
ethyl chloride
ethylene dibromide
ethylenebis(tetrabromophthalimide)
formic acid
glycerine
hexabromocyclododecane
hexamethylenediamine
isobutyl acetate
isopropyl acetate
linear alpha olefins
methyl acrylate
methyl chloroform
methyl isobutyl ketone
methyleneacrylate
monochlorobenzene
monoethanolamine
monoisopropanolamine
normal butyl acetate
normal propyl acetate
nylon 6/6
ortho-dichlorobenzene
ortho-nitrochlorobenzene
paraformaldehyde
para-dichlorobenzene
para-nitrochlorobenzene
para-nitrophenol
pentanal
perchloroethylene
phosphorous pentasulfide
phosphorous trichloride
poly (69/31 ethylene/cyclohex ylenedimethylene terephthalate)
poly (96.5/3.5 ethylene/cyclohex ylenedimethylene terephthalate)
poly (98.5/1.5 ethylene/cyclohex ylenedimethylene terephthalate)
poly(ethyleneoxy)glycerol
poly(propyleneoxy)sucrose
poly(propyleneoxy/ethyleneoxy)ben zenediamine
poly(propyleneoxy/ethyleneoxy)diamine
poly(propyleneoxy/ethyleneoxy)glycerol
poly(propyleneoxy/sucrose
poly(propyleneoxy/ethyleneoxy)ben zenediamine
poly(propyleneoxy/ethyleneoxy)glycerol
poly(propyleneoxy/ethyleneoxy)glycerol
poly(propyleneoxy/ethyleneoxy)sucrose
polyethylacetate
propanol
sodium nitrolotriacetate monohydrate
synthetic linear fatty alcohols
synthetic linear fatty alcohol ethoxylates
terephthalic acid
tetrabromobisphenol-A	tetraclorophthalic anhydride
tetrahydrofuran
texanol benzyl phthalate
toluene disiocyanate
toluenediamine
trichloroethylene
triethanolamine
trisopropanolamine
trimethylolpropane
vinyl acetate

SECTION 5. PETITIONS TO MODIFY THE LIST OF TAXABLE SUBSTANCES

Notice 89-61, issued when the Superfund chemical taxes were previously in effect, prescribes the process under section 4672(a)(2) by which importers or exporters may request a determination that the list of taxable substances be modified by either adding or removing a substance. The Treasury Department and the IRS intend to update Notice 89-61 to reflect the changes made to section 4672(a)(2) by the IIJA, and to make other changes that may be necessary. Accordingly, Notice 89-61 is suspended pending the issuance of additional guidance. See IRM 32.2.2.8.1, para. 9 (Aug. 11, 2004) (providing that previously published guidance can be suspended in rare situations “to show that previously published guidance will not be applied pending some future action, such as the issuance of new or amended regulations”).

SECTION 6. REGISTRATION FOR CERTAIN EXCEPTIONS

Section 4662(b)(10)(A) provides that no tax is imposed on any organic taxable chemical while the chemical is part of an intermediate hydrocarbon stream containing one or more organic taxable chemicals. Section 4662(b)(10)(C) provides that the exception in section 4662(b)(10)(A) does not apply to the sale of any intermediate hydrocarbon stream unless the registration requirements of section 4662(c)(2)(B) are satisfied.
Section 4662(c)(2)(A) provides that no tax is imposed on inventory exchanges of taxable chemicals. Section 4662(c)(2)(B) provides that the exception in section 4662(c)(2)(A) does not apply to any inventory exchange unless the registration requirements of section 4662(c)(2)(B) are satisfied.

The registration requirements of section 4662(c)(2)(B) are not satisfied unless (i) both parties are registered by the IRS as manufacturers, producers, or importers of taxable chemicals; and (ii) the person receiving the taxable chemical has notified the manufacturer, producer, or importer of such person’s registration number.

Application for section 4662(b)(10)(C) intermediate hydrocarbon stream registration and section 4662(c)(2)(B) inventory exchange registration must be made on Form 637, Application for Registration (For Certain Excise Tax Activities), under Activity Letter “G” (persons making inventory exchanges of taxable chemicals under section 4662(c)(2) or persons selling or buying intermediate hydrocarbon streams under section 4662(b)(10)) in accordance with the instructions for that form. The IRS is revising Form 637 to add Activity Letter G. Until the revised Form 637 is released, applicants may use the current Form 637 by writing in Activity Letter G and providing the following information: (i) a list of the taxable chemicals the applicant exchanges and/or the intermediate hydrocarbon streams the applicant sells or buys; and (ii) a description of the applicant’s processing plants, the products produced, the handling and storage facilities, and the processes involving hydrocarbon streams, as applicable.

SECTION 7. APPLICABLE PROCEDURAL RULES

The Superfund chemical taxes are part of Subtitle D, chapter 38 of the Code. Accordingly, the procedural rules in 26 C.F.R. part 40 regarding filing, deposits, etc., apply to persons subject to the reinstated Superfund chemical taxes. Such persons must report the reinstated Superfund chemical taxes on Form 6627, Environmental Taxes, which is attached to Form 720, Quarterly Federal Excise Tax Return.

SECTION 8. REQUEST FOR COMMENTS

The Treasury Department and the IRS request comments on whether any issues related to the reinstated Superfund chemical taxes require clarification or additional guidance. Comments should be submitted in writing by January 28, 2022, and should include a reference to Notice 2021-66. Comments may be submitted electronically via the Federal Rulemaking Portal at www.regulations.gov (type IRS-2021-0018 or Notice 2021-66 in the search field on the regulations.gov homepage to find this notice and submit comments). Alternatively, comments may be mailed to: Internal Revenue Service, Attn: CC:PA:LPD:PR (Notice 2021-66), Room 5203, P.O. Box 7604, Ben Franklin Station, Washington D.C. 20044. All commenters are strongly encouraged to submit public comments electronically. The IRS expects to have limited personnel available to process public comments that are submitted on paper through mail. Until further notice, any comments submitted on paper will be considered to the extent practicable. The Treasury Department and the IRS will publish for public availability any comment submitted electronically, and, to the extent practicable, on paper, to its public docket.

