DEPARTMENT OF THE TREASURY

Internal Revenue Service

26 CFR Parts 1, 20, and 25

[TD 9974]

RIN 1545–BP00

Use of Actuarial Tables in Valuing Annuities, Interests for Life or a Term of Years, and Remainder or Reversionary Interests

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Final regulations.

SUMMARY: This document contains final regulations relating to the use of actuarial tables in valuing annuities, interests for life or a term of years in property, and remainder or reversionary interests in property. These regulations are necessary because applicable law requires that the actuarial tables be revised not less frequently than once each 10 years. These regulations will affect persons valuing inter vivos and testamentary transfers of interests in property dependent on one or more measuring lives.

DATES:

Effective date: These regulations are effective on June 1, 2023.

Applicability date: These regulations apply on June 1, 2023.

FOR FURTHER INFORMATION CONTACT:
Mayer R. Samuels at (202) 317–6859 (not a toll-free number).

SUPPLEMENTARY INFORMATION:

Background

This document contains amendments to the Income Tax Regulations (26 CFR part 1), the Estate Tax Regulations (26 CFR part 20), and the Gift Tax Regulations (26 CFR part 25) to reflect revisions to tables used for the valuation of certain interests in property under section 7520 of the Internal Revenue Code of 1986 (Code) to incorporate the most recent mortality experience available.

Section 7520, effective for transfers for which the valuation date is on or after May 1, 1989, generally provides that the value of an annuity, an interest in property for life or a term of years, (interest in property for life or a term of years), and a remainder or reversionary interest in property (remainder or reversionary interest) is to be determined under tables published by the Secretary of the Treasury or her delegate (Secretary) by using an interest rate (rounded to the nearest two-tenths of one percent) equal to 120 percent of the Federal midterm rate in effect under section 1274(d)(1) of the Code for the month in which the valuation date falls. If a charitable contribution is allowable for any part of the property transferred, the taxpayer may elect under section 7520(a) to use such Federal midterm rate for either of the two months preceding the month in which the valuation date falls. As originally enacted, section 7520(c)(2) directed the Secretary to issue tables not later than December 31, 1989, utilizing the most recent mortality experience as of the date of the issuance of those tables, and to revise these tables not less frequently than once each 10 years to take into account the most recent mortality experience available as of the time of the revision.

On May 5, 2022, the Department of the Treasury (Treasury Department) and the IRS published proposed regulations (REG–122770–18) in the **Federal Register** (87 FR 26806) under sections 642, 664, 2031, 2512, and 7520 of the Code (proposed regulations).[1] The proposed regulations provided a revised mortality table, referred to as Table 2010CM, which is based on data compiled from the 2010 census. The proposed regulations also provided actuarial formulas to allow taxpayers to compute the appropriate actuarial factors based on Table 2010CM for transfers for which the valuation date is on or after the applicability date of the final regulations, which is June 1, 2023. However, for the convenience of taxpayers, the IRS has computed actuarial factors that can be found on IRS.gov and publications that are referenced in these regulations. The proposed regulations also made conforming amendments to various sections of the existing regulations to provide the references to these revised actuarial factors.

The following charts summarize the applicable interest rates, the citations to regulatory sections in 26 CFR parts 1, 20, and 25, textual materials, and tables to use for the various valuation periods.

CROSS REFERENCE TO REGULATION SECTIONS FOR PURPOSES OF SECTION 642

Valuation period	Interest rate	Part 1 section	Table
Valuation, in general		1.642(c)–6	
before 01/01/52	4%	1.642(c)–6A(a)	
01/01/52–12/31/70	3.5%	1.642(c)–6A(b)	
01/01/71–11/30/83	6%	1.642(c)–6A(c)	
12/01/83–04/30/89	10%	1.642(c)–6A(d)	Table G.
05/01/89–04/30/99	§ 7520	1.642(c)–6A(e)	Table S (05/01/89–04/30/99).
05/01/99–04/30/09	§ 7520	1.642(c)–6A(f)	Table S (05/01/99–04/30/09).
05/01/09–05/31/23	§ 7520	1.642(c)–6A(g)	Table S (05/01/09–05/31/23).
on or after 06/01/23	§ 7520	1.642(c)–6(e)	Table S (on or after 06/01/23).

CROSS REFERENCE TO REGULATION SECTIONS FOR PURPOSES OF SECTION 664

Valuation period	Interest rate	Part 1 section	Table
Valuation, in general		1.664–4	
before 01/01/52	4%	1.664–4A(a)	
01/01/52–12/31/70	3.5%	1.664–4A(b)	
01/01/71–11/30/83	6%	1.664–4A(c)	
12/01/83–04/30/89	10%	1.664–4A(d)	Table E, Table F(1).
05/01/89–04/30/99	§ 7520	1.664–4A(e)	Table U(1) (05/01/89–04/30/99).
05/01/99–04/30/09	§ 7520	1.664–4A(f)	Table U(1) (05/01/99–04/30/09).
05/01/09–05/31/23	§ 7520	1.664–4A(g)	Table U(1) (05/01/09–05/31/23).

---

[1] The proposed regulations were corrected on June 6, 2022 (87 FR 34223).

