

Life Estate Agreement - Term of Years

Prepared for: Donor name

A. Input Assumptions

Date of Transfer	<u>December 12, 2019</u>
Fair market value of property transferred	<u>\$ 400,000.00</u>
The term of the life estate will last for	<u>6</u> years
Current value of depreciable property (improvements)	<u>\$ 360,000.00</u>
Estimated useful life of depreciable property in years	<u>40</u> years
Expected salvage value of depreciable property (improvements)	<u>\$ 100,000.00</u>
IRC Sec. 7520(a) election to use 10/2019 discount rate of	1.8%
The mortality table is based on the census taken in	2000

B. Calculation of Income Tax Deduction

1. Current fair market value of life estate property	\$400,000.00
2. Current value of depreciable portion of life estate property	\$360,000.00
3. Salvage value of depreciable life estate property	\$100,000.00
4. Portion of property considered to be depreciable (Line 2 minus Line 3)	\$260,000.00
5. Number of years in term	6 years
6. Estimated useful life of depreciable property (in years)	40 years
7. Line 5 or 6 (whichever is less), multiplied by Line 4	\$1,560,000.00
8. Line 7 divided by Line 6	\$39,000.00
9. Ending value of life estate property (Line 1 - Line 8)	\$361,000.00
10. Remainder factor in Table B opposite number of years on Line 5	0.89849
11. Present value of remainder interest (Line 10 * Line 9) (the tax deduction)	\$324,354.89

NOTE: This calculation is provided for educational purposes only. The type of assets transferred, the actual date of the gift, and other factors may have a material effect on the amount or use of your deduction. You are advised to seek the advice of your tax advisors before implementing a gift of this type.

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