

**Internal Revenue Service, Treasury**

**§ 25.2512-6**

Factor for donor's retained interest at 5.6 percent:

$$(1.000000 - .33970) - (.561979 \times (74794/87595)) \times (1.000000 - .48352) = .41247$$

|   |        |  |        |
|---|--------|--|--------|
| TABLE U(1) value at 5.8 percent, age 60 ..... | .32846 | TABLE 2000CM value at age 70 .....           | 74794  |
| TABLE U(1) value at 5.8 percent, age 70 ..... | .47241 | TABLE 2000CM value at age 60 .....           | 87595  |
|   |        | TABLE D value at 5.8 percent, 10 years ..... | 550185 |

Factor for donor's retained interest at 5.8 percent:

$$(1.000000 - .32846) - (.550185 \times (74974/87595)) \times (1.000000 - .47241) = .42369$$

Difference - .01122

Interpolation adjustment:

$$\frac{5.720\% - 5.6\%}{0.2\%} = \frac{x}{.01122}$$

$$x = .00673$$

|   |           |
|---|-----------|
| Factor at 5.6 percent, age 60 .....         | .41247    |
| Plus: Interpolation adjustment .....        | .00673    |
| Interpolated Factor .....                   | .41920    |
| Present value of donor's retained interest: |           |
| (\$100,000 × .41920) .....                  | 41,920.00 |

(3) *Transitional rule.* If the valuation date of a transfer of property by gift is on or after May 1, 2009, and before July 1, 2009, the fair market value of the interest transferred is determined by use of the section 7520 interest rate for the month in which the valuation date occurs (see §§ 25.7520-1(b) and 25.7520-2(a)(2)) and the appropriate actuarial tables under either § 20.2031-7T(d)(7) or § 20.2031-7A(f)(4), at the option of the donor. However, with respect to each individual transaction and with respect to all transfers occurring on the valuation date, the donor must use the same actuarial tables (for example, gift and income tax charitable deductions with respect to the same transfer must be determined based on the same tables, and all transfers made on the same date must be valued based on the same tables).

(4) *Publications and actuarial computations by the Internal Revenue Service.* Many standard actuarial factors not included in § 20.2031-7(d)(6) or § 20.2031-7T(d)(7) are included in Internal Revenue Service Publication 1457, "Actuarial Valuations Version 3A" (2009). Internal Revenue Service Publication 1457 also includes examples that illustrate how to compute many special factors for more unusual situations. A

copy of this publication is available beginning May 1, 2009, at no charge, electronically via the IRS Internet site at <http://www.irs.gov>. If a special factor is required in the case of a completed gift, the Internal Revenue Service may furnish the factor to the donor upon a request for a ruling. The request for a ruling must be accompanied by a recitation of the facts including a statement of the date of birth for each measuring life, the date of the gift, any other applicable dates, and a copy of the will, trust, or other relevant documents. A request for a ruling must comply with the instructions for requesting a ruling published periodically in the Internal Revenue Bulletin (see §§ 601.201 and 601.601(d)(2)(ii)(b)) and include payment of the required user fee.

(e) *Effective/applicability date.* This section applies on or after May 1, 2009.

(f) *Expiration date.* This section expires on or before May 1, 2012.

[T.D. 9448, 74 FR 21512, May 7, 2009]

**§ 25.2512-6 Valuation of certain life insurance and annuity contracts; valuation of shares in an open-end investment company.**

(a) *Valuation of certain life insurance and annuity contracts.* The value of a life insurance contract or of a contract for the payment of an annuity issued by a company regularly engaged in the selling of contracts of that character is established through the sale of the particular contract by the company, or through the sale by the company of comparable contracts. As valuation of an insurance policy through sale of comparable contracts is not readily ascertainable when the gift is of a contract which has been in force for some time and on which further premium payments are to be made, the value

§ 25.2512-7

26 CFR Ch. I (4-1-10 Edition)

may be approximated by adding to the interpolated terminal reserve at the date of the gift the proportionate part of the gross premium last paid before the date of the gift which covers the period extending beyond that date. If, however, because of the unusual nature of the contract such approximation is not reasonably close to the full value, this method may not be used. The following examples, so far as relating to life insurance contracts, are of gifts of such contracts on which there are no accrued dividends or outstanding indebtedness.

