

**Regina Rose**

Senior Vice President, Tax Policy  
(202) 624-2154 t  
[reginarose@acli.com](mailto:reginarose@acli.com)

**Mandana Parsazad**

Vice President & Senior Tax Counsel, Tax Policy  
(202) 624-2152 t  
[mandanaparsazad@acli.com](mailto:mandanaparsazad@acli.com)

**Sarah Lashley**

Assistant Vice President, Tax Policy  
(202) 624-2016 t  
[sarahlashley@acli.com](mailto:sarahlashley@acli.com)

May 29, 2025

Via Electronic Submission: [www.regulations.gov](http://www.regulations.gov)

Internal Revenue Service  
Attn: CC:PA:01:PR (Notice 2025-19)  
Room 5203  
P.O. Box 7604  
Ben Franklin Station  
Washington, D.C. 20044

**Re: Notice 2025-19, 2025-2026 Priority Guidance Plan (“PGP”) Recommendations**

Dear Sir/Madam:

The American Council of Life Insurers (“ACLI”) appreciates the opportunity to provide our recommendations in response to Notice 2025-19 for the 2025-2026 PGP. While life insurers are subject to the rules generally applicable to C corporations, they also are subject to rules unique to life insurance companies under subchapter L. Additionally, specific rules apply to the products we provide to our consumers, which include individual taxpayers of all income levels. Insurance-specific guidance is vital to the efficient functioning of our industry on behalf of the 90 million American families who rely on our products to protect their financial and retirement security. The industry is also the single largest investor in U.S. corporate bonds, investing in Main Street America. We thus make these recommendations as we work to expand access to life insurance, retirement savings products

**American Council of Life Insurers** | 101 Constitution Ave, NW, Suite 700 | Washington, DC 20001-2133

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The ACLI is the leading trade association driving public policy and advocacy on behalf of the life insurance industry. 90 million American families rely on the life insurance industry for financial protection and retirement security. ACLI's member companies are dedicated to protecting consumers' financial wellbeing through life insurance, annuities, retirement plans, long-term care insurance, disability income insurance, reinsurance, and dental, vision and other supplemental benefits. ACLI's 280 member companies represent 94 percent of industry assets in the United States.

including lifetime income, long-term care, disability income, and supplemental benefits that help to bridge gaps for middle-income families and fuel economic and job growth across the country.

We are mindful of the factors set forth in Notice 2025-19 for prioritizing guidance, including the factors set forth in Executive Order 14219, and we believe that each item for which we request guidance fits squarely within Notice 2025-19. Each guidance recommendation discussed below would resolve significant issues relevant to a broad class of taxpayers -- both life insurers and their policyholders -- and would greatly reduce controversy and complexity for both taxpayers and the Internal Revenue Service ("IRS"). As discussed in more detail, each item also represents an important opportunity to reduce tax compliance costs that are not outweighed by benefits for tax policy or tax administration, to reduce controversy, and to lessen the burden on both taxpayers and the IRS. Each item that we recommend could be drafted in a manner that is both understandable and administrable. In fact, we believe that publishing the items we recommend would improve clarity and thus make the relevant provisions easier, not more difficult, for life insurers to apply.

In addition to providing standards for prioritizing published guidance, Notice 2025-19 requests feedback on existing regulations or other guidance that is "outdated, unnecessary, ineffective insufficient, or unnecessarily burdensome and that should be modified, streamlined, expanded, replaced or withdrawn." Section 3 of Executive Order 14192 further requires that whenever an agency publicly proposes or otherwise promulgates a new regulation, it must identify at least 10 existing regulations to be repealed. To assist the IRS in this effort, we have not limited our recommendations to items for which new regulations are needed. Rather, we have more broadly included items for which additional guidance is NOT needed and, in some cases, existing rules that appropriately could be withdrawn.

Our recommendations, described in greater detail in the following sections, address both company and product-related issues:

#### Insurance Company Guidance Recommendations:

- Regulations under the Corporate Alternative Minimum Tax ("CAMT") should be prioritized
- Life-Nonlife consolidated return regulations should be dramatically simplified
- Proposed regulations related to built-in gain and loss should not be finalized without making recommended changes
- Relief should be provided for late partnership K-1 reporting

#### Insurance Product Guidance Recommendations:

- No guidance is needed on the application of the doctrine of constructive receipt to annuity contracts
- Some remaining guidance needed under SECURE 2.0 is time-sensitive
- Changes are needed to existing guidance on the implementation of SECURE 1.0
- The generation skipping transfer tax ("GSTT") withholding obligation on insurance companies should be eliminated or modified
- No further guidance is needed on Paid Family and Medical Leave ("PFML") programs

Additionally, prior years' priority guidance plans included an insurance-related item for which the industry believes no guidance is necessary. That item is guidance on the exchange of property for an annuity contract, which was the subject of regulations proposed in 2006. At this point, we are unaware of controversy in this area, nor are we aware of any burden these transactions impose on tax administration. Withdrawing these proposed regulations (or at least excluding them from any mention in the 2025-2026 PGP) would be well within the letter and spirit of Executive Order 14192.