SECTION 9. EFFECT ON OTHER DOCUMENTS

Notice 89-61 is suspended.

SECTION 10. PAPERWORK REDUCTION ACT

Section 6 of this notice sets forth a collection of information to be provided to the IRS with Form 637. This collection of information will be reflected in the submission to the Office of Management and Budget (OMB) for review in accordance with the Paperwork Reduction Act (44 U.S.C. 3507(c)) that is associated with Form 637 (OMB control number 1545-1835). This submission will be updated in the ordinary course. An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection of information displays a valid OMB control number.

SECTION 11. DRAFTING INFORMATION

The principal authors of this notice are Stephanie Bland, Amanda Dunlap, and Natalie Payne of the Office of Associate Chief Counsel (Passthroughs & Special Industries). For questions regarding the registration process, contact Diane M. Williams at (856) 792-9362. For all other questions regarding this notice, contact Ms. Payne at (202) 317-6855.

26 CFR 601.201: Rulings and determination letters. (Also: Part I, Sections 832, 846; 1.832-4, 1.846-1.)

Rev. Proc. 2021-54

SECTION 1. PURPOSE


SECTION 2. SCOPE

This revenue procedure applies to any insurance company that is required to discount unpaid losses under § 846 for a line of business using the discount factors published by the Secretary, and also applies to any insurance company that is required to discount estimated salvage recoverable under § 832.

SECTION 3. DISCOUNT FACTORS FOR THE 2021 ACCIDENT YEAR

.01 The tables in this section 3 present separately for each line of business
the discount factors for losses incurred in the 2021 accident year for use by insurance companies in computing discounted unpaid losses under § 846 and estimated salvage recoverable under § 832. The discount factors presented in this section are generally determined by using the applicable interest rate for 2021 under § 846(c), which is 2.84 percent, compounded semi-annually. The exceptions are the discount factors for long-tail lines of business provided for taxable years beginning in 2031, which are computed using discount factors applicable to multiple accident years. All discount factors are determined by assuming all loss payments occur in the middle of the calendar year.

.02 Section V of Notice 88-100, 1988-2 C.B. 439, sets forth a composite method for computing discounted unpaid losses for accident years that are not separately reported on the annual statement. Tables 1 and 2 separately provide discount factors for insurance companies that have elected to use the composite method of Notice 88-100. See Rev. Proc. 2002-74, 2002-2 C.B. 980. The discount factors computed using the composite method are unrelated to the composite discount factors referred to in § 1.846-1(b)(1)(ii) and (4) of the Income Tax Regulations, which apply to lines of business for which the Secretary has not published discount factors. The composite discount factors for use with respect to such lines of business are labelled “Short-Tail Composite” (in Table 1, part B) and “Long-Tail Composite” (in Table 2, part B). The “Miscellaneous Casualty” discount factors referenced in § 1.846-1(b)(2) are not set forth in tables, but are equivalent to the “Short-Tail Composite” discount factors.

<table>
<thead>
<tr>
<th>Table 1 (part A)</th>
<th>Discount Factors Under Section 846 (percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>For Losses Incur</td>
<td>in Accident Year 2021 in Short-Tail Lines</td>
</tr>
<tr>
<td>Year Beginning</td>
<td>Auto Physical Damage</td>
</tr>
<tr>
<td>in</td>
<td></td>
</tr>
<tr>
<td>2021</td>
<td>98.4430</td>
</tr>
<tr>
<td>2022</td>
<td>97.2290</td>
</tr>
<tr>
<td><strong>Taxpayer Not</strong></td>
<td><strong>98.5999</strong></td>
</tr>
<tr>
<td><strong>Using Composite Method Years after 2022</strong></td>
<td><strong>98.5999</strong></td>
</tr>
<tr>
<td><strong>Taxpayer Using the Composite Method 2023</strong></td>
<td><strong>98.5999</strong></td>
</tr>
<tr>
<td><strong>Years after 2023</strong></td>
<td>Use composite method discount factors published in Table 1 for the relevant accident year.**</td>
</tr>
</tbody>
</table>

* For Accident and Health lines of business (other than disability income or credit disability insurance), the discount factor for taxable year 2021 is 98.5999 percent. This is also the discount factor used in later taxable years for taxpayers not using the composite method. For taxpayers using the composite method, the discount factor for losses incurred in 2021 is the discount factor published for Accident and Health lines of business for losses incurred in the accident year coinciding with the taxable year.

** The relevant accident year is the accident year that is two years prior to the specified taxable year.

<table>
<thead>
<tr>
<th>Table 1 (part B)</th>
<th>Discount Factors Under Section 846 (percent)</th>
</tr>
</thead>
<tbody>
<tr>
<td>For Losses Incur</td>
<td>in Accident Year 2021 in Short-Tail Lines</td>
</tr>
<tr>
<td>Year Beginning</td>
<td>Reinsurance - Nonproportional Assumed</td>
</tr>
<tr>
<td>in</td>
<td>Financial Lines</td>
</tr>
<tr>
<td>2021</td>
<td>95.7494</td>
</tr>
<tr>
<td>2022</td>
<td>97.2290</td>
</tr>
<tr>
<td><strong>Taxpayer Not</strong></td>
<td><strong>98.5999</strong></td>
</tr>
<tr>
<td><strong>Using Composite Method Years after 2022</strong></td>
<td><strong>98.5999</strong></td>
</tr>
<tr>
<td><strong>Taxpayer Using the Composite Method 2023</strong></td>
<td><strong>98.5999</strong></td>
</tr>
<tr>
<td><strong>Years after 2023</strong></td>
<td>Use composite discount factors published in Table 1 for the relevant accident year.**</td>
</tr>
</tbody>
</table>