CROSS REFERENCE TO REGULATION SECTIONS FOR PURPOSES OF SECTION 664—Continued

Valuation period	Interest rate	Part 1 section	Table
on or after 06/01/23	§ 7520	1.664–4(e)	Table U(1) (on or after 06/01/23), Table D, and Table F; See Pub. 1458, ver. 4A (or successor).

CROSS REFERENCE TO REGULATION SECTIONS FOR PURPOSES OF SECTION 2031

Valuation period	Interest rate	Part 20 section	Table
Valuation, in general		20.2031–7	
before 01/01/52	4%	20.2031–7A(a)	
01/01/52–12/31/70	3.5%	20.2031–7A(b)	
01/01/71–11/30/83	6%	20.2031–7A(c)	
12/01/83–04/30/89	10%	20.2031–7A(d)	Tables A, B, and LN.
05/01/89–04/30/99	§ 7520	20.2031–7A(e)	Table S (05/01/89–04/30/99), Table 80CNSMT.
05/01/99–04/30/09	§ 7520	20.2031–7A(f)	Table S (05/01/99–04/30/09), Table 90CM.
05/01/09–05/31/23	§ 7520	20.2031–7A(g)	Table S (05/01/09–05/31/23), Table 2000CM.
on or after 06/01/23	§ 7520	20.2031–7(d)	Table S (on or after 06/01/23), Table 2010CM, Tables B, J, and K; See Pub. 1458, ver. 4A (or successor).

CROSS REFERENCE TO REGULATION SECTIONS FOR PURPOSES OF SECTION 2512

Valuation period	Interest rate	Part 25 section
Valuation, in general		25.2512–5
before 01/01/52	4%	25.2512–5A(a)
01/01/52–12/31/70	3.5%	25.2512–5A(b)
01/01/71–11/30/83	6%	25.2512–5A(c)
12/01/83–04/30/89	10%	25.2512–5A(d)
05/01/89–04/30/99	§ 7520	25.2512–5A(e)
05/01/99–04/30/09	§ 7520	25.2512–5A(f)
05/01/09–05/31/23	§ 7520	25.2512–5A(g)
on or after 06/01/23	§ 7520	25.2512–5(d)

The Treasury Department and the IRS received a total of eight public comments in response to the request for comments set forth in the proposed regulations. After careful consideration of the comments received, the proposed regulations are adopted as revised by this Treasury decision.

Summary of Comments and Explanation of Revisions

I. Decimal Places

Several commenters questioned the apparent lack of consistency with regard to the number of decimal places used in the calculation of different types of factors. Commenters also noted that a change from the three decimal places commonly used in some software could create problems, but others pointed out that a four decimal calculation would be more accurate.

Historically, publications of the Treasury Department and the IRS have stated remainder factors and income interest factors for terms certain to six decimal places, and remainder factors and income interest factors dependent on surviving lives to five decimal places. Annuity factors, for both terms certain and annuities dependent on mortality, have been stated to four decimal places. In addition, the payout rate adjustment factors have been stated to six decimal places, and the adjusted payout rates have been stated to five decimal places. Tables for commutation factors largely have been stated with seven significant figures (that may include different numbers of decimal places). These practices have been in force at least since the publication of the 1951 tables. The tables published on the IRS website are largely consistent with these historic practices. There are technical reasons for the particular number of decimals used for several of these different factors, but all of the choices described in this paragraph conform to standard practice. The Treasury Department and the IRS have identified no policy or other reason to disrupt these standard practices that have been used consistently since 1951 and therefore have retained these same conventions in the final regulations and the tables referenced therein.

Several commenters noted that the number of decimal places used for various factors is inconsistent in two of the proposed examples involving certain and annuities dependent on mortality, have been stated to four decimal places. In addition, the payout rate adjustment factors have been stated interpolation (that is, the estimation of intermediate values in a series based on the known values). In proposed § 1.664–4(e)(5)(iii), the charitable remainder unitrust example calculates the adjusted payout rate expressed as a percentage to four decimal places (which is equivalent to six decimal places when not stated as a percentage), while in proposed § 25.2512–5(d)(2)(v)(B)(2), a unitrust example calculates the adjusted payout rate expressed as a percentage to three decimal places (which is equivalent to five decimal places when not stated as a percentage). That difference was unintended, and the inconsistency has been corrected in the final regulations. Specifically, the example in § 1.664–4(e)(5)(iii) of the final regulations calculates the adjusted payout rate to three decimal places expressed as a percentage (equivalent to five decimal places when not stated as a percentage). Taxpayers may calculate any derived factors to additional decimal places (without rounding until the final result), as explained in more detail in part II of this Summary of Comments and

Explanation of Revisions.[2] The proposed regulations, however, do not provide that taxpayers may use fewer decimal places than those in the published tables.

II. Permissible Alternatives to Approximation Methods of Computation

One commenter commented on the fact that the proposed regulations allow the use of an alternative method of deriving certain factors in place of the linear interpolation method retained from the regulations in effect prior to the publication of this Treasury decision (current regulations). Specifically, the proposed regulations confirmed that taxpayers may use an exact method of obtaining the applicable factors, such as through software using the actual rate of return and the actuarial formulas provided in the regulations, in place of the generally less accurate interpolation method. The commenter pointed out that using an exact method rather than the interpolation method, may produce a difference in actuarial values that is more than trivial. Another commenter raised a similar concern about a taxpayer using factors with more decimal places for greater precision than the factors published by the IRS. That difference could be significant in value, or it could mean the difference between passing or failing a 10 percent remainder requirement. Accordingly, the commenter suggested that taxpayers may prefer to determine these values using the same method the IRS uses in its review of tax returns.