*Example (1).* A donor purchases from a life insurance company for the benefit of another a life insurance contract or a contract for the payment of an annuity. The value of the gift is the cost of the contract.

*Example (2).* An annuitant purchased from a life insurance company a single payment annuity contract by the terms of which he was entitled to receive payments of \$1,200 annually for the duration of his life. Five years subsequent to such purchase, and when of the age of 50 years, he gratuitously assigns the contract. The value of the gift is the amount which the company would charge for an annuity contract providing for the payment of \$1,200 annually for the life of a person 50 years of age.

*Example (3).* A donor owning a life insurance policy on which no further payments are to be made to the company (e.g., a single premium policy or paid-up policy) makes a gift of the contract. The value of the gift is the amount which the company would charge for a single premium contract of the same specified amount on the life of a person of the age of the insured.

*Example (4).* A gift is made four months after the last premium due date of an ordinary life insurance policy issued nine years and four months prior to the gift thereof by the insured, who was 35 years of age at date of issue. The gross annual premium is \$2,811. The computation follows:

|  |             |
|--|-------------|
| Terminal reserve at end of tenth year .....  | \$14,601.00 |
| Terminal reserve at end of ninth year .....  | 12,965.00   |
| Increase .....   | 1,636.00    |
| One-third of such increase (the gift having been made four months following the last preceding premium due date), is ..... | 545.33      |
| Terminal reserve at end of ninth year .....  | 12,965.00   |
| Interpolated terminal reserve at date of gift .....  | 13,510.33   |
| Two-thirds of gross premium (\$2,811) .....  | 1,874.00    |
| Value of the gift .....  | 15,384.33   |

*Example (5).* A donor purchases from a life insurance company for \$15,198, a joint and survivor annuity contract which provides for the payment of \$60 a month to the donor dur-

ing his lifetime, and then to his sister for such time as she may survive him. The premium which would have been charged by the company for an annuity of \$60 monthly payable during the life of the donor alone is \$10,690. The value of the gift is \$4,508 (\$15,198 less \$10,690).

(b) *Valuation of shares in an open-end investment company.* (1) The fair market value of a share in an open-end investment company (commonly known as a "mutual fund") is the public redemption price of a share. In the absence of an affirmative showing of the public redemption price in effect at the time of the gift, the last public redemption price quoted by the company for the date of the gift shall be presumed to be the applicable public redemption price. If there is no public redemption price quoted by the company for the date of the gift (e.g., the date of the gift is a Saturday, Sunday, or holiday), the fair market value of the mutual fund share is the last public redemption price quoted by the company for the first day preceding the date of the gift for which there is a quotation. As used in this paragraph the term "open-end investment company" includes only a company which on the date of the gift was engaged in offering its shares to the public in the capacity of an open-end investment company.

(2) The provisions of this paragraph shall apply with respect to gifts made after December 31, 1954.

[T.D. 6680, 28 FR 10872, Oct. 10, 1963, as amended by T.D. 7319, 39 FR 26723, July 23, 1974]

§ 25.2512-7 Effect of excise tax.

If jewelry, furs or other property, the purchase of which is subject to an excise tax, is purchased at retail by a taxpayer and made the subject of gifts within a reasonable time after purchase, the purchase price, including the excise tax, is considered to be the fair market value of the property on the date of the gift, in the absence of evidence that the market price of similar articles has increased or decreased in the meantime. Under other circumstances, the excise tax is taken into account in determining the fair market value of property to the extent, and only to the extent, that it affects the price at which the property would