ACLI
Financial Security...for Life.

ACLI Submission Letter to International Tax Working Group

As the Working Group on International Tax turns its attention to life insurance companies with global interests, there are industry-specific matters to consider that relate directly to our growth and competitiveness overseas. Globalization and economic development outside our borders mean there is a new and growing international appetite for our products in other countries, with premium growth opportunities in other regions rivaling those domestically. The protection and guarantees our products offer are not available from any other financial services companies, and US life insurers are innovators in global markets. It is important, therefore, that any international tax regime puts us on a level playing field with foreign competitors and that the rules properly reflect the features of our business model that are unique to the life insurance industry.

In this vein, it is necessary, in any given international tax regime change, that permanent rules exist to recognize active financing income of a US-based insurance company's foreign subsidiary to ensure that it is not swept up and mischaracterized as passive, investment-type income (active finance exception to subpart F). Likewise, because the existing rules related to the active financing exception already serve an anti-base erosion function, to the extent a transition tax or minimum tax anti-base erosion regime is contemplated in any international regime shift, reform efforts should only consider adding one fair and targeted minimum tax, not two additional layers.

Another point for consideration is that the life insurance industry is a heavily regulated industry, both at home and abroad. Foreign regulators often have legal requirements that differ from our domestic requirements in ways that can significantly affect the timing and measurement of income. To that end, it is important to consider the existence of foreign statutory requirements generally when designing rules that define income earned abroad.

The ACLI has been pleased to have the opportunity to provide ongoing input into efforts at reforming our international tax system over the past several years. Our companies have spent a great deal of time living with the complexities of the current rules, and have, in other submissions to Capitol Hill, described a full host of suggested revisions to ensure the rules operate more accurately and effectively. At this stage, we are focusing on several practical approaches that we feel would go a long way towards making the active financing rules more workable and accurate for our industry.

The life insurance industry stands ready to work with you in the interest of tax reform whose goals—producing economic growth and ensuring competitiveness—are worthy. The life insurance industry bears a substantial tax burden under current law and asks at a minimum that reform not result in harmful additional impacts on our customers, products, or companies.

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