

Differential Earnings Rate for Mutual Life Insurance Companies

Notice 2005-18

This notice publishes a tentative determination under § 809 of the Internal Revenue Code of the “differential earnings rate” for 2004. This rate is used by mutual life insurance companies to calculate their federal income tax liability for taxable years beginning in 2004.

The Job Creation and Worker Assistance Act of 2002, Pub. L. 107-147, § 611,

amended § 809 by adding new paragraph (j). As amended, § 809(j) provides that the differential earnings rate shall be treated as zero for purposes of computing both the differential earnings amount and the recomputed differential earnings amount for a mutual life insurance company’s taxable years beginning in 2001, 2002, or 2003. See Notice 2002-33, 2002-1 C.B. 989. Because of § 809(j), there is no need to determine a tentative recomputed differential earnings rate for 2003. The final recomputed differential earnings rate for 2003 is already determined to be zero. Subsequently, the Pension Funding Equity Act

of 2004, Pub. L. 108-218, § 205, repealed § 809 of the Code for taxable years beginning after December 31, 2004. Therefore, the Internal Revenue Service is required to determine a tentative differential earnings rate for 2004.

The final recomputed differential earnings rate for 2003 is : 0

The tentative determination of the rates is set forth in Table 1.

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Tentative Determination of Rates To Be Used For Taxable Years Beginning in 2004

Differential earnings rate for 2004	0
Imputed earnings rate for 2004	4.449
Base period stock earnings rate	18.221
Current stock earnings rate for 2004	4.913
Stock earnings rate for 2001	2.354
Stock earnings rate for 2002	-1.876
Stock earnings rate for 2003	14.261
Average mutual earnings rate for 2002	5.570

For additional background concerning the tentative differential earnings rate, see Notice 2002-19, 2002-1 C.B. 619.

DRAFTING INFORMATION

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