

Flaster Greenberg Estate Planning & Tax Attorney Quoted in Tax Notes Article About Private Placement Life Insurance

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Neufeld said he thinks the changes are responsible for bringing PPLI to South Dakota that would have otherwise gone offshore. "Within a couple of years, we noticed that — at least in our practice — a significant amount of business was shifting onshore at that point, and a great deal of it was going to South Dakota," Neufeld said.

Efforts to Lure Private Placement Life Insurance Came at a Cost

Alaska had nothing to lose.

Business for private placement life insurance (PPLI), a tool that helps wealthy investors avoid income, gift, and estate taxes, was going to offshore tax havens like Bermuda, so creating an incentive to bring it to the Last Frontier State seemed like a good way to draw in a new source of jobs and revenue.

The state in 1998 slashed its tax on life insurance premiums from 2.7 percent to 0.1 percent for policies with annual premium amounts over \$100,000. The tax rate stayed at 2.7 percent on the first \$100,000 of premium.

The tax cut was supported by the director of the Alaska Division of Insurance at the time as having unlimited potential to raise revenue for Alaska.

The move ended up setting off a quiet competition between some of America's least populous states to lower taxes and make other changes to attract PPLI that has been a boon for wealthy individuals at the expense of federal revenue, a Tax Notes investigation has found.

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ATTORNEYS MENTIONED

David Neufeld