

FBAR: U.S. Taxpayer Reporting Foreign Life Insurance Policy **(Tax Year 2008)**

In response to my inquiry, the IRS clarified that a foreign life insurance policy is a foreign financial account if it includes a cash surrender value. The IRS 7/31/09 response:

1. Is a foreign life insurance policy with cash surrender value a financial account for FBAR reporting purpose?

A financial account, as defined in the FBAR General Instructions, includes "savings, demand, checking, deposit, time deposit, or any other account maintained with a financial institution or Other Person engaged in the business of a financial institution." An insurance policy with cash surrender value can "store" cash, available for withdrawal at a later time, and for this reason is treated as a financial account with a financial institution for FBAR purposes. If the insurance policy is located in a foreign country and has cash surrender value, the policy holder may have to report the policy on a FBAR. For FBAR reporting purposes, the cash surrender value of the policy is the value of the account.

Insurance policies that are issued by a foreign-owned company but that are acquired through an insurance agent located in the United States is not a foreign financial account and is not required to be reported on an FBAR.

For Tax Year 2008, if the foreign life insurance policy is owned by either an individual, or a trust with one beneficiary, the FBAR filing is due by September 23, 2009.

If the foreign life insurance policy is owned by a trust with two or more beneficiaries, a beneficiary of more than 50% of trust assets must file the FBAR (on account of the trust).

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