

**Special Loss Discount Account and Special  
 Estimated Tax Payments for Insurance Companies**

OMB No. 1545-0123

▶ Attach to tax return.  
 ▶ Go to [www.irs.gov/Form8816](http://www.irs.gov/Form8816) for the latest information.

Name	Employer identification number
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**Part I Special Loss Discount Amount**

Accident year				
1 Undiscounted unpaid losses . . .				
2 Discounted unpaid losses . . .				
3 Special loss discount limitation. Subtract line 2 from line 1 . . .				

**Part II Special Loss Discount Account (See instructions.)**

4 Balance at the beginning of the year				
5 Additions—section 847(4) . . .				
6 Subtractions—section 847(5) . . .				
7 Balance at the end of the year. Add lines 4 and 5 and subtract line 6 from the result . . . . .				

**Part III Special Estimated Tax Payments (See instructions.)**

8 Balance at the beginning of the year				
9 Payments made for year . . . .				
10 Prior section 847 payments transferred to current year . . .				
11 Payments applied for year . . .				
12 Balance at the end of the year. Add lines 8 through 10 and subtract line 11 from the result . . . . .				

Section references are to the Internal Revenue Code unless otherwise noted.

**Future Developments**

For the latest information about developments related to Form 8816 and its instructions, such as legislation enacted after they were published, go to [www.irs.gov/Form8816](http://www.irs.gov/Form8816).

**General Instructions**

**Purpose of form.** Form 8816 must be filed by insurance companies that elect to take an additional deduction under section 847. Public Law 115-97, the Tax Cuts and Jobs Act (TCJA), repealed section 847 for tax years beginning after December 31, 2017. For tax years beginning after December 31, 2017, the election to apply section 847, the additional deduction, special loss discount

account (SLDA), special estimated tax payments (SETPs), and refundable amount rules are eliminated.

Taxpayers with an existing SLDA balance will need to report the entire balance in income for the first tax year beginning after 2017. Any tax attributable to this inclusion may be offset by the entire amount of existing SETPs applied. The excess of the SETPs over the amount of tax attributable to the income inclusion from the SLDA will be treated as estimated tax payments under section 6655 for 2018.

**Consolidated return.** Each member of a consolidated group claiming a section 847 deduction must file a separate Form 8816. Do not combine several taxpayers on one Form 8816. If a consolidated return is filed on Form 1120 and one or more members of the group is claiming a section 847

deduction, enter "Form 8816" and the amount on the dotted line next to line 14 on Form 1120, Schedule J, Part III. This will assist the IRS in properly accounting for your Special Estimated Tax Payments.

**When to file.** Attach Form 8816 to the Form 1120-PC, Form 1120-L, or Form 1120 filed for the tax year of the additional deduction and for each subsequent tax year that has a remaining amount of unpaid losses resulting from the deduction.

**Specific Instructions**

**Note:** All line references to Form 1120-L, Form 1120-PC, and Form 1120 are to the 2018 forms.

## Part I. Special Loss Discount Amount

**Accident year.** Enter the four-digit accident year in the space provided at the top of each column. For example, enter accident year 2018 as 2018.

The computation for the SLDA in Part I, lines 1, 2, and 3 is no longer applicable.

## Part II. Special Loss Discount Account (SLDA)

Keep a separate SLDA for each accident year for which an additional deduction under section 847 is claimed. Do not net amounts from one year against amounts from another year.

**Line 4.** Enter the balance in the SLDA at the beginning of the year for which this return is filed.

**Line 5.** Section 847 has been repealed. No entry is made on line 5.

**Line 6.** Enter on this line and on Form 1120-PC, Schedule A, line 12; Form 1120-L, page 1, line 6; or Form 1120, page 1, line 10, amounts that are required to be removed from the SLDA and included in income. Section 847 was repealed, so the entire balance in the SLDA account is included in income. Line 6 must equal line 4. See section 847(5) prior to its amendment by the TCJA for details.

**Line 7.** Line 7 must be zero.

## Part III. Special Estimated Tax Payments (SETPs)

Use Part III to reconcile the corporation's SETPs for each tax year it has made a section 847 election.

Section 847(8) (tax benefit determination) requires that if a taxpayer carries back net operating losses or capital losses that arise in years after a year in which a section 847 deduction was claimed, the taxpayer must recompute the tax benefit attributable to the previously claimed section 847 deduction taking into account the loss carrybacks. Tax benefits also include those derived from filing a consolidated return with another insurance company (without regard to section 1503(c)).

Therefore, if this recomputation changes the amount of the section 847 tax benefit, the taxpayer must provide a computation schedule and attach it to Form 8816.

**Line 8.** The amount entered on this line should be the same as the ending balance for this account for the year immediately preceding this year. If the amounts are different, attach an explanation.

**Line 9.** Section 847 has been repealed. No entry is made on line 9.

**Line 10.** Prior section 847 payments transferred to the current year are no longer applicable since section 847 has been repealed. No entry is made on line 10.

**Line 11.** Enter the total payments applied to pay additional tax due as a result of including in income amounts required by the repeal of section 847. The total of the amount(s) on line 11 must agree with the amount on Form 1120-PC, page 1, line 15b, or Form 1120-L, page 1, line 28b. For purposes of Form 1120, this amount is included on Form 1120, Schedule J, Part III, line 14.

**Line 12.** To the extent that an SETP is not used to offset additional tax due (that is, to the extent there is a balance on line 12),

that SETP shall be treated as an estimated tax payment made under section 6655. Enter these amounts on Form 1120-PC, page 1, line 15c, or Form 1120-L, page 1, line 28c. For purposes of Form 1120, this amount is included on Form 1120, Schedule J, Part III, line 14.

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**Paperwork Reduction Act Notice.** We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated burden for business taxpayers filing this form is approved under OMB control number 1545-0123 and is included in the estimates shown in the instructions for their business income tax return.

If you have any comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. See the instructions for Form 1120-PC, Form 1120-L, or Form 1120.