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## Course Information

**Course Title:** *Federal Tax Law: Life Insurance Proceeds #291120*

### Recommended CPE credit hours recommended for this course

In accordance with the standards of the Certified Financial Planner Board of Standards, Inc. the National Registry of CPE Sponsors, and the Internal Revenue Service, CPE credits have been granted based on a 50-minute hour.

**CPA** 3 (All states)

National Registry of CPE Sponsors ID Number: 107615.

Sponsor numbers for states requiring sponsor registration

Florida Division of Certified Public Accountancy: 4761 (Ethics #11467)

Hawaii State Board of Public Accountancy 14003

New York State Board of Accountancy (ethics): 002146

Ohio State Board of Accountancy: M0021

Pennsylvania Board of Accountancy: PX178025

Texas State Board of Accountancy: 009349

**EA, OTRP** 3 (All states). IRS: Qualified Sponsor number: FWKKO.

**CLU, ChFC:** 3 (Professional Recertification)

## Course Description

One of the important considerations in many financial transactions is the tax treatment the transaction is given. Often, the impact of taxation is a consideration in the purchase of life insurance every bit as much as it applies to stock purchases, bond purchases and the establishment of qualified retirement plans.

In this course we will look at the tax treatment given proceeds from life insurance policies and will consider the taxation of death benefits, cash value withdrawals, loans and surrenders. In addition, we will examine the differences in tax treatment caused by a life insurance policy's:

- Failure to meet the statutory definition of life insurance;
- Being deemed a modified endowment contract;
- Transfer of ownership to another person for a valuable consideration;
- Sale in a viatical or life settlement transaction;
- Ownership by an employer; and
- Use in a qualified retirement plan.

**Program Delivery Method:** Self-Study (NASBA QAS Self-Study/Interactive)

**Subject Codes/Field of Study**

CFP Board of Standards, Inc.: Taxes

NASBA (CPA): Taxes

IRS (EA, OTRP): Federal Tax Law

**Course Level, Prerequisites, and Advance Preparation Requirements**

Program Level: CFP Board: Intermediate; NASBA/CPA, IRS: Overview.

This program is appropriate for professionals at all organizational levels.

Prerequisites: Basic familiarity with federal taxation

Advance Preparation: None

**Course Content**

Publication/Revision Date: 3/9/2020.

Author: Paul J. Winn, CLU, ChFC

Final Exam (online): 25 questions (multiple choice)

**Instructions for taking this course**

**Note: Downloading the PDF of this course will enable Bookmarks for easier navigation (on the left side of the document window, open the bookmarks pane).**

You must complete this course within one year of the date of purchase (if you do not complete the course within one year, contact us to determine whether an updated edition of the course is available, in which case we will provide you with a PDF of the updated course and the online exam at no charge).

A passing grade of at least 70% is required on the final exam for this course. You may retake the exam if you do not pass it on the first attempt (no charge).

Complete the course by following the learning objectives listed on page one, studying the chapter-text, then studying the review quiz at the end of the chapter (answers to chapter review quizzes are at the end of the text). Once you have completed each chapter and you are confident that the learning objectives have been met, answer the final exam questions (online).

**Instructions for Taking the Final Exam Online**

- Login to your account online at [www.bhfe.com](http://www.bhfe.com).
- The exam may be started, stopped, then resumed at a later date.
- The exam is "open book," it is not timed, and it may be retaken if not passed on the first attempt (no charge).
- Results (correct, incorrect answers) and certificate appear immediately upon passing the exam.
- CFP® and EA credits are reported weekly.

**Have a question?** Call us at 800-588-7039 or email us at [contact@bhfe.com](mailto:contact@bhfe.com).

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## Introduction

One of the important considerations in many financial transactions is the tax treatment the transaction is given. Often, the impact of taxation is a consideration in the purchase of life insurance every bit as much as it applies to stock purchases, bond purchases and the establishment of qualified retirement plans.

In this course we will look at the tax treatment given proceeds from life insurance policies and will consider the taxation of death benefits, cash value withdrawals, loans and surrenders. In addition, we will examine the differences in tax treatment caused by a life insurance policy's:

- Failure to meet the statutory definition of life insurance;
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- Sale in a viatical or life settlement transaction;
- Ownership by an employer; and
- Use in a qualified retirement plan.

## Learning Objectives

When you have completed this course, you should be able to:

- Calculate the gain to be recognized as a result of various life insurance policy transactions, including –
  - withdrawals,
  - loans,
  - surrenders, and
  - payment of death benefits;
- Identify the changes to the customary tax treatment of life insurance policy living proceeds resulting from the policy being deemed a modified endowment contract (MEC);
- Calculate the reportable gain upon receipt of life insurance policy death benefits when the life insurance policy –
  - has been transferred for a valuable consideration, or
  - was included in a qualified plan;
- Recognize the types of life insurance exchanges that are tax-free under IRC §1035;
- Define the terms “terminally-ill” and “chronically-ill” as used in the Health Insurance Portability and Accountability Act; and
- Identify the income tax treatment of accelerated death benefits, viatical settlements and life settlements.