* The relevant accident year is the accident year that is two years prior to the specified taxable year.
Table 2 (part A)
Discount Factors Under Section 846 (percent)
For Losses Incurred in Accident Year 2021 in Long-Tail Lines of Business

<table>
<thead>
<tr>
<th>Taxable Year Beginning in</th>
<th>Commercial Auto/Truck Liability/Medical</th>
<th>Medical Professional Liability - Claims-Made</th>
<th>Medical Professional Liability - Occurrence</th>
<th>Multiple Peril Lines</th>
<th>Other Liability - Claims-Made</th>
<th>Other Liability - Occurrence</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>94.2466</td>
<td>91.9173</td>
<td>87.2985</td>
<td>95.4554</td>
<td>91.1762</td>
<td>89.6959</td>
</tr>
<tr>
<td>2022</td>
<td>94.9297</td>
<td>92.8717</td>
<td>89.2979</td>
<td>93.8725</td>
<td>91.9550</td>
<td>90.5083</td>
</tr>
<tr>
<td>2023</td>
<td>95.4344</td>
<td>93.0842</td>
<td>90.7809</td>
<td>94.1554</td>
<td>92.4448</td>
<td>91.0405</td>
</tr>
<tr>
<td>2024</td>
<td>95.4717</td>
<td>93.3572</td>
<td>92.0790</td>
<td>93.4173</td>
<td>92.4864</td>
<td>91.2022</td>
</tr>
<tr>
<td>2025</td>
<td>95.3575</td>
<td>93.4953</td>
<td>92.9976</td>
<td>91.6759</td>
<td>92.3482</td>
<td>90.9746</td>
</tr>
<tr>
<td>2026</td>
<td>95.2101</td>
<td>93.5188</td>
<td>93.7158</td>
<td>91.8684</td>
<td>92.8399</td>
<td>91.0447</td>
</tr>
<tr>
<td>2027</td>
<td>95.4780</td>
<td>94.4288</td>
<td>94.5029</td>
<td>91.5907</td>
<td>93.2995</td>
<td>91.0706</td>
</tr>
<tr>
<td>2028</td>
<td>95.1447</td>
<td>95.2881</td>
<td>95.1626</td>
<td>91.3051</td>
<td>94.0375</td>
<td>92.2390</td>
</tr>
<tr>
<td>2029</td>
<td>96.5290</td>
<td>96.1473</td>
<td>96.2499</td>
<td>93.7295</td>
<td>95.0924</td>
<td>92.8607</td>
</tr>
<tr>
<td>2030</td>
<td>98.4134</td>
<td>97.8252</td>
<td>97.8637</td>
<td>95.0210</td>
<td>96.7971</td>
<td>94.6766</td>
</tr>
</tbody>
</table>

**Taxpayer Not Using Composite Method**
- 2021: 98.5999 98.5999 98.5999 96.3150 98.0698 95.9875
- 2032: 98.5999 98.5999 98.5999 97.5874 98.5999 97.3100

**Years after 2032**
- 98.5999 98.5999 98.5999 98.5999 98.5999 98.5999

**Taxpayer Using the Composite Method**
- 2031: 98.5999 98.5999 98.5999 96.9392 98.1368 96.7452

**Years after 2031**
- Use composite discount factors published in Table 2 for the relevant accident year.*

*The relevant accident year is the accident year that is ten years prior to the specified taxable year.*
### Table 2 (part B)
Discount Factors Under Section 846 (percent)
For Losses Incurred in Accident Year 2021 in Long-Tail Lines of Business

<table>
<thead>
<tr>
<th>Taxable Year Beginning in</th>
<th>Private Passenger Auto Liability/ Medical</th>
<th>Products Liability - Claims-Made</th>
<th>Products Liability - Occurrence</th>
<th>Workers' Compensation</th>
<th>Long-Tail Composite</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>95.8143</td>
<td>86.3181</td>
<td>88.1921</td>
<td>88.3902</td>
<td>92.9811</td>
</tr>
<tr>
<td>2022</td>
<td>95.4438</td>
<td>86.7679</td>
<td>89.4762</td>
<td>86.9319</td>
<td>91.9840</td>
</tr>
<tr>
<td>2023</td>
<td>95.4048</td>
<td>88.4963</td>
<td>90.1990</td>
<td>85.8758</td>
<td>91.7095</td>
</tr>
<tr>
<td>2024</td>
<td>95.0561</td>
<td>84.2953</td>
<td>91.4658</td>
<td>84.4348</td>
<td>90.5906</td>
</tr>
<tr>
<td>2025</td>
<td>94.4178</td>
<td>85.5424</td>
<td>90.1962</td>
<td>83.9002</td>
<td>89.0997</td>
</tr>
<tr>
<td>2026</td>
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<td>86.8355</td>
<td>90.2467</td>
<td>83.3968</td>
<td>88.9927</td>
</tr>
<tr>
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<td>88.1822</td>
<td>91.1419</td>
<td>83.7563</td>
<td>88.9796</td>
</tr>
<tr>
<td>2028</td>
<td>95.2164</td>
<td>89.3819</td>
<td>92.0685</td>
<td>84.5824</td>
<td>89.5061</td>
</tr>
<tr>
<td>2029</td>
<td>95.7906</td>
<td>90.6034</td>
<td>92.4505</td>
<td>85.1799</td>
<td>90.6906</td>
</tr>
<tr>
<td>2030</td>
<td>97.8038</td>
<td>91.8471</td>
<td>94.5952</td>
<td>87.0064</td>
<td>92.3972</td>
</tr>
</tbody>
</table>

