

2106(a)(1), relating to estates of non-residents not citizens) is allowed only to the extent that it is not otherwise in effect allowed in determining the value of the gross estate. Furthermore, the amount of any charitable deduction under section 2055 (or section 2106(a)(2), relating to the estates of nonresidents not citizens) or the amount of any marital deduction under section 2056 is determined by the value of the property with respect to which the deduction is allowed as of the date of the decedent's death, adjusted, however, for any difference in its value as of the date 6 months (1 year, if the decedent died on or before December 31, 1970) after death, or as of the date of its distribution, sale, exchange, or other disposition, whichever first occurs. However, no such adjustment may take into account any difference in value due to lapse of time or to the occurrence or nonoccurrence of a contingency.

(h) *Effective date.* Paragraph (b) of this section is applicable to decedents dying on or after January 4, 2005. However, pursuant to section 7805(b)(7), taxpayers may elect to apply paragraph (b) of this section retroactively if the period of limitations for filing a claim for a credit or refund of Federal estate or generation-skipping transfer tax under section 6511 has not expired.

[T.D. 6296, 23 FR 4529, June 24, 1958, as amended by T.D. 7238, 37 FR 28718, Dec. 29, 1972; T.D. 7955, 49 FR 19995, May 11, 1984; T.D. 8540, 59 FR 30103, June 10, 1994; T.D. 8819, 64 FR 23229, Apr. 30, 1999; T.D. 9172, 70 FR 296, Jan. 4, 2005; 74 FR 27080, June 8, 2009]

§ 20.2032-1T Alternate valuation (temporary).

(a) through (e) [Reserved] For further guidance, see § 20.2032-1(a) through (e).

(f) [Reserved] For further guidance, see § 20.2032-1(f).

(1) *Life estates, remainders, and similar interests.* The values of life estates, remainders, and similar interests are to be obtained by applying the methods prescribed in § 20.2031-7, using (i) the age of each person, the duration of whose life may affect the value of the interest, as of the date of the decedent's death, and (ii) the value of the property as of the alternate valuation date. For example, assume that the decedent, or the decedent's estate, was

entitled to receive certain property worth \$50,000 upon the death of A, who was entitled to the income for life. At the time of the decedent's death, on or after May 1, 2009, A was 47 years and 5 months old. In the month in which the decedent died, the section 7520 rate was 6.2 percent. The value of the decedent's remainder interest at the date of the decedent's death would, as illustrated in *Example 1* of § 20.2031-7T(d)(5), be \$9,336.00 ($\$50,000 \times .18672$). If, because of economic conditions, the property declined in value and was worth only \$40,000 on the date that was 6 months after the date of the decedent's death, the value of the remainder interest would be \$7,468.80 ($\$40,000 \times .18672$), even though A would be 48 years old on the alternate valuation date.

(f)(2) through (g) [Reserved] For further guidance, see § 20.2032-1(f)(2) through (g).

(h) *Effective/applicability date.* Paragraph (f)(1) applies on or after May 1, 2009.

(i) *Expiration date.* Paragraph (f)(1) expires on or before May 1, 2012.

[T.D. 9448, 74 FR 21509, May 7, 2009]

§ 20.2032A-3 Material participation requirements for valuation of certain farm and closely-held business real property.

(a) *In general.* Under section 2032A, an executor may, for estate tax purposes, make a special election concerning valuation of qualified real property (as defined in section 2032A(b)) used as a farm for farming purposes or in another trade or business. If this election is made, the property will be valued on the basis of its value for its qualified use in farming or the other trade or business, rather than its fair market value determined on the basis of highest and best use (irrespective of whether its highest and best use is the use in farming or other business). For the special valuation rules of section 2032A to apply, the deceased owner and/or a member of the owner's family (as defined in section 2032A (e) (2)) must materially participate in the operation of the farm or other business. Whether the required material participation occurs is a factual determination, and the types of activities and financial risks which will support such a finding