

## Insurance Tax Update – IRS Releases Rev. Proc. 2021-54 Providing Unpaid Loss Discount Factors

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On December 13, 2021, the IRS released [Rev. Proc. 2021-54](#) containing the discount factors for the 2021 accident year in computing discounted unpaid losses and discounted estimated salvage recoverable.

As a general rule, property and casualty insurance companies compute their federal income tax liability using discounted unpaid losses and estimated salvage recoverable. Rev. Proc. 2021-54 provides the discount factors required by insurance companies to discount unpaid losses for certain lines of business, consistent with the requirements of IRC Section 846, and discount estimated salvage recoverable, consistent with the requirements of IRC Section 832.

The revenue procedure provides the discount factors, in a table format, for the 2021 accident year as determined using the applicable interest rate for the year under IRC Section 846(c).

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