**Taxpayer Not Using Composite Method**

<table>
<thead>
<tr>
<th>Year</th>
<th>Discount Factor</th>
</tr>
</thead>
<tbody>
<tr>
<td>2031</td>
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</tr>
<tr>
<td>2032</td>
<td>98.5999</td>
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<tr>
<td>2033</td>
<td>98.5999</td>
</tr>
<tr>
<td>2034</td>
<td>98.5999</td>
</tr>
<tr>
<td>2035</td>
<td>98.5999</td>
</tr>
<tr>
<td>2036</td>
<td>98.5999</td>
</tr>
<tr>
<td>2037</td>
<td>98.5999</td>
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<tr>
<td>2038</td>
<td>98.5999</td>
</tr>
<tr>
<td>2039</td>
<td>98.5999</td>
</tr>
</tbody>
</table>

**Years after 2039**

**Taxpayer Using the Composite Method**

<table>
<thead>
<tr>
<th>Year</th>
<th>Discount Factor</th>
</tr>
</thead>
<tbody>
<tr>
<td>2031</td>
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</tr>
<tr>
<td>2032</td>
<td>98.5999</td>
</tr>
<tr>
<td>2033</td>
<td>98.5999</td>
</tr>
<tr>
<td>2034</td>
<td>98.5999</td>
</tr>
<tr>
<td>2035</td>
<td>98.5999</td>
</tr>
<tr>
<td>2036</td>
<td>98.5999</td>
</tr>
<tr>
<td>2037</td>
<td>98.5999</td>
</tr>
<tr>
<td>2038</td>
<td>98.5999</td>
</tr>
<tr>
<td>2039</td>
<td>98.5999</td>
</tr>
</tbody>
</table>

*The relevant accident year is the accident year that is ten years prior to the specified taxable year.*

### SECTION 4. DISCOUNT FACTORS FOR TAXABLE YEARS BEGINNING IN 2021

.01 The tables in this section 4 present separately for each line of business discount factors for losses incurred in the 2021 accident year and earlier accident years for use by insurance companies in computing discounted unpaid losses under § 846 and estimated salvage recoverable under § 832 in taxable years beginning in 2021.

.02 Tables 3 and 4 separately provide discount factors for insurance companies that have elected to use the composite method of Notice 88-100. See Rev. Proc. 2002-74. The discount factors computed using the composite method are unrelated to the composite discount factors referred to in § 1.846-1(b)(1)(ii) and (4), which apply to lines of business for which the Secretary has not published discount factors. The composite discount factors for use with respect to such lines of business are labelled “Short-Tail Composite” (in Table 3, part B) and “Long-Tail Composite” (in Table 4, part B). The “Miscellaneous Casualty” discount factors referenced in § 1.846-1(b)(2) are not set forth in tables, but are equivalent to the “Short-Tail Composite” discount factors.
### Table 3 (part A)
**Discount Factors Under Section 846 (percent)**
For Taxable Year(s) Beginning in 2021
Short-Tail Lines of Business

<table>
<thead>
<tr>
<th>Accident Year</th>
<th>Auto Physical Damage</th>
<th>Fidelity/Surety</th>
<th>Financial Guaranty/ Mortgage Guaranty</th>
<th>International</th>
<th>Other*</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>98.4430</td>
<td>96.1212</td>
<td>95.8926</td>
<td>96.4227</td>
<td>97.1971</td>
</tr>
</tbody>
</table>

**Taxpayer Not Using Composite Method**

| Years before 2019 | 98.4785 | 98.4785 | 98.4785 | 98.4785 | 98.4785 |

**Taxpayer Using the Composite Method**

| Years before 2020 | 98.4785 | 98.4785 | 98.4785 | 98.4785 | 98.4785 |

* For Accident and Health lines of business (other than disability income or credit disability insurance), the discount factor for taxable year 2021 is 98.5999 percent.

### Table 3 (part B)
**Discount Factors Under Section 846 (percent)**
For Taxable Year(s) Beginning in 2021
Short-Tail Lines of Business

<table>
<thead>
<tr>
<th>Accident Year</th>
<th>Reinsurance - Nonproportional Assumed Financial Lines</th>
<th>Reinsurance - Nonproportional Assumed Liability</th>
<th>Reinsurance - Nonproportional Assumed Property</th>
<th>Special Property &amp; Warranty</th>
<th>Short-Tail Composite</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>95.7494</td>
<td>95.0072</td>
<td>96.4056</td>
<td>97.5958</td>
<td>98.2549</td>
</tr>
</tbody>
</table>

**Taxpayer Not Using Composite Method**

| Years before 2019 | 98.4785 | 98.4785 | 98.4785 | 98.4785 | 98.4785 |

**Taxpayer Using the Composite Method**

| Years before 2020 | 98.4785 | 98.4785 | 98.4785 | 98.4785 | 98.4785 |
Table 4 (part A)
Discount Factors Under Section 846 (percent)
For Taxable Year(s) Beginning in 2021
Long-Tail Lines of Business

