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If you have any comments on this draft, you can email us at taxforms@irs.gov or submit them to us on our IRS.gov page titled Comment on Forms and Publications. Please include the form or publication number in the subject. We cannot respond to all comments due to the high volume we receive, but we will carefully consider each suggestion. Please note that we may not be able to consider many suggestions until the subsequent revision.

Form **8816**
(Rev. September 2013)
Department of the Treasury
Internal Revenue Service

Special Loss Discount Account and Special Estimated Tax Payments for Insurance Companies

▶ Information about Form 8816 and its instructions is at *www.irs.gov/form8816.*
▶ Attach to tax return.

OMB No. 1545-1130

Name

Employer Identification Number

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Part I Special Loss Discount Amount

	Accident year					
1	Undiscounted unpaid losses					
2	Discounted unpaid losses					
3	Special loss discount limitation. Subtract line 2 from line 1					

Part II Special Loss Discount Account (See instructions.)

4	Balance at the beginning of the year					
5	Additions—section 847(4)					
6	Subtractions—section 847(5)					
7	Balance at the end of the year. Add lines 4 and 5 and subtract line 6 from the result					

Part III Special Estimated Tax Payments (See instructions.)

8	Balance at the beginning of the year					
9	Payments made for year					
10	Prior section 847 payments transferred to current year					
11	Payments applied for year					
12	Balance at the end of the year. Add lines 8 through 10 and subtract line 11 from the result					

General Instructions

Section references are to the Internal Revenue Code.

Purpose of form. Form 8816 must be filed by insurance companies that elect to take an additional deduction under section 847.

Consolidated return. Each member of a consolidated group claiming a section 847 deduction must file a separate Form 8816. Do not combine several taxpayers on one Form 8816. If a consolidated return is filed on Form 1120 and one or more members of the group is claiming a section 847 deduction, enter "Form 8816" and the amount on the dotted line next to line 13 on Form 1120, Schedule J, Part II. This will assist the IRS in properly accounting for your Special Estimated Tax Payments.

When to file. Attach Form 8816 to the Form 1120-PC, Form 1120-L, or Form 1120 filed for the tax year of the additional deduction and for each subsequent tax year that has a remaining amount of unpaid losses resulting from the deduction.

Specific Instructions

Note: *All line references to Form 1120-L, Form 1120-PC, and Form 1120 are to the 2012 forms.*

Part I. Special Loss Discount Amount

Accident year. Enter the four digit accident year in the space provided at the top of each column. For example, enter accident year 2011 as 2011.

Line 1. Enter the undiscounted unpaid losses (as defined in section 846(b)) for each accident year, measured as of the end of the tax year, related to losses incurred in tax years beginning after December 31, 1986.

Line 2. Enter the related discounted unpaid losses determined under section 846.

Part II. Special Loss Discount Account (SLDA)

Keep a separate SLDA for each accident year for which an additional deduction under section 847 is claimed. Do not net amounts from one year against amounts from another year.

Line 4. Enter the balance in the SLDA at the beginning of the year for which this return is filed.

Line 5. The amount entered on line 5 may not exceed the amount on line 3. The total of the amount(s) reported on line 5 must be the same amount as on Form 1120-PC, Schedule A, line 27, or Form 1120-L, page 1, line 17. For purposes of Form 1120, this amount is included in line 26, page 1, Form 1120. Generally, additions are only made in the initial year of a specific loss year's account.

Line 6. Enter on this line and on Form 1120-PC, Schedule A, line 12, Form 1120-L, page 1, line 6, or Form 1120, page 1, line 10 amounts that are required to be removed from the SLDA and included in income. See section 847(5) for details.

Note: *Section 847(5) requires that, to the extent that any amount added to the SLDA is not subtracted from the SLDA before the 15th year after the year for which the amount was added, the amount must be subtracted from the SLDA for the 15th year and included in gross income for the 15th year.*

Line 7. The amount entered on this line may not exceed the amount on line 3.

Part III. Special Estimated Tax Payments (SETPs)

Use Part III to reconcile the corporation's SETPs for each tax year it has made a section 847 election.

Section 847(8) (tax benefit determination) requires that if a taxpayer carries back net operating losses or capital losses that arise in years after a year in which a section 847 deduction was claimed, the taxpayer must recompute the tax benefit attributable to the previously claimed section 847 deduction taking into account the loss carrybacks. Tax benefits also include those derived from filing a consolidated return with another insurance company (without regard to section 1503(c)).

Therefore, if this recomputation changes the amount of the section 847 tax benefit, the taxpayer must provide a computation schedule and attach it to Form 8816.

Line 8. The amount entered on this line should be the same as the ending balance for this account for the year immediately preceding this year. If the amounts are different, attach an explanation.

Line 9. Enter the total payments made for this accident year. The amount entered on this line for the current accident year must agree with the figures shown on Form 1120-PC, page 1, line 14d, or Form 1120-L, page 1, line 29d. For purposes of Form 1120, this amount is included on Form 1120, Schedule J, Part II, line 13.

Generally, payments are only made in the initial year an account is established. If amounts are added in subsequent years, attach an explanation.

Line 10. Enter the amount of SETPs made in a prior year that are treated as having been made for the current year (which allows a current deduction under section 847). In effect, the amount on line 10 will be treated as having been transferred from one accident year to another accident year. This line is intended to ensure the proper accounting of SETPs and to avoid the unnecessary exchange of monies between taxpayers and the IRS.

Example: Assume for calendar year 2012, a taxpayer has $1 million in taxable income without regard to section 847 and has made estimated tax payments sufficient to satisfy its liability. For prior accident year X, the taxpayer took a section 847 deduction and paid a SETP.

- In year 2012, a portion of that prior accident year's discount reverses ($50,000), and $50,000 is includible in income (Part II, line 6) and results in an increased tax liability of $17,000. Also in year 2012, the taxpayer takes a section 847 deduction of $50,000 for accident year 2009 requiring a SETP of $17,000.
- Instead of actually making a SETP of $17,000 for year 2012, the taxpayer can enter $17,000 on line 10 for accident year 2012 and transfer that amount from the balance of SETP for accident year X to accident year 2012. The taxpayer must also include $17,000 on Part III, line 11, for accident year X.

Line 11. Enter the total payments applied to pay additional tax due as a result of including in income amounts required by section 847(5). The total of the amount(s) on line 11 must agree with the amount on Form 1120-PC, page 1, line 14b, or Form 1120-L, page 1, line 29b. For purposes of Form 1120, this amount is included on Form 1120, Schedule J, Part II, line 13.

Line 12. To the extent that a SETP is not used to offset additional tax due for any of the first 15 tax years beginning after the year for which the payment was made (i.e., to the extent there is a balance on line 12 at the end of the 15th tax year beginning after the year for which the payment was made), that SETP shall be treated as an estimated tax payment made under section 6655 for the 16th year after the year for which the payment was made. Enter these amounts on Form 1120-PC, page 1, line 14c, or Form 1120-L, page 1, line 29c. For purposes of Form 1120, this amount is included on Form 1120, Schedule J, Part II, line 13.

Paperwork Reduction Act Notice. We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file this form varies depending on individual circumstances. The estimated average time is:

Recordkeeping . . . . 4 hr., 18 min.

Learning about the law or the form . . . . . 1 hr.

Preparing, copying, assembling, and sending the form to the IRS . . . . . 1 hr., 6 min.

If you have any comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. See the instructions for Form 1120-PC, Form 1120-L, or Form 1120.

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