The provision in the proposed regulations permitting taxpayers to use actuarial formulas or to use more exact methods in place of the approximation methods provided allows taxpayers to produce factors with more accuracy. The Treasury Department and the IRS believe that taxpayers using software in place of using factors from the published tables will incur no additional burden in producing final factors to at least as many decimal places as are provided in the published tables. Therefore, the final regulations clarify that, if taxpayers use the formulas in place of factors from the tables, or use more exact methods than the approximation methods provided in the regulations, taxpayers must use at least as many decimal places in the final factors they compute as are provided for those factors in the final regulations. However, taxpayers are permitted to calculate the final actuarial factors to a

greater number of decimal places than provided for in the published tables, as the additional decimal place(s) provide greater precision. Because taxpayers are given this option to use a more accurate calculation method or factors with greater precision than the factors in the IRS tables, the IRS will accept the method used by a taxpayer as long as the taxpayer complies with the requirements described in the final regulations, uses at least as many decimal places as are provided in the published tables, and applies the more accurate calculation method or more precise calculation consistently in valuing all interests in the same property. This consistency requirement will avoid a situation in which the value of a life interest, when added to the value of the remainder interest calculated to a different number of decimal places, does not equal 100% of the value of the property.

III. Transition Period To Include Transactions Occurring on or After May 1, 2019 and Before January 1, 2021

The proposed regulations included a transition rule for valuation dates during the period beginning on January 1, 2021, and ending before June 1, 2023. For valuation dates during this period, taxpayers may choose to use either the actuarial factors in the current regulations that are based on Table 2000CM or the actuarial factors based on Table 2010CM. Several commenters requested that the transition period instead begin on May 1, 2019, which was the tenth anniversary of the applicability date of the tables of actuarial factors based on Table 2000CM. The commenters correctly pointed out that section 7520(c)(2) directs the Secretary to revise the tables prescribed under section 7520 not less frequently than once every 10 years to reflect the most recent mortality experience available at the time of the revision.[3] The commenters stated that the delay in issuing the revised actuarial factors was not the fault of taxpayers or the IRS but nevertheless that the unavailability of updated mortality data should not deprive taxpayers of the

ability to use the actuarial factors based on that data, once the factors became available, with regard to transactions occurring on or after May 1, 2019.

After careful thought and consideration of these comments as well as the administrative concerns of the IRS, the Treasury Department and the IRS have concluded that the issue of fairness to taxpayers in this circumstance outweighs the foreseeable administrative burdens on the IRS. As a result, the final regulations extend the proposed transition period to apply to transactions that occurred on or after May 1, 2019, and before June 2, 2023. For any transactions occurring during the transition period, a taxpayer may use actuarial factors based on Table 2000CM or based on Table 2010CM. However, with respect to each individual transaction and with respect to all transfers occurring on the same valuation date, the taxpayer must be consistent in using the same mortality basis with respect to each interest (income, remainder, partial, etc.) in the same property, and with respect to all transfers occurring on that valuation date.

IV. Amended Returns for Transactions Occurring on or After May 1, 2019

One commenter requested confirmation that taxpayers may file amended (or supplemental) tax returns for valuations in 2019, 2020, or 2021 to apply the new actuarial factors. As explained in part III of this Summary of Comments and Explanation of Revisions, the final regulations allow a taxpayer to choose actuarial factors based on Table 2000CM or Table 2010CM for any transaction occurring on or after May 1, 2019, and before June 2, 2023. The transition rules therefore necessarily anticipate that taxpayers who have filed returns reporting a valuation date within the transition period may file an amended (or supplemental) return, provided that the taxpayer complies with the standards for filing amended (or supplemental) returns and/or filing claims for refund.

Extending the transition period back to May 1, 2019, means that an applicable limitations period before which an amended or supplemental return may need to be filed may expire soon after the publication of this Treasury decision. Therefore, in the interests of efficient tax administration, and in order to allow the IRS to identify such an amended or supplemental return more easily, the final regulations require that the top of that return include the caption ''AMENDED PURSUANT TO TD 9974'' or

---

[2] One commenter also pointed out that the links to Table U2 incorrectly led to the R2 tables. That link was corrected upon receipt of that comment.

[3] The standard decennial mortality report based on the 2010 census was not issued by the Centers for Disease Control (CDC) until late summer of 2020. The CDC's decennial report provides a standard of consistency that the Treasury Department and the IRS rely upon for purposes of section 7520. Had the Treasury Department and the IRS issued a timely revision to the actuarial tables in the current regulations, the most recent decennial report available at that time would have been the report issued in 2008 with Table 2000CM, which would have merely resulted in a republication of the same actuarial tables in the current regulations.

''SUPPLEMENTED PURSUANT TO TD 9974'', respectively.