<table>
<thead>
<tr>
<th>Accident Year</th>
<th>Commercial Auto/Truck Liability/Medical</th>
<th>Medical Professional Liability - Claims-Made</th>
<th>Medical Professional Liability - Occurrence</th>
<th>Multiple Peril Lines</th>
<th>Other Liability - Claims-Made</th>
<th>Other Liability - Occurrence</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>94.2466</td>
<td>91.9173</td>
<td>87.2985</td>
<td>95.4554</td>
<td>91.1762</td>
<td>89.6959</td>
</tr>
<tr>
<td>2020</td>
<td>94.5252</td>
<td>92.3148</td>
<td>88.4733</td>
<td>93.3939</td>
<td>91.3319</td>
<td>89.7843</td>
</tr>
<tr>
<td>2019</td>
<td>95.0543</td>
<td>92.5197</td>
<td>90.0344</td>
<td>93.6815</td>
<td>91.8334</td>
<td>90.3264</td>
</tr>
<tr>
<td>2018</td>
<td>95.3204</td>
<td>93.1388</td>
<td>91.8194</td>
<td>93.2041</td>
<td>92.2415</td>
<td>90.9196</td>
</tr>
<tr>
<td>2017</td>
<td>95.2024</td>
<td>93.2805</td>
<td>92.7664</td>
<td>91.4064</td>
<td>92.0976</td>
<td>90.6836</td>
</tr>
<tr>
<td>2016</td>
<td>95.0498</td>
<td>93.3035</td>
<td>93.5069</td>
<td>91.6039</td>
<td>92.6040</td>
<td>90.7542</td>
</tr>
<tr>
<td>2015</td>
<td>95.3260</td>
<td>94.2423</td>
<td>94.3189</td>
<td>91.3154</td>
<td>93.0770</td>
<td>90.7788</td>
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<tr>
<td>2014</td>
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<td>95.1291</td>
<td>94.9993</td>
<td>91.0177</td>
<td>93.8378</td>
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<tr>
<td>2013</td>
<td>96.4102</td>
<td>96.0160</td>
<td>96.1220</td>
<td>93.5200</td>
<td>94.9264</td>
<td>92.6228</td>
</tr>
<tr>
<td>2012</td>
<td>98.3585</td>
<td>97.7503</td>
<td>97.7902</td>
<td>94.8530</td>
<td>96.6876</td>
<td>94.4974</td>
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</table>

Taxpayer Not Using the Composite Method

<table>
<thead>
<tr>
<th>Years before 2010</th>
<th>Commercial Auto/Truck Liability/Medical</th>
<th>Medical Professional Liability - Claims-Made</th>
<th>Medical Professional Liability - Occurrence</th>
<th>Multiple Peril Lines</th>
<th>Other Liability - Claims-Made</th>
<th>Other Liability - Occurrence</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>98.5513</td>
<td>98.5513</td>
<td>98.5513</td>
<td>96.1895</td>
<td>98.0033</td>
<td>95.8511</td>
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<tr>
<td>2010</td>
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<td>98.5513</td>
<td>98.5513</td>
<td>97.5045</td>
<td>98.5513</td>
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<td>98.5513</td>
<td>98.5513</td>
<td>98.5513</td>
<td>98.5513</td>
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</table>

Taxpayer Using the Composite Method

<table>
<thead>
<tr>
<th>Years before 2012</th>
<th>Commercial Auto/Truck Liability/Medical</th>
<th>Medical Professional Liability - Claims-Made</th>
<th>Medical Professional Liability - Occurrence</th>
<th>Multiple Peril Lines</th>
<th>Other Liability - Claims-Made</th>
<th>Other Liability - Occurrence</th>
</tr>
</thead>
<tbody>
<tr>
<td>98.5513</td>
<td>98.5513</td>
<td>98.5513</td>
<td>96.9185</td>
<td>98.0920</td>
<td>96.7300</td>
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</tbody>
</table>
### Table 4 (part B)
Discount Factors Under Section 846 (percent)
For Taxable Year(s) Beginning in 2021
Long-Tail Lines of Business

<table>
<thead>
<tr>
<th>Accident Year</th>
<th>Private Passenger Auto Liability/ Medical</th>
<th>Products Liability - Claims-Made</th>
<th>Products Liability - Occurrence</th>
<th>Workers' Compensation</th>
<th>Long-Tail Composite</th>
</tr>
</thead>
<tbody>
<tr>
<td>2021</td>
<td>95.8143</td>
<td>86.3181</td>
<td>88.1921</td>
<td>88.3902</td>
<td>92.9811</td>
</tr>
<tr>
<td>2020</td>
<td>95.0805</td>
<td>85.7949</td>
<td>88.6772</td>
<td>85.9962</td>
<td>91.3753</td>
</tr>
<tr>
<td>2019</td>
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<td>87.6130</td>
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<td>91.0564</td>
</tr>
<tr>
<td>2018</td>
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<td>83.8076</td>
<td>91.1924</td>
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</tr>
<tr>
<td>2017</td>
<td>94.2325</td>
<td>85.0889</td>
<td>89.8810</td>
<td>83.4129</td>
<td>88.7546</td>
</tr>
<tr>
<td>2016</td>
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<td>89.9309</td>
<td>82.8905</td>
<td>88.6421</td>
</tr>
<tr>
<td>2015</td>
<td>94.5205</td>
<td>87.8040</td>
<td>90.8527</td>
<td>83.2567</td>
<td>88.6258</td>
</tr>
<tr>
<td>2014</td>
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<td>91.8072</td>
<td>84.1036</td>
<td>89.1661</td>
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<td>2013</td>
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<td>86.5946</td>
<td>92.1457</td>
</tr>
</tbody>
</table>

**Taxpayer Not Using the Composite Method**

<table>
<thead>
<tr>
<th>Accident Year</th>
<th>Private Passenger Auto Liability/ Medical</th>
<th>Products Liability - Claims-Made</th>
<th>Products Liability - Occurrence</th>
<th>Workers' Compensation</th>
<th>Long-Tail Composite</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>98.5513</td>
<td>92.8838</td>
<td>95.7739</td>
<td>87.8065</td>
<td>93.4541</td>
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<td>94.7812</td>
</tr>
<tr>
<td>2009</td>
<td>98.5513</td>
<td>95.5629</td>
<td>98.5513</td>
<td>90.2995</td>
<td>96.1195</td>
</tr>
<tr>
<td>2008</td>
<td>98.5513</td>
<td>96.9299</td>
<td>98.5513</td>
<td>91.5813</td>
<td>97.4421</td>
</tr>
<tr>
<td>2007</td>
<td>98.5513</td>
<td>98.2868</td>
<td>98.5513</td>
<td>92.8867</td>
<td>98.5513</td>
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<td>98.5513</td>
<td>94.2154</td>
<td>98.5513</td>
</tr>
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<td>2005</td>
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<td>98.5513</td>
<td>95.5661</td>
<td>98.5513</td>
</tr>
<tr>
<td>2004</td>
<td>98.5513</td>
<td>98.5513</td>
<td>98.5513</td>
<td>96.9334</td>
<td>98.5513</td>
</tr>
<tr>
<td>2003</td>
<td>98.5513</td>
<td>98.5513</td>
<td>98.5513</td>
<td>98.2913</td>
<td>98.5513</td>
</tr>
</tbody>
</table>

