



## Instructions for Employer Acknowledgement NBA101j and Sample 101(j) Notice and Consent

Employer Owned Life Insurance - Section 101(j) Sample Notice and Consent

### **Background**

The Pension Protection Act of 2006 added employer owned life insurance provisions that have a significant tax impact on any business that is the owner and beneficiary of life insurance purchased on an employee. The Internal Revenue Code was amended adding Sec 101(j) and 6039I. The law provides that the death proceeds will be income to the employer except to the extent of the premiums and other amounts paid by the employer for the contract. The provisions are generally effective for policies issued after August 17, 2006. There are exceptions to the income inclusion rule if the appropriate notice and consent requirements are met.

Federal tax law requires employers who purchase employer owned life insurance contracts to have a signed notice and consent from the employee before the policy is issued and to annually file required tax forms in order to receive the death benefit income tax free. Lack of compliance could cause the death benefit to be income taxable to the beneficiary.

When selling a life insurance policy to a business, where the business will be the owner and beneficiary of the policy, the Company requires that the employer sign the attached Employer Owned Life Insurance Policies Acknowledgement Form NBA101j. The acknowledgement ensures that the employer is aware of the additional requirements, mentioned above, that may need to be satisfied in order to receive the death benefit under the employer owned life insurance policy income tax free. Please return the signed original Acknowledgement form to the National Brokerage with the Application and leave a copy with the employer.

Along with the Employer Owned Life Insurance Policies Acknowledgement Form NBA101j, the Company has included a Sample 101(j) Notice and Consent. You can provide the attached Sample 101(j) Notice and Consent to your employer client as a convenience to them when working with legal counsel to meet their legal obligations under IRC Section 101(j) and 6039I.

Please note: This is a sample notice and it is not been drafted to meet specific circumstances or objectives of any individual client, nor has it been prepared to meet specific state requirements. By providing this sample form, National Brokerage Associates, Inc. and it's staff make no representation that completing it will constitute compliance with any law or regulation, tax or otherwise.

For more information about the requirements for employer owned life insurance policies, contact our Life Sales Department at 800.700.2848.



## **EMPLOYER OWNED LIFE INSURANCE POLICIES**

### **Acknowledgement**

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Section 101(j) of the Internal Revenue Code ("IRC") became effective on August 18, 2006. This section provides that when an applicable policyholder (employer or related party) is the owner and beneficiary of a life insurance policy insuring the life of an employee, the death benefit may be taxable. The tax consequences can be avoided if the insured is a member of a class exempted from this treatment by IRC section 101(j) and notice and consent requirements have been satisfied.

It is the employer's responsibility to obtain appropriate tax and legal advice regarding the tax and legal consequences of death benefits paid for employer owned life insurance. This document is not intended to provide legal or tax advice.

Employer acknowledges that if the policy applied for is or may be employer owned as defined in IRC section 101, it may be required to obtain written consent from the insured employee prior to issuance of the life insurance policy and annually file applicable tax forms with the Internal Revenue Service. The consent should include, but not be limited to, the following statements: (1) that the employee understands that life insurance on his or her life is being applied for by the employer and the maximum face amount of insurance for which the employer could be insured; (2) that the employee consents to being insured under such insurance; (3) that such insurance coverage may continue after the insured terminates employment for employer; and (4) that the employer will be the beneficiary of an proceeds payable upon the death of the employee.

Signature of Authorized Officer of Employee \_\_\_\_\_

Print Name \_\_\_\_\_

Position or Title \_\_\_\_\_

Date \_\_\_\_\_

Employee Name \_\_\_\_\_

Employee/ Insured's Printed Name \_\_\_\_\_

**PLEASE RETURN THE SIGNED ORIGINAL COPY TO  
NATIONAL BROKERAGE ASSOCIATES AND LEAVE A COPY WITH THE EMPLOYER**



## EMPLOYER-OWNED LIFE INSURANCE

### Section 101(j) - NOTICE AND CONSENT

Sample Document - For Attorney Use Only

This sample form may be given to the client's legal counsel for consideration. It is not adapted to the specific circumstances or objectives of any individual client, nor has it been prepared to meet the legal requirements of any particular state.

**All legal documents should be prepared only by a licensed attorney.**

#### NOTICE OF EMPLOYER'S INTENT TO INSURE EMPLOYEE'S LIFE

\_\_\_\_\_ ("Employee") is being notified by \_\_\_\_\_ ("Employer")  
pursuant to Internal Revenue Code Section 101(j) that:

1. Employer intends to apply for life insurance on Employee's Life
2. The maximum face amount for which Employee could be insured at the time the policy is issued is \_\_\_\_\_ (the actual face amount may be less)
3. Employer will be a direct or indirect beneficiary of proceeds payable on death of Employee.

#### EMPLOYEE ACKNOWLEDGEMENT

Employee acknowledges receipt of the above notice and  consents  declines to:

1. The Employer purchasing life insurance on Employee's life, as stated above.
2. The life insurance policy remaining in effect after Employee terminates employment with Employer.
3. The Employer being a direct or indirect beneficiary of any death proceeds payable.

\_\_\_\_\_  
Employee Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Print Name