V. Election To Use Actuarial Factors Based on Table 2010CM

One commenter requested additional guidance regarding the process and effect of making an election to use the revised actuarial factors based on Table 2010CM for a transaction occurring during the transition period ending on June 1, 2023. Although the final regulations require that a taxpayer include the caption ''AMENDED PURSUANT TO TD 9974'' or ''SUPPLEMENTED PURSUANT TO TD 9974'' at the top of any amended income tax return or supplemental gift or estate tax return, respectively, and that the selected tables be used consistently, no other affirmative statement is required to make the election. As on any return, taxpayers should show the relevant computations and factors used.

The availability of the option to use the revised actuarial tables based on Table 2010CM for valuation dates during the transition period, whether or not exercised, is not a condition subsequent and does not limit or otherwise affect the validity of any formula or other condition in a document (even if created before the transition period) that is intended to determine the amount, value, character, or tax treatment of a transfer.

VI. Applicability Dates

These regulations are applicable in the case of annuities, interests for life or terms of years, and remainder or reversionary interests valued as of a date on or after June 1, 2023.

Special Analyses

These regulations are not subject to review under section 6(b) of Executive Order 12866 pursuant to the Memorandum of Agreement (April 11, 2018) between the Treasury Department and the Office of Management and Budget (OMB) regarding review of tax regulations. Therefore, a regulatory impact assessment is not required. In addition, the Treasury Department and the IRS have assessed that these regulations do not establish a new collection of information nor modify an existing collection that requires the approval of OMB under the Paperwork Reduction Act (44 U.S.C. chapter 35).

Pursuant to the Regulatory Flexibility Act (5 U.S.C. chapter 6), it is hereby certified that these regulations will not have a significant economic impact on a substantial number of small entities. The applicability of these regulations is limited to individuals (or their estates) and trusts, which are not small entities

as defined by the Regulatory Flexibility Act (5 U.S.C. 601). This document implements statutorily required periodic revisions to actuarial tables used in valuing various interests in property that are affected by a person's life expectancy. The revisions would not impose any direct compliance requirements on any entities other than the time to read and understand the revisions. Accordingly, a regulatory flexibility analysis is not required.

Pursuant to section 7805(f) of the Internal Revenue Code, the notice of proposed rulemaking preceding these regulations was submitted to the Chief Counsel for the Office of Advocacy of the Small Business Administration for comment on its impact on small business. No comments were received from the Chief Counsel for the Office of Advocacy of the Small Business Administration.

Drafting Information

The principal author of these regulations is Mayer R. Samuels, Office of the Associate Chief Counsel (Passthroughs and Special Industries), IRS. However, other personnel from the Treasury Department and the IRS participated in their development.

List of Subjects

26 CFR Part 1

Income taxes, Reporting and recordkeeping requirements.

26 CFR Part 20

Estate taxes, Reporting and recordkeeping requirements.

26 CFR Part 25

Gift taxes, Reporting and recordkeeping requirements.

Amendments to the Regulations

Accordingly, 26 CFR parts 1, 20, and 25 are amended as follows:

PART 1—INCOME TAXES

■ **Paragraph 1.** The authority citation for part 1 continues to read in part as follows:

Authority: 26 U.S.C. 7805 * * *

■ **Par. 2.** Section 1.170A–12 is amended by:
■ 1. Revising paragraphs (b)(2) and (3).
■ 2. Adding paragraph (b)(4).
■ 3. Revising paragraphs (e)(2) and (f)
The revisions and addition read as follows:

§ 1.170A–12 Valuation of a remainder interest in real property for contributions made after July 31, 1969.

* * * * *

(b) * * *

(2) *Computation of depreciation factor.* If the valuation of the remainder interest in depreciable property is dependent upon the continuation of one life, a special factor must be used. The factor determined under this paragraph (b)(2) is carried to the fifth decimal place. The special factor is to be computed on the basis of the interest rate and life contingency rates from the mortality table prescribed in § 20.2031–7 of this chapter (or for periods before June 1, 2023, §§ 20.2031–7(d)(3) and 20.2031–7A of this chapter) and on the assumption that the property depreciates on a straight-line basis over its estimated useful life. For transfers for which the valuation date is on or after June 1, 2023, special factors for determining the present value of a remainder interest following one life may be computed by taxpayers based on Table 2010CM, found in § 20.2031–7(d)(7)(ii) of this chapter, and using the formula provided in this paragraph (b)(2). Alternatively, taxpayers may use the actuarial factors provided in Table C to determine the special factor for the remainder interest following one life. Table C currently is available, at no charge, electronically via the IRS website at *https://www.irs.gov/ retirement-plans/actuarial-tables* (or a corresponding URL as may be updated from time to time). IRS Publication 1459, *Actuarial Valuations Version 4C* (2023), references and explains Table C and provides examples describing the computation. This publication will be available within a reasonable time after June 1, 2023. For transfers for which the valuation date is on or after May 1, 2009, and before June 1, 2023, special factors for determining the present value of a remainder interest following one life and an example describing the computation are contained in the previous version of Table C, which currently is available, at no charge, electronically via the IRS website at *https://www.irs.gov/retirement-plans/ actuarial-tables.* IRS Publication 1459, *Actuarial Valuations Version 3C* (2009), references and explains this version of Table C and provides examples describing the computation. See, however, § 1.7520–3(b) (relating to exceptions to the use of prescribed tables under certain circumstances). Otherwise, in the case of the valuation of a remainder interest following one life, the special factor may be obtained through use of the formula in Figure 1 to this paragraph (b)(2). The prescribed mortality table is Table 2010CM as set forth in § 20.2031–7(d)(7)(ii) of this chapter, or for periods before June 1, 2023, the appropriate table found in

§ 20.2031–7A of this chapter. Table 2010CM is referenced by IRS Publication 1459, *Actuarial Values Version 4C.* The mortality tables

prescribed for periods before June 1, 2023, are referenced by prior versions of IRS Publication 1459.