**Taxpayer Using the Composite Method**

<table>
<thead>
<tr>
<th>Accident Year</th>
<th>Private Passenger Auto Liability/ Medical</th>
<th>Products Liability - Claims-Made</th>
<th>Products Liability - Occurrence</th>
<th>Workers' Compensation</th>
<th>Long-Tail Composite</th>
</tr>
</thead>
<tbody>
<tr>
<td>Years before 2003</td>
<td>98.5513</td>
<td>98.5513</td>
<td>98.5513</td>
<td>98.5513</td>
<td>98.5513</td>
</tr>
<tr>
<td>Years before 2012</td>
<td>98.5513</td>
<td>94.7288</td>
<td>96.6903</td>
<td>91.2579</td>
<td>95.0968</td>
</tr>
</tbody>
</table>

### SECTION 5. DRAFTING INFORMATION

The principal author of this revenue procedure is Megan McGuire of the Office of Associate Chief Counsel (Financial Institutions & Products). For further information regarding this revenue procedure contact Ms. McGuire at (202) 317-6995 (not a toll-free number).

### Section 846.—Discounted Unpaid Losses Defined.


### Section 832.—Insurance company taxable income.

Part IV

Revocation of Announcement 2001-33

Announcement 2021-18

INTRODUCTION

This announcement revokes Announcement 2001-33, 2001-17 IRB 1137, which deemed organizations exempt from taxation under § 501(a) of the Internal Revenue Code (Code) (tax-exempt organizations) to have reasonable cause for purposes of relief from the penalty imposed under § 6652(c)(1)(A)(ii) of the Code if they reported compensation on their annual information returns in the manner described in Announcement 2001-33 instead of in accordance with certain form instructions.

BACKGROUND

In general, § 6033(a)(1) of the Code provides that every tax-exempt organization must file an annual return, stating specifically the items of gross income, receipts, and disbursements, and such other information for the purpose of carrying out the internal revenue laws as the Secretary of the Treasury or her delegate may by forms or regulations prescribe. Section 1.6033-2 of the Income Tax Regulations recites the language in § 6033(a)(1), and requires that the organization provide certain specified information, including: (1) the names and addresses of all officers, directors, or trustees (or any person having similar responsibilities or powers), and, in the case of a private foundation, names and addresses of the foundation’s managers; (2) a schedule showing the names and addresses and/or total numbers of key employees, highly compensated employees, and independent contractors; and (3) a schedule showing the compensation and other payments made to each of the persons listed. Section 6652(c)(1)(A)(ii) imposes a daily penalty for the failure to include any of the information required to be shown on a return filed under § 6033(a)(1).

The annual information returns required under § 6033(a)(1) are Form 990, Return of Organization Exempt From Income Tax; Form 990-EZ, Short Form Return of Organization Exempt From Income Tax; and Form 990-PF, Return of Private Foundation (collectively, for purposes of this announcement, Form 990 series).

Beginning in 1999, in response to concerns that tax-exempt organizations were paying excessive compensation to employees and avoiding reporting by channeling the compensation through management services companies and other entities, the Internal Revenue Service (IRS) added to the Form 990 series instructions the following statement: “If you pay any other person, such as a management services company, for the services provided by any of your officers, directors, trustees or key employees [or foundation managers for private foundations], report the compensation and other items as if you had paid them directly.”

The IRS received numerous comments concerning these new instructions and issued Announcement 2001-33 to solicit additional comments. Announcement 2001-33 provided that, until the IRS notifies organizations otherwise by an Announcement published in the Internal Revenue Bulletin, a tax-exempt organization will be deemed to have reasonable cause, for purposes of the penalty imposed under § 6652(c)(1)(A)(ii), if it reports in the compensation section of the Form 990 series a) return the amount paid to the management company (or other entity or person) for services, rather than reporting the compensation paid to the person(s) who provided services to the tax-exempt organization on behalf of that management company.

In 2007, the IRS extensively redesigned the Form 990 for the tax year 2008, including the parts of the form for reporting of compensation. Specifically, the instructions to new Part VII of the 2008 Form 990 changed the reporting requirements for payments to management companies, treating them as independent contractors to be reported in Form 990, Part VII, Section B, and requiring payments from related management companies (but not other management companies) to a current or former officer, director, trustee, or key employee (ODTKE) or highly compensated employee (HCE) to be reported in Form 990, Part VII, Section A, columns (E) and (F).

In response to questions and comments received from the public, the IRS continued to refine Form 990, its schedules, and instructions for tax years 2009 and 2010, including the instructions on reporting compensation paid through management companies. For example, the 2009 Form 990 instructions added an exception to the direction to report payments to management companies as payments to independent contractors, requiring that employees of a management company be reported as the tax-exempt organization’s own employees if they are common law employees of the tax-exempt organization under state law.

In 2011, the IRS issued Announcement 2011-36, 2011-26 IRB 933, to, in part, solicit comments from the public on transitional issues involving the redesigned Form 990, including with respect to the reporting of compensation paid to management and leasing companies. Announcement 2011-36 described Announcement 2001-33, the updated instructions to the Form 990, and the concerns raised by the public (1) that the instructions may allow tax-exempt organizations to shield compensation to highly-paid executives from disclosure by paying those executives indirectly through management companies and (2) that determining whether a

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1 Specifically, Announcement 2001-33 deems organizations to have reasonable cause for the “failure to provide the information required by the relevant portions of Parts IV, V, or VII” of Form 990-EZ, Form 990, and Form 990-PF, respectively. At the time Announcement 2001-33 was issued, Part V of the Form 990 addressed compensation and was titled List of Officers, Directors, Trustees, and Key Employees; However, beginning with the 2008 Form 990 to the present, Part VII now addresses compensation and is titled Compensation of Officers, Directors, Trustees, Key Employees, Highly Compensated Employees, and Independent Contractors.
person is a common law employee under state law is difficult. Based on some of the comments received in response to Announcement 2011-36, the IRS made additional changes to the Form 990 and its instructions.