## **INSURANCE COMPANY GUIDANCE RECOMMENDATIONS**

### **Regulations under the CAMT should be prioritized**

We believe that guidance under the CAMT deserves the highest priority for published guidance. On September 13, 2024, the IRS and Treasury published proposed regulations providing comprehensive guidance on the CAMT. Insurance companies are particularly affected by the CAMT, and we appreciate the consideration given to our comments in the development of those regulations.

Some provisions of the proposed regulations are critical to the proper implementation of the tax. In particular, Prop. Reg. §1.56A-22(c) addresses the treatment of contracts for which an insurance company's obligations to policyholders (and thus the reserves with regard to the contracts) reflect the change in value of a designated pool of assets supporting the contracts. The provision prevents a mismatch that otherwise could significantly overstate or understate Adjusted Financial Statement Income ("AFSI") relative to an insurer's economic or taxable income. Prop. Reg. §1.56A-22(d) addresses the accounting for funds withheld reinsurance and modified coinsurance, and prevents similarly unintended mismatches that otherwise could arise solely due to the unique rules of insurance accounting. Both rules previously appeared in Notice 2023-20, and respond to comments we submitted on September 27, 2022, and [April 3, 2023](#). Absent these rules, the CAMT could impose a burden that far exceeds what Congress ever intended; could, as a result, limit the ability of some insurers to continue to offer certain types of products at affordable prices; and could generate significant controversy between taxpayers and the IRS.

Other provisions of the proposed regulations, however, are based upon concepts not found in section 56A and impose enormous and unjustifiable burdens on taxpayers. In particular, Prop. Reg. §1.56A-5 applies a "bottom-up" approach for partnerships to report partnership AFSI to partners and a needlessly complex five-step process to compute a partner's distributive share of partnership AFSI. The proposed regulation is extraordinarily burdensome and needlessly complex, particularly for taxpayers (such as many life insurers) that own interests in hundreds or more partnerships, many of which in turn own interests in additional partnerships. Public comments on the regulation offered a number of simpler approaches. ACLI's January 14, 2025, comment letter can be viewed [here](#).

Prop. Reg. §1.56A-17 provides essential rules to prevent duplications or omissions as a result of a change in accounting principle but includes a requirement to disregard amounts attributable to pre-2020 years in computing the "accounting principle change amount." This requirement does not appear in the Internal Revenue Code ("Code") nor, in fact, in the IRS's own predecessor guidance. (See Notice 2023-64, section 11.02(2).) Unless the requirement to disregard pre-2020 amounts is made elective, Prop. Reg. §1.56A-17 will result in an enormous, unjustifiable burden on IRS examiners and life insurers in most cases. In fact, implementation of the carveout for pre-2020

amounts could be impossible for some insurers with reserves related to decades-old contracts and could result in purposeless, drawn-out controversy between taxpayers and the IRS. ACLI's January 14, 2025, comment letter can be viewed [here](#).

Finally, the effective date regime for the CAMT proposed regulations as a whole is unreasonably complex and, in some cases, nonsensical. Various sections (and in some cases subsections) of the proposed regulations have their own applicability dates, and reliance on parts of the proposed regulations is conditioned on compliance with other parts of the proposed regulations which, themselves, are likely to change in response to comments. It would be simplest to allow taxpayers to rely on either a particular section of the proposed regulations or the corresponding interim guidance published in 2023 and 2024. This would dramatically simplify the applicability dates, reduce controversy between taxpayers and the IRS, and promote fairness by allowing reliance on rules that, within the past two years, the IRS itself has thought appropriate. In addition, regardless of any changes made to simplify the various effective dates, those dates should be delayed to allow at least a year for companies to implement final regulations. As a whole, the guidance in the CAMT regulations is far too complex for a company to simply implement at the beginning of the next taxable year after final regulations are issued.

### **Life-Nonlife Consolidated Return Regulations should be dramatically simplified**

The life-nonlife consolidated return regulations (Treas. Reg. §1.1502-47) are the "poster child" for Federal income tax deregulation. For the past few years, the PGP has included a project on "Regulations regarding life-nonlife consolidated groups under section 1.1502-47." The need for updating these obsolete, needlessly burdensome regulations is urgent, and we strongly request that the item be prioritized for guidance in the 2025-2026 PGP.