Figure 1 to paragraph (b)(2)—Formula for Determining Single Life Remainder Interest in Depreciable Property

$$\left(1 + \frac{i}{2}\right) \sum_{t=0}^{n-1} v^{t+1} \left(_{t+1}q_x - \; _tq_x\right)\left(1 - \frac{1}{2n} - \frac{t}{n}\right)$$

where:

n = the estimated number of years of useful life;

i = the applicable interest rate under section 7520 of the Internal Revenue Code;

v = 1 / (1 + i) ;

$_tq_x = 1 - \dfrac{l_{x+t}}{l_x}$;

x = the age of the measuring life (determined as age at nearest birthday); and

l_x = the number associated with age x as set forth in the prescribed mortality table, representing the number of persons alive at age x.

(3) *Sample factors from actuarial Table S.* The present value of a remainder interest dependent on the termination of one life is determined by using the formula in § 20.2031–7(d)(2)(ii)(B) of this chapter to derive a

remainder factor expressed to at least five decimal places. For the convenience of taxpayers, actuarial factors have been computed by the IRS and appear in Table S. The complete Table S can be found on the IRS website

at *https://www.irs.gov/retirement-plans/actuarial-tables.* For purposes of the example in paragraph (b)(4) of this section, the following factors from Table S will be used:

TABLE 1 TO PARAGRAPH (b)(3)

Age	Annuity	Life estate	Remainder
Factors from Table S—Based on Table 2010CM			
Interest at 3.2 Percent			
62	14.6131	0.46762	0.53238

(4) *Example.* After June 1, 2023, A, who is 62, donates to Y University a remainder interest in a personal residence, consisting of a house and land, subject to a reserved life estate in A. At the time of the gift, the land has a value of $30,000 and the house has a value of $100,000 with an estimated useful life of 28 years, at the end of which period the value of the house is expected to be $10,000. The portion of the property considered to be depreciable is $90,000 (the value of the house ($100,000) less its expected value at the end of 28 years ($10,000)). The portion of the property considered to be nondepreciable is $40,000 (the value of the land at the time of the gift ($30,000) plus the expected value of the house at the end of 28 years ($10,000)). A

chooses to use the interest rate prescribed under section 7520 for the month in which the gift was made (3.2 percent). Based on an interest rate of 3.2 percent, the remainder factor for $1.00 prescribed in § 20.2031–7(d) and found in Table S for a person age 62 is 0.53238. The value of the nondepreciable remainder interest is $21,295.20 (0.53238 times $40,000). The factor for the remainder interest in depreciable property is computed under the formula described in paragraph (b)(2) of this section and is 0.19392. (This factor, 0.19392, may instead be determined by using Table C, which can be found on the IRS website at *https://www.irs.gov/retirement-plans/actuarial-tables,* and following the method provided in IRS Publication 1459,

Actuarial Values Version 4C.) The value of the depreciable remainder interest is $17,452.80 (0.19392 times $90,000). Therefore, the value of the remainder interest is $38,748.00 ($21,295.20 plus $17,452.80).

* * * * *

(e) * * *

(2) In the case of the valuation of a remainder interest following two lives, the special factor may be obtained through use of the formula in Figure 2 to this paragraph (e)(2). The prescribed mortality table is Table 2010CM as set forth in § 20.2031–7(d)(7)(ii) of this chapter, or for periods before June 1, 2023, the appropriate table found in § 20.2031–7A of this chapter. Table 2010CM is referenced by IRS Publication 1459, *Actuarial Values*

Version 4C. The mortality tables prescribed for periods before June 1, 2023, are referenced by prior versions of IRS Publication 1459.

Figure 2 to Paragraph (e)(2)—Formula for Determining Two-Life Remainder Interest in Depreciable Property

$$\left(1 + \frac{i}{2}\right) \sum_{t=0}^{n-1} v^{t+1} \left({}_{t+1}q_x \cdot {}_{t+1}q_y - {}_tq_x \cdot {}_tq_y \right) \left(1 - \frac{1}{2n} - \frac{t}{n}\right)$$

where:

n = the estimated number of years of useful life;

i = the applicable interest rate under section 7520 of the Internal Revenue Code;

v = 1 / (1 + i) ;

$${}_tq_x = 1 - \frac{l_{x+t}}{l_x} \ ;$$

x and y are the ages of the measuring lives (determined as age at nearest birthday); and

l_x = the number associated with age x as set forth in the prescribed mortality table, representing the number of persons alive at age x.

*   *   *   *   *

(f) *Applicability date.* This section applies to contributions made after July 31, 1969, except that paragraphs (b)(2), (3), and (4) and (e)(2) of this section apply to all contributions made on or after June 1, 2023.