Throughout the years, the IRS has continued to make revisions to the Form 990 and its instructions, including with regard to compensation reporting, and to further solicit and consider public feedback. Presently, the Form 990 instructions require reporting on compensation that is similar to the reporting described in Announcement 2011-36. However, the instructions now clarify that if a tax-exempt organization’s current or former ODTKEs or HCEs receive compensation from a related management company that provided services to the tax-exempt organization, the tax-exempt organization must report the compensation separately. In addition, the current instructions provide that, if a tax-exempt organization has delegated management duties to a management company (or other entity or person), then the tax-exempt organization must report the details of the arrangement on Form 990, Schedule O, including the name(s) of any of its current or former ODTKEs and HCEs that were compensated under the arrangement, and the amount(s) received by the management company for the services provided to the tax-exempt organization. The current instructions also explain how the tax-exempt organization should treat employees of an employee leasing company, a professional employer organization (PEO) (whether or not a certified PEO), or a management company.

While the Forms 990-EZ and 990-PF were not redesigned to align with the Form 990, minor changes to their instructions regarding compensation reporting have been made over the years, and tax-exempt organizations have had the opportunity to comment on the Forms 990-EZ and 990-PF as well as on their instructions.

ANNOUNCEMENT 2001-33 REVOKED

The Department of the Treasury and the IRS have determined that it is no longer appropriate for tax-exempt organizations that file Form 990 series returns to rely on Announcement 2001-33 rather than follow the specific instructions to the Form 990, Form 990-EZ, and Form 990-PF. Tax-exempt organizations have had multiple opportunities to comment on the Form 990, Form 990-EZ, Form 990-PF, and related instructions over the years, including as part of the Form 990 redesign process and in response to Announcement 2011-36. Having all tax-exempt organizations report compensation in accordance with the specific Form 990 series instructions will improve transparency and compliance by making it easier for the public and the IRS to understand the financial operations, including compensation arrangements, of tax-exempt organizations that file Form 990 series returns. Accordingly, this announcement revokes Announcement 2001-33, effective for annual information returns required to be filed for taxable years beginning on or after January 1, 2022.

DRAFTING INFORMATION

The principal author of this announcement is La Vonne Fischer of the Office of Associate Chief Counsel (Employee Benefits, Exempt Organizations, and Employment Taxes). For further information regarding this announcement, contact La Vonne Fischer at (202) 317-5800 (not a toll-free number).

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The Form 990-PF instructions currently reference Announcement 2001-33; the reference will be removed.
Subpart A – Tax Conventions and Other Related Items

U.S. - Malta Competent Authority Arrangement

Announcement 2021-19

The following is a copy of the Competent Authority Arrangement entered into by the competent authorities of the United States of America and the Republic of Malta under paragraph 3 of Article 25 (Mutual Agreement Procedure) of the Convention between the Government of the United States of America and the Government of Malta for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income signed on August 8, 2008, and entered into effect on January 1, 2011 (the “Treaty”), regarding the meaning of “pension fund” for purposes of the Treaty.

The text of the Competent Authority Arrangement is as follows:

COMPETENT AUTHORITY ARRANGEMENT

The competent authorities of the United States of America and the Republic of Malta enter into the following arrangement (Arrangement) regarding the definition of the term “pension fund” under the Convention between the Government of the United States of America and the Government of Malta for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income signed on August 8, 2008, and entered into effect on January 1, 2011 (Treaty). This Arrangement is entered into under paragraph 3 of Article 25 (Mutual Agreement Procedure) of the Treaty.

It has come to the attention of the competent authorities that U.S. citizens and residents are establishing personal retirement schemes in Malta under the Retirement Pensions Act of 2011 with no limitation based on earnings from employment or self-employment, and are making contributions to these schemes in forms other than cash (e.g., securities). Questions have arisen in the United States about whether these personal retirement schemes are “pension funds” for purposes of applying the Treaty.

The term “pension fund” is defined in paragraph 1(k) of Article 3 (General Definitions) and is relevant for the application of Articles 1 (General Scope), 4 (Resident), 10 (Dividends), 17 (Pensions, Social Security, Annuities, Alimony, and Child Support), 18 (Pension Funds), and 22 (Limitation on Benefits) of the Treaty. Paragraph 1(k) of Article 3 of the Treaty states in relevant part that a pension fund means:

any person established in a Contracting State that is:

i) in the case of pension funds established in the United States, generally exempt from income taxation, and in the case of pension funds established in Malta, a licensed fund or scheme subject to tax only on income derived from immovable property situated in Malta; and

ii) operated principally either:

A) to administer or provide pension or retirement benefits; or

B) to earn income for the benefit of one or more persons meeting the requirements of subparagraph i) and clause A) of this subparagraph.

Under paragraph 3 of Article 25 of the Treaty, the competent authorities may resolve by mutual agreement any difficulties or doubts arising as to the interpretation or application of the Treaty.

The competent authorities confirm that a fund, scheme or arrangement established in a Contracting State that, except in the case of a qualified rollover from a pension fund established in the same Contracting State,

(a) is allowed to accept contributions from a participant in a form other than cash, or

(b) does not limit contributions by reference to earned income from personal services (including self-employment) of the participant or the participant’s spouse,

is not operated principally to administer or provide pension or retirement benefits within the meaning of paragraph 1(k) of Article 3 of the Treaty, and is therefore not a “pension fund”. The competent authorities therefore also confirm that distributions from this type
of fund, scheme or arrangement are not “pensions or other similar remuneration” in consideration of past employment for purposes of paragraph 1(b) of Article 17 of the Treaty. This type of fund, scheme, or arrangement includes a personal retirement scheme established in Malta under the Retirement Pensions Act of 2011.