ACLI has long and consistently maintained that many parts of those regulations are outdated, unnecessary, and in need of fundamental revision. These regulations affect nearly every significant life insurance group. Even though the regulations were updated most recently in 2020, most of their substantive provisions have remained virtually unchanged since they were promulgated nearly 40 years ago. In many instances, the regulations are not the best reading of the underlying statute and impose significant costs on taxpayers and the IRS that are not outweighed by public benefits. For example:

- They impose requirements beyond anything in the statute. For example, the statute places limitations on ordinary losses, but the regulations impose limitations on both capital and ordinary losses.
- Since the promulgation of the life-nonlife consolidated returns, the Subchapter L regime for taxing life insurance companies changed dramatically, rendering obsolete many of the concerns the regulations were drafted to address.
- Since their promulgation, the regulations also have not kept up with changes to consolidated return guidance that applies to other C corporations, such as separate return limitation year ("SRLY") rules and the CAMT.
- The regulations are extraordinarily complex and impose unreasonable costs and burden on both taxpayers and the IRS, with little tax policy or tax administration benefit, and are required

to be revisited every time there is a change in law (e.g., the CAMT) which results in additional burden on taxpayers and the government alike.

- The regulations could be streamlined significantly, replaced, or withdrawn in favor of more limited guidance as necessary.

ACLI has given significant thought to how the regulations could be dramatically simplified and has spent a great deal of time over the past several years discussing our recommendations with personnel within the IRS and Treasury. Our detailed recommendations can be found in ACLI's 2021 PGP [comment letter dated May 28, 2021](#), and in multiple earlier submissions. Our recommendations would bring much-needed clarity for both taxpayers and the government, thereby reducing controversy and promoting sound and consistent tax administration. ACLI is interested in continuing conversations with the IRS and Treasury on how to most efficiently and effectively enact changes to the life-nonlife regulations that would reduce controversy, complexity and burden for both taxpayers and the government.

### **Proposed regulations related to built-in gain and loss should not be finalized without making recommended changes**

The 2024-2025 PGP includes a project for guidance under section 382(h)(6) for which proposed regulations were published in September 2019 and January 2020. ACLI submitted comments on the proposed regulations in a [letter dated November 11, 2019](#).

ACLI's comment letter made the following points with respect to the application of the proposed regulations to an acquisition of a life insurance business:

- The computation of net unrealized built-in gain ("NUBIG") and net unrealized built-in loss ("NUBIL") under the proposed regulations' assumption of a hypothetical sale of assets at fair market value to an unrelated third party that assumes no liabilities is unworkable in the context of acquisition of a life insurance business.
- Existing regulations recognize that tax-deductible reserves, as determined under the requirements of Subchapter L of the Code, are the proper measure for valuing the intangible asset for in-force insurance contracts ("value of insurance in-force" or "VIF") for other Federal income tax purposes and should likewise be the measure of VIF for purposes of section 382.

If final regulations retain the approach set forth in the proposed regulations,<sup>1</sup> ACLI recommends that a life insurance company exception be added to the final regulations that would:

- Recognize that in a hypothetical sale of insurance contracts by a life insurance company a hypothetical buyer would necessarily have to assume the liabilities under the contracts;

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<sup>1</sup> If a different framework for the determination of NUBIG/NUBIL is adopted in response to general comments on the proposed regulations (such as a framework more consistent with the section 338 approach previously set forth in Notice 2003-65), public comments should be requested on whether such different approach addresses the unique issues involved in the acquisition of a life insurance business.

- Incorporate the principles in existing regulations relating to a hypothetical sale of insurance contracts that treat a deemed sale as an assumption reinsurance transaction and use tax reserves in determining the value of the insurance contracts; and
- Recognize that the rules are specifically prescribed for the determination of tax reserves deductible by a life insurance company, and that increases or decreases in such prescribed deductible amounts should be taken into account in the deemed sale in the same manner as a deductible accrued liability.

In addition, the final regulations should allow intangible assets such as VIF to be recognized as built-in gain as they are earned during the recognition period.

### **Relief should be provided for late partnership K-1 reporting**

We request a consistent, practical, and administrable process for both taxpayers and the IRS that does not require a company to file amended returns every time a Schedule K-1 is received after it is too late to include in its return. To reduce the burden on both taxpayers and the IRS that results from these late filings, we recommend a formal administrative practice or examination guidance (such as an Industry Director's Directive) to address the issue.