■ **Par. 3.** Section 1.170A–14 is amended:

■ 1. In paragraph (h)(4) by designating *Example 1* through *12* as paragraphs (h)(4)(i) through (xii), respectively.

■ 2. By revising newly designated paragraph (h)(4)(ii).

■ 3. In newly designated paragraphs (h)(4)(iii) and (iv) by removing ''*Example 2*'' and adding ''paragraph (h)(4)(ii) of this section (*Example 2*)'' in its place.

■ 4. In newly designated paragraph (h)(4)(v) by removing ''*Example 4*'' and adding ''paragraph (h)(4)(iv) of this section (*Example 4*)'' in its place.

■ 5. In newly designated paragraph (h)(4)(vi) by removing ''*Example 2*'' and adding ''paragraph (h)(2)(ii) of this section (*Example 2*)'' in its place.

■ 6. In newly designated paragraph (h)(4)(viii) by removing ''*Example 7*'' and adding ''paragraph (h)(4)(vii) of this section (*Example 7*)'' in its place.

■ 7. In newly designated paragraph (h)(4)(xi) by removing ''*example (10)*'' and adding ''paragraph (h)(4)(x) of this section (*Example 10*)'' in its place.

■ 8. By revising paragraph (j).

The revisions read as follows:

§ 1.170A–14 Qualified conservation contributions.

*   *   *   *   *

(h) * * *

(4) * * *

(ii) *Example 2.* In 1984 B, who is 62, donates a remainder interest in Greenacre to a qualifying organization for conservation purposes, retaining an interest for B's life. Greenacre is a tract of 200 acres of undeveloped woodland that is valued at $200,000 at its highest and best use. Under § 1.170A–12(b), the value of a remainder interest in real property following one life is determined under § 25.2512–5 of this chapter (Gift Tax Regulations). (See § 25.2512–5A of this chapter with respect to the valuation of annuities, interests for life or a term of years, and remainder or reversionary interests transferred before June 1, 2023.) For transfers occurring after November 30, 1983, and before May 1, 1989, the single life remainder factors, valued at 10 percent, can be found in Table A of § 20.2031–7A(d)(6) of this chapter. The remainder factor under these facts is 0.27998. Accordingly, the value of the remainder interest, and thus the amount eligible for an income tax deduction under section 170(f), is $55,996 ($200,000 × 0.27998).

*   *   *   *   *

(j) *Applicability dates.* Except as otherwise provided in paragraph (g)(4)(ii) and paragraph (i) of this section, this section applies only to contributions made on or after December 18, 1980. Paragraph (h)(4)(ii) of this section applies on and after June 1, 2023.

■ **Par. 4.** Section 1.642(c)–6 is amended by:

■ 1. Revising paragraph (d).

■ 2. Redesignating paragraph (e) as paragraph (g) of § 1.642(c)–6A.

■ 3. Adding new paragraph (e) and revising paragraph (f).

The revisions and addition read as follows:

§ 1.642(c)–6 Valuation of a remainder interest in property transferred to a pooled income fund.

*   *   *   *   *

(d) *Valuation.* The present value of the remainder interest in property transferred to a pooled income fund on or after June 1, 2023, is determined under paragraph (e) of this section. The present value of the remainder interest in property transferred to a pooled income fund for which the valuation date is before June 1, 2023, is determined (subject to paragraph (e)(2) of this section) under the following sections:

TABLE 6 TO PARAGRAPH (d)

Valuation dates		Applicable regulations
After	Before	
	01–01–52	§ 1.642(c)–6A(a)
12–31–51	01–01–71	1.642(c)–6A(b)
12–31–70	12–01–83	1.642(c)–6A(c)
11–30–83	05–01–89	1.642(c)–6A(d)
04–30–89	05–01–99	1.642(c)–6A(e)
04–30–99	05–01–09	1.642(c)–6A(f)
04–30–09	06–01–23	1.642(c)–6A(g)

(e) *Present value of the remainder interest in the case of transfers to pooled income funds for which the valuation date is on or after June 1, 2023*—(1) *In general.* In the case of transfers to pooled income funds for which the valuation date is on or after June 1, 2023, the present value of a remainder interest is determined under this section. See, however, § 1.7520–3(b) (relating to exceptions to the use of prescribed tables under certain circumstances). The present value of a remainder interest that is dependent on the termination of the life of one individual is computed by using the formula in § 20.2031–7(d)(2)(ii)(B) of this chapter to derive a remainder factor from the appropriate mortality table to at least five decimal places. For the convenience of taxpayers, actuarial factors have been computed by the IRS and appear in Table S. Table S currently is available, at no charge, electronically via the IRS website at *https:// www.irs.gov/retirement-plans/actuarial-tables* (or a corresponding URL as may be updated from time to time). Table S is referenced and explained by IRS Publication 1457, *Actuarial Valuations Version 4A,* which will be available within a reasonable time after June 1, 2023. For purposes of the computations under this section, the age of an individual is the age at the individual's nearest birthday.

