



PROTECTIVE REFUND CLAIM

Here's how my colleagues on the **Kiplinger Tax Letter** suggests handling the protective refund claim:

If in 2003 you sold stock of an insurer that "demutualized"...Time is running out to file a protective refund claim with IRS. A court recently refuted IRS' view that the rights policyowners gave up in the conversion have no value. So if you followed the Service's advice to use a zero basis for the stock sold, you may end up being due a refund. But the court won't determine the value before the statute of limitations for amending 2003 returns lapses on April 17 for those who timely filed.

To preserve your right to get a refund, fill out Form 1040-X and write "Protective Claim" at the top. IRS should hold it in abeyance.

On your amended return, you'll show reduced AGI and tax due – reflecting the basis you claim in the insurance stock – and effectively ask for a refund for the amount of tax you overpaid. In part 2 of the form, "Explanation of Changes", note that this is a "**protective claim – do not process**" to protect your right to a refund in the event a favorable ruling in the "Fisher" case (*Eugene A. Fisher, Trustee v. U. S. ; Case No.04-1726 T*) regarding a taxpayers basis in stock received in a demutualization.

One of the best Web sites I've found that follows this issue is:

<http://demutualization.biz>

Good luck!

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