Partnership reporting is a matter of significant importance to the life insurance industry, which accounts for a substantial number of investments in, or sponsorship of entities treated as partnerships for U.S. federal income tax purposes. As investors in partnerships, mostly as limited partners, we collect tens of thousands of K-1s each year. Many of the partnerships in which life insurance companies invest are tiered partnerships that must gather information from lower-tier partnerships before issuing a K-1, adding to the complexity of the reporting process. As sponsors or general partners of investment fund entities, our members are also charged with the filing of numerous partnership tax returns and K-1s annually. A substantial portion of the Schedule K-1s insurance companies receive are provided too late for insurers to properly report the data contained therein on their extended tax returns. Even with the 30-day difference in due dates for insurance company returns and partnership returns, there is not nearly enough time for K-1 information to reach insurers to be timely included in insurer returns, given the amount of work required for review and compilation of forms and schedules, for computing expense allocations, and for performing consolidated tax liability calculations under the life-nonlife consolidated return regulations, which are complex and time-consuming. Accounting for the late Schedule K-1s is not solely a matter of correctly calculating taxable income and filing amended returns. It also involves completing and filing ancillary forms, foreign disclosures, and elections. Late Schedule K-1s add additional work, costs, and complexity for insurers and the IRS. As partnership reporting continues to require more and more information, including potential CAMT disclosures, this issue will only be exacerbated.

We note that the IRSAC ("Internal Revenue Service Advisory Council") in its 2022 Annual Report recommended that the IRS adopt procedures for large corporate taxpayers that could include using good faith estimates with respect to late-received Schedule K-1s on current year tax returns and then true up these estimates as needed on the subsequent tax year's tax return.

## INSURANCE PRODUCT GUIDANCE RECOMMENDATIONS

### No guidance is needed on the application of the doctrine of constructive receipt to annuity contracts

We join the Committee of Annuity Insurers in expressing serious concerns with the nature and scope of the item on the 2023-2024 and 2024-2025 PGPs regarding “Guidance under section 72 on the application of the doctrine of constructive receipt to annuity contracts.” We strongly recommend that it not be included in the 2025-2026 PGP. Any guidance applying the doctrine of constructive receipt to annuity contracts would have a significant disruptive effect on nonqualified annuity contracts. Moreover, it is possible that these disruptive effects could extend to life insurance contracts, distributions from which are also addressed in section 72.

The comprehensive rules in section 72 preclude the constructive receipt doctrine from applying to the inside buildup of an annuity or life insurance contract. Congress carefully crafted these rules to encourage the use of annuities for retirement income and savings. Deviating from these rules not only would have no sound basis in law, but also would necessitate the redesign of contracts, rebuilding of administrative systems, and development of new procedures.

Moreover, the inherently factual nature of the doctrine of constructive receipt would create substantial disruption, increase controversy, and complicate tax administration and compliance. Given the technical challenges described above, the breadth of controversy such guidance would generate, and the inability of the IRS to identify any abuse that it seeks to curtail, we strongly recommend that this item be removed from the PGP.

### Some remaining guidance needed under SECURE 2.0 is time sensitive

We request administrative guidance or instruction on the implementation of sections 401(a)(39) and 6050Z, concerning qualified long term care distributions from a trust forming part of a defined contribution plan. These provisions will first be effective for distributions after December 29, 2025, so time is of the essence. Those plans and long-term care issuers that choose to offer this alternative to participants need administrative instructions on the mechanics for satisfying the long-term care premium statement requirement of section 401(a)(39)(E), and information return requirement of section 6050Z.

We understand that Treasury is considering issuing guidance under section 817 to facilitate the use of exchange-traded funds as investment options under variable contracts. We look forward to providing ACLI member companies’ perspective on this guidance project.

In addition, ACLI submitted a comment letter on March 8, 2023, requesting guidance on several other items needed for implementing SECURE 2.0. We acknowledge and thank the Treasury and the IRS for the clarifying guidance provided to-date. We recommend that the remaining unaddressed items, which are of great importance to the life insurance industry, be included on the PGP. Among those items, one that is particularly time sensitive is the request to update the IRS model language within the Listings of Required Modifications (“LRMs”). Providers of Traditional, Roth, and SEP-IRAs will require at least one full plan year to file (and receive approval of) the updated amendments with the states, notify customers, make changes to administrative systems, and meet

the deadline provided under SECURE 2.0. As the model language has not been published and we are in the middle of 2025, the deadline for amending such plans will need to be pushed to at least December 31, 2027 to allow companies sufficient time for implementation.

