

MEMORANDUM TO AALU MEMBERS

FROM: Sidney A. Friedman, CLU, ChFC
DATE: January 24, 2001
RE: IRS Notice 2001-10/Equity Split Dollar

On January 10th AALU Bulletin No. 01-3 reported to you on IRS Notice 2001-10 respecting new proposed IRS rules for split dollar insurance. The next day, on January 11th, I wrote to you advising of AALU's initial efforts in response and indicated that we would be in touch shortly respecting, among other things, your role in that response.

We are not quite ready to conclude our precise plan of action. The matter is a complex one, the Notice itself is in many ways confusing and we do not want to decide hastily on a course of action. We hope shortly to have in your hands a Washington Report which reviews this subject in technical detail, followed by a more complete report from me on the steps we will be taking.

This matter is at the top of AALU's agenda, along with the potential estate tax repeal. AALU will be devoting its entire resources not only to maximizing the future posture of split dollar life insurance but, perhaps more importantly, to providing grandfathering protection to all policies and transactions in place prior to the issuance of the Notice.

AALU has some of the foremost split dollar experts involved in our efforts. Our special split dollar task force is chaired by past AALU President Dave Downey, and Mike Harahan, who spearheaded our efforts in response to TAM 9604001, is playing an active role as well.

I will take a moment to provide a brief update on developments and our activities. On Saturday, January 20, immediately following President Bush's Inauguration, the White House, in a memorandum signed by Chief of Staff, Andrew Card, stated that "no proposed or final regulations [should be sent] to the office of the Federal Register unless and until the department or agency head appointed by the President after noon on January 20, 2001 reviews and approves the regulatory action." We are urging that this should apply to Notice 2001-10.

In addition, AALU has met with officials from the Internal Revenue Service and the Treasury Department, who have been working on the split dollar project, to try to get a better understanding of the thinking behind Notice 2001-10.

We anticipate providing more specific information soon. Meanwhile, please contact Tom Korb at AALU with questions and thoughts you may have on the issue by email to korb@aalu.org. Thank you.