

**DEPARTMENT OF THE TREASURY**

**OFFICE OF PUBLIC AFFAIRS**

For Immediate Release

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**TREASURY WORKS TO STEM THE INAPPROPRIATE USE OF  
LIFE INSURANCE AND ANNUITY CONTRACTS**

Today, the Treasury Department and the Internal Revenue Service issued two revenue rulings designed to curtail the abusive use of life insurance and annuity contracts to avoid current taxation on investment earnings. Life insurance and annuity contracts receive favorable treatment under the Internal Revenue Code, including deferring tax on the investment earnings of those contracts, because they serve important goals, specifically providing life insurance protection or a means of saving for retirement.

In recent years, the sale of life insurance and annuity contracts "wrapped" around other investments has proliferated. These arrangements seek to defer tax on the investment earnings of those contracts. The Treasury Department believes that these life insurance contracts and annuity contracts are purchased primarily as a way to avoid current taxation on investment earnings and not for life insurance protection or a means of saving for retirement.

Revenue Ruling 2003-91 and Revenue Ruling 2003-92 will curtail the purchase of life insurance and annuity contracts primarily for tax avoidance purposes. These revenue rulings are an important step in the Treasury Departments ongoing efforts to prevent taxpayers from using insurance products and insurance companies as a means to shelter income from current taxation.

Attachments:

Revenue Ruling 2003-91

Revenue Ruling 2003-92