(2) *Transitional rule for valuation of transfers to pooled income funds.* For purposes of section 170, 2055, 2106, 2522, or 2624, in the case of transfers to a pooled income fund for which the valuation date is after April 30, 2019, and on or before June 1, 2023, the present value of the remainder interest under this section is determined by using the section 7520 interest rate for the month in which the valuation date occurs (see §§ 1.7520–1(b) and 1.7520–2(a)(2)) and the appropriate actuarial factors derived from the selected mortality table, either Table 2010CM in § 20.2031–7(d)(7)(ii) of this chapter or Table 2000CM in § 20.2031–7A(g)(4) of this chapter, at the option of the donor or the decedent's executor, as the case may be. If any previously filed income tax return is amended to use the actuarial factors based on Table 2010CM, the amended return must state at the top ''AMENDED PURSUANT TO TD 9974.'' If any previously filed gift or estate tax return is supplemented to use the actuarial factors based on Table 2010CM, the supplemental return must state at the top ''SUPPLEMENTED PURSUANT TO TD 9974.'' For the convenience of taxpayers, actuarial factors based on Table 2010CM appear

in the current version of Table S, and actuarial factors based on Table 2000CM appear in the previous version of Table S. Both versions of Table S currently are available, at no charge, electronically via the IRS website at *https:// www.irs.gov/retirement-plans/actuarial-tables* (or a corresponding URL as may be updated from time to time). The donor or decedent's executor must consistently use the same mortality basis with respect to each interest (income, remainder, partial, etc.) in the same property, and with respect to all transfers occurring on the same valuation date. For example, gift and income tax charitable deductions with respect to the same transfer must be determined based on factors with the same mortality basis, and all assets includible in the gross estate and/or estate tax deductions claimed must be valued based on factors with the same mortality basis.

(3) *Present value of a remainder interest.* The present value of a remainder interest in property transferred to a pooled income fund is computed on the basis of—

(i) Life contingencies determined from the values of l_x that are set forth in Table 2010CM in § 20.2031–7(d)(7)(ii) of this chapter (see § 20.2031–7A of this chapter for certain prior periods); and

(ii) Discount at a rate of interest, compounded annually, equal to the highest yearly rate of return of the pooled income fund for the three taxable years immediately preceding its taxable year in which the transfer of property to the fund is made. For purposes of this paragraph (e), the yearly rate of return of a pooled income fund is determined as provided in paragraph (c) of this section unless the highest rate of return is deemed to be the rate described in paragraph (e)(4) of this section for funds in existence less than 3 taxable years. For purposes of this paragraph (e)(3)(ii), the first taxable year of a pooled income fund is considered a taxable year even though the taxable year consists of less than 12 months. However, appropriate adjustments must be made to annualize the rate of return earned by the fund for that period. Where it appears from the facts and circumstances that the highest yearly rate of return of the fund for the three taxable years immediately preceding the taxable year in which the transfer of property is made has been purposely manipulated to be substantially less than the rate of return that otherwise would be reasonably anticipated with the purpose of obtaining an excessive charitable deduction, that rate of return may not be used. In that case, the highest yearly rate

of return of the fund is determined by treating the fund as a pooled income fund that has been in existence for less than three preceding taxable years.

(4) *Pooled income funds in existence less than three taxable years.* If a pooled income fund has been in existence less than three taxable years immediately preceding the taxable year in which the transfer is made to the fund and the transfer to the fund is made on or after May 1, 1989, the highest rate of return is deemed to be the interest rate (rounded to the nearest two-tenths of one percent) that is one percent less than the highest annual average of the monthly section 7520 rates for the three calendar years immediately preceding the calendar year in which the transfer to the pooled income fund is made. The deemed rate of return for transfers to new pooled income funds is recomputed each calendar year using the monthly section 7520 rates for the three year period immediately preceding the calendar year in which each transfer to the fund is made until the fund has been in existence for three taxable years and can compute its highest rate of return for the three taxable years immediately preceding the taxable year in which the transfer of property to the fund is made in accordance with the rules set forth in the first sentence of paragraph (e)(3)(ii) of this section.

(5) *Computation of value of remainder interest*—(i) *Factor.* The factor that is used in determining the present value of a remainder interest that is dependent on the termination of the life of one individual is the factor obtained through use of the formula in § 20.2031–7(d)(2)(ii)(B) of this chapter to derive a remainder factor from the appropriate mortality table to at least five decimal places. For the convenience of taxpayers, actuarial factors have been computed by the IRS and appear in Table S. Table S currently is available, at no charge, electronically via the IRS website at *https://www.irs.gov/ retirement-plans/actuarial-tables.* Table S is referenced and explained in IRS Publication 1457, *Actuarial Valuations Version 4A,* which will be available within a reasonable time after June 1, 2023. In using the section of Table S for the interest rate equal to the appropriate yearly rate of return, the appropriate remainder factor is opposite the number that corresponds to the age of the individual upon whose life the value of the remainder interest is based (See § 1.642(c)–6A for certain prior periods). The tables referenced by IRS Publication 1457, *Actuarial Valuations Version 4A,* include factors for yearly rates of return from 0.2 to 20 percent, inclusive, in

increments of two-tenths of one percent. For other situations, see paragraph (b) of this section. If the yearly rate of return is a percentage that is between the yearly rates of return for which factors are provided by Table S, an exact method of obtaining the applicable factors (such as through software using the actual rate of return and the actuarial formulas provided in § 20.2031–7(d)(2)(ii)(B) of this chapter) or a linear interpolation must be used, provided whichever method used is applied consistently in valuing all interests in the same property. The applicable remainder factors derived by an exact method or by interpolation must be expressed to at least five decimal places. The present value of the remainder interest is determined by multiplying the fair market value of the property on the valuation date by the appropriate remainder factor.