Accordingly, U.S. citizens and residents may not claim benefits under paragraph 1(b) of Article 17 and Article 18 of the Treaty with respect to the type of fund, scheme or arrangement described in the paragraph immediately above, including a personal retirement scheme established in Malta under the Retirement Pensions Act of 2011. Additionally, these funds, schemes or arrangements may not apply paragraph 2(e) of Article 22 of the Treaty to be treated as a qualified resident and may not claim the benefits of paragraph 3 of Article 10 of the Treaty.

The competent authorities confirm that the interpretation in this Arrangement reflects the original intent of the Contracting States regarding the definition of “pension fund” for purposes of the Treaty.

Any fund, scheme or arrangement, or any participant thereof, established in Malta that is not described in this Arrangement, including any fund, scheme or arrangement established pursuant to Maltese legislation enacted after the date of signature of this Arrangement, may present its case to the U.S. or Maltese competent authority under Article 25 of the Treaty to determine whether the fund, scheme or arrangement qualifies as a “pension fund” within the meaning of paragraph 1(k) of Article 3 of the Treaty. Any such determination will be made only by the mutual agreement of the competent authorities.

The competent authorities will notify each other of any material changes in their respective legislation concerning retirement or pension benefits that is enacted after the date of signature of this Arrangement, provided that such changes may impact this Arrangement. In that event, the competent authorities will discuss whether such legislative changes warrant an update to this Arrangement.

Agreed to by the undersigned competent authorities:

/s/ United States Competent Authority
Date: November 30, 2021

/s/ Malta Competent Authority
Date: December 3, 2021
Definition of Terms

Revenue rulings and revenue procedures (hereinafter referred to as “rulings”) that have an effect on previous rulings use the following defined terms to describe the effect:

*Amplified* describes a situation where no change is being made in a prior published position, but the prior position is being extended to apply to a variation of the fact situation set forth therein. Thus, if an earlier ruling held that a principle applied to A, and the new ruling holds that the same principle also applies to B, the earlier ruling is amplified. (Compare with modified, below).

*Clarified* is used in those instances where the language in a prior ruling is being made clear because the language has caused, or may cause, some confusion. It is not used where a position in a prior ruling is being changed.

*Distinguished* describes a situation where a ruling mentions a previously published ruling and points out an essential difference between them.

*Modified* is used where the substance of a previously published position is being changed. Thus, if a prior ruling held that a principle applied to A but not to B, and the new ruling holds that it applies to both A and B, the prior ruling is modified because it corrects a published position. (Compare with amplified and clarified, above).

*Obsoleted* describes a previously published ruling that is not considered determinative with respect to future transactions. This term is most commonly used in a ruling that lists previously published rulings that are obsoleted because of changes in laws or regulations. A ruling may also be obsoleted because the substance has been included in regulations subsequently adopted.

*Revoked* describes situations where the position in the previously published ruling is not correct and the correct position is being stated in a new ruling.

*Superseded* describes a situation where the new ruling does nothing more than restate the substance and situation of a previously published ruling (or rulings). Thus, the term is used to republish under the 1986 Code and regulations the same position published under the 1939 Code and regulations. The term is also used when it is desired to republish in a single ruling a series of situations, names, etc., that were previously published over a period of time in separate rulings. If the new ruling does more than restate the substance of a prior ruling, a combination of terms is used. For example, modified and superseded describes a situation where the substance of a previously published ruling is being changed in part and is continued without change in part and it is desired to restate the valid portion of the previously published ruling in a new ruling that is self contained. In this case, the previously published ruling is first modified and then, as modified, is superseded.

*Supplemented* is used in situations in which a list, such as a list of the names of countries, is published in a ruling and that list is expanded by adding further names in subsequent rulings. After the original ruling has been supplemented several times, a new ruling may be published that includes the list in the original ruling and the additions, and supersedes all prior rulings in the series.

*Suspended* is used in rare situations to show that the previous published rulings will not be applied pending some future action such as the issuance of new or amended regulations, the outcome of cases in litigation, or the outcome of a Service study.

Abbreviations

The following abbreviations in current use and formerly used will appear in material published in the Bulletin.

A—Individual.
Acq.—Acquiescence.
B—Individual.
BE—Beneficiary.
BK—Bank.
B.T.A.—Board of Tax Appeals.
C—Individual.
C.I.—City.
COOP—Cooperative.
C.D.—Court Decision.
CY—County.
D—Decedent.
DC—Dummy Corporation.
DE—Donee.
Del. Ord.—Delegation Order.
DISC—Domestic International Sales Corporation.
DR—Donor.
E—Estate.
EE—Employee.
E.O.—Executive Order.
ER—Employer.

EX—Executor.
F—Fiduciary.
FC—Foreign Country.
F.P.H.—Foreign Personal Holding Company.
F.R.—Federal Register.
F.X.—Foreign corporation.
G.C.M.—Chief Counsel’s Memorandum.
GE—Grantee.
GP—General Partner.
GR—Grantor.
I.C.—Insurance Company.
LE—Lessee.
L.P.—Limited Partner.
L.R.—Lessor.
M—Minor.
Nonacq.—Nonacquiescence.
O—Organization.
P—Parent Corporation.
P.H.C.—Personal Holding Company.
P.O.—Possession of the U.S.
P.R.—Partner.
PRS—Partnership.
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1A cumulative list of all revenue rulings, revenue procedures, Treasury decisions, etc., published in Internal Revenue Bulletins 2021–27 through 2021–52 is in Internal Revenue Bulletin 2021–52, dated December 27, 2021.
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