### **Changes are needed to existing guidance on the implementation of SECURE 1.0**

Existing regulations under section 401(a)(9) include requirements that are burdensome, unnecessary, and beyond what the Internal Revenue Code requires. As background, in 2022 the IRS proposed regulations relating to required minimum distributions, in part to address amendments made by the SECURE Act, or SECURE 1.0 (REG-105954-20, 87 Fed. Reg. 10504) Many stakeholders commented on those proposed regulations, and in 2024 the IRS and Treasury finalized the regulations taking a number of those comments into account. (T.D. 10001, 89 Fed. Reg. 58886) As finalized, the regulations still contain features that are unnecessary and burdensome. For example, the 10-year rule of §1.401(a)(9)-5 incorrectly requires distribution of amounts during the 10-year period following an employee's death and adds complexity by requiring a beneficiary to know whether a deceased employee's required beginning date for distributions fell before or after their date of death. In addition, the "hypothetical RMD" rule for surviving spouses under §1.402(c)-2 has no support in the Internal Revenue Code and adds extraordinary complexity to the determination of RMDs for surviving spouses. The rules for trusts also introduce concepts that do not exist elsewhere in the tax law, or in state law that governs trusts. These rules impose an unreasonable and unnecessary burden on both administrators and individuals and represent an opportunity for the IRS and Treasury to reduce burden and to follow more closely to what the Code actually requires.

We are aware of more detailed comments on these issues by the Committee of Annuity Insurers, and we agree with their comments.

### **The GSTT withholding obligation on insurance companies should be eliminated or modified**

The current withholding requirement imposed on issuers of life insurance policies and annuity contracts is unduly burdensome and should be eliminated.

Under Example 5 of current Treasury Regulation §26.2662-1(c)(2)(vi), all life insurance policies and annuity contracts issued in the ordinary course of business are treated as "trust arrangements" for purposes of the GSTT. In those instances where the aggregate proceeds payable from those policies exceeds \$250,000 and those proceeds are payable to individuals or trusts that are defined as "skip persons" for purposes of the GSTT, the insurance company is subject to a withholding obligation. The current regulation imposes this withholding obligation on the insurance company even though there is in fact no trust, and the insurance company has no business reason to collect information to determine whether the designated beneficiaries are "skip persons."

If the existing requirements are not entirely withdrawn, we believe that the withholding obligation should at least be modified to relieve the insurance company of any withholding obligation unless the cumulative policy values transferred by the company to skip persons exceed the value of the Federal GSTT exemption applicable in the year of the policy owner's death. Since no Federal generation-skipping transfer tax liability attaches until the cumulative value of all transfers subject to the tax by any one individual exceeds the individual's exemption from that tax (\$13,990,000 for decedents dying in 2025), the tax rarely even applies.

The compliance burden imposed by the existing regulation is unjustifiable and grossly disproportionate to any benefit it may serve. It charges the insurance company with a determination of facts it has no reason to collect in the ordinary course of business and serves little purpose in circumstances where the cumulative policy values transferred to skip persons exceed the value of the Federal GSTT exemption in the year the policy owner dies.

**No further guidance is needed on the treatment of PFML programs**

ACLI appreciates the guidance provided in Rev. Rul. 2025-4 on the treatment of contributions and benefits under state paid PFML programs, and believes the ruling is useful and clear.<sup>2</sup> We do not believe further guidance is needed. We would, however, be happy to provide input if, in the future, the IRS and Treasury considers further guidance on PFML – particularly guidance on the treatment of private or self-insurance. We appreciate your willingness to work with us in the past and hope those efforts were helpful in the development of Rev. Rul. 2025-4. ACLI members have given these issues a great deal of thought and have access to information that we think the IRS and Treasury would find useful should additional guidance be considered.

**OTHER**

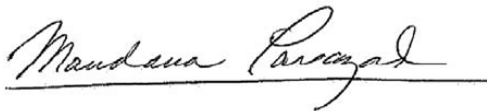
ACLI continues to work to identify additional insurance-specific regulations and other guidance that is obsolete, unnecessary, unjustifiably burdensome, or that otherwise is inconsistent with Notice 2025-19 and Executive Order 14192. We will follow-up with the IRS and Treasury on those additional items.

Thank you for your attention to these recommendations for the 2025-2026 PGP. We welcome the opportunity to discuss our recommendations and to work with you on these issues in the coming months.

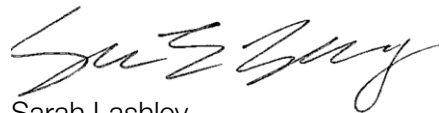
Sincerely,



Regina Y. Rose



Mandana Parsazad



Sarah Lashley

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<sup>2</sup> See ACLI's comment letter in response to Rev. Rul. 2025-4 [here](#).