



Date: November 10, 2021
From: Oxford Risk Management Group
To: Tax, Legal, Independent Financial Advisors, and P&C Brokers
Re: **Breaking News – Tax Court Victory for an Oxford Client**

As you are aware, a client of Oxford's, a family-owned agricultural business, had a prolonged audit by the Internal Revenue Service. At the end of the audit, the owners of the business, as well as their Delaware regulated captive insurance company, filed a petition in Tax Court, asking for a determination that their payments for insurance were deductible, satisfied the exclusion under section 831(b) of the Internal Revenue Code, and complied with the law.

We are pleased to announce that, on October 29, 2021, the United States Tax Court accepted the IRS's concession of all the taxes and penalties that the Service had initially proposed regarding the captive insurance for the tax years under audit (2015-2018). As part of the resolution, the IRS also agreed that it would not examine two subsequent tax years (2019 and 2020).

While Oxford was not a party to this Tax Court case, this is an important victory for our client, and we are happy to share their great news with you! The IRS went to great lengths to concede the outcome, rather than allow the Court to determine whether the Oxford captive program satisfies the requirements of law (e.g., insurable risks, risk shifting, risk distribution, and insurance in the commonly accepted sense, as well as their valid business purpose in forming the captive). We are unaware of any other such captive that has been scrutinized in the manner and to the degree this case was, and then received a full concession from the Service.

This news comes at a time of year when many business owners are evaluating their risk management and insurance needs, and how they may be able to address some of them through an Oxford captive insurance structure. This is also the time of year when the Service often sends mass-produced letters (like 'soft' form letters 6336) and issues intimidating template general press releases regarding micro-captives and Tax Court outcomes.

Importantly, because Oxford does not provide tax or legal advice, we instead urge clients to talk with their own trusted advisors – just like you – about their own circumstances, and whether the Oxford captive structure is right for them.

The Oxford Team looks forward to working with you and your clients as they navigate their risk management needs. If you would like additional information or have any questions, please visit our website [Oxford Website](#) and reach out to your Oxford Risk Management Consultant or your clients' Account Manager at (410) 472-6490.

Oxford Risk Management Group