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DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
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The Honorable Robert E. Latta  
Member, U S House of Representatives  
1045 North Main Street, Suite 6  
Bowling Green, OH 43402

Dear Congressman Latta:

I am responding to your letter dated March 15, 2010, on behalf of your constituent, . asked if he could use a net operating loss incurred by his corporation as a deduction against income that he received from a lapsed life insurance policy.

Generally, the law treats a corporation as a separate taxable entity from its shareholders for tax purposes. Consequently, a taxpayer cannot use the business expenses of his corporation as a personal deduction to offset his own income. See e.g. *Deputy v. du Pont*, 308 U.S. 488, 494 (1939); *Noland v. Commissioner*, 269 F.2d 108, 111 (4<sup>th</sup> Cir.), cert. denied, 361 U.S. 885 (1959); *Gantner v. Commissioner*, 905 F.2d 241, 244 (8<sup>th</sup> Cir.), cert. denied, 498 U.S. 921 (1990); and *Kliethermes v. United States*, 27 Fed. Cl. 111, 113 (1992).

I hope this information is helpful. If you have additional questions, please contact or myself at .

Sincerely,

Christopher F. Kane  
Branch Chief, Branch 3  
(Income Tax & Accounting)