(ii) *Sample factors from actuarial Table S.* For purposes of the example in paragraph (e)(5)(iii) of this section, the following factors from Table S will be used:

TABLE 7 TO PARAGRAPH (e)(5)(ii)

Age	Annuity	Life estate	Remainder
Factors from Table S—Based on Table 2010CM			
Interest at 5.4 Percent			
55	13.2515	0.71558	0.28442
Interest at 5.6 Percent			
55	12.9710	0.72637	0.27363

(iii) *Example of interpolation.* After June 1, 2023, A, whose age is 54 years and 8 months, transfers $100,000 to a pooled income fund, and retains a life income interest in the property. The highest yearly rate of return earned by the fund for its 3 preceding taxable years is 5.43 percent. In Table S, the remainder factor opposite 55 years under 5.4 percent is 0.28442 and under 5.6 percent is 0.27363. The present value of the remainder interest is $28,280, computed as illustrated in Figure 1 to this paragraph (e)(5)(iii).

Figure 1 to Paragraph (e)(5)(iii)— Illustration of Interpolation Method

A. Remainder Factor at 5.4 percent for age 55   0.28442

B. Less: Remainder Factor at 5.6 percent for age 55   - 0.27363

C. Difference: A - B   0.01079

D. Interpolation Adjustment:

$$\frac{5.43\% - 5.40\%}{5.60\% - 5.40\%} = \frac{z}{0.01079}$$

E. $$\frac{5.43\% - 5.40\%}{5.60\% - 5.40\%} \cdot 0.01079 = z = 0.00162$$

F. Remainder Factor at 5.4 percent for age 55   0.28442

G. Less: Interpolation Adjustment z   - 0.00162

H. Interpolated Factor: F - G   0.28280

I. Amount Transferred $ 100,000

J. Present Value of Remainder Interest: H x I $ 28,280

(6) *Actuarial tables.* In the case of transfers for which the valuation date is on or after June 1, 2023, the present value of a remainder interest dependent on the termination of one life in the case of a transfer to a pooled income fund is determined by using the formula in § 20.2031–7(d)(2)(ii)(B) of this chapter to derive a remainder factor from the

appropriate mortality table to at least five decimal places. For the convenience of taxpayers, actuarial factors have been computed by the IRS and appear in Table S. Table S currently is available, at no charge, electronically via the IRS website at *https://www.irs.gov/retirement-plans/actuarial-tables.* Table S is referenced and explained in IRS Publication 1457, *Actuarial Valuations Version 4A,* which will be available within a reasonable time after June 1, 2023.

(f) *Applicability date.* This section applies on and after June 1, 2023.

■ **Par. 5.** The undesignated center heading immediately preceding § 1.642(c)–6A is revised to read as follows:

Pooled Income Fund Actuarial Tables Applicable Before June 1, 2023

■ **Par. 6.** Section 1.642(c)–6A is amended by:
■ 1. Revising the section heading.
■ 2. In newly redesignated paragraph (g):
■ i. The heading and paragraphs (g)(1) through (5) and (g)(6) introductory text are revised.
■ ii. Paragraph (g)(7) is added.
The revisions and addition read as follows:

§ 1.642(c)–6A Valuation of charitable remainder interests for which the valuation date is before June 1, 2023.

*   *   *   *   *

(g) *Present value of the remainder interest in the case of transfers to pooled income funds for which the valuation date is on or after May 1, 2009, and before June 1, 2023*—(1) *In general.* In the case of transfers to pooled income funds for which the valuation date is on or after May 1, 2009, and before June 1, 2023, the present value of a remainder interest is determined under this section. See, however, § 1.7520–3(b) (relating to exceptions to the use of prescribed tables under certain circumstances). The present value of a remainder interest that is dependent on the termination of the life of one individual is computed by the use of Table S in paragraph (g)(6) of this section. For purposes of the computations under this section, the age of an individual is the age at the individual's nearest birthday.

(2) *Transitional rules for valuation of transfers to pooled income funds.* (i) For purposes of section 2055, 2106, or 2624, if on May 1, 2009, the decedent was under a mental disability so that the disposition of the property could not be changed, and the decedent died on or after May 1, 2009, but before June 2, 2023, without having regained the ability to dispose of the decedent's property, or if the decedent died within 90 days of the date that the decedent first regained that ability on or after May 1, 2009, but before June 2, 2023, the present value of a remainder interest is determined as if the valuation date with respect to the decedent's gross estate is either before May 1, 2009, or after April 30, 2009, at the option of the decedent's executor.

(ii) For purposes of section 170, 2055, 2106, 2522, or 2624, in the case of transfers to a pooled income fund for which the valuation date is on or after May 1, 2009, and before July 1, 2009, the present value of the remainder interest under this section is determined by using the section 7520 interest rate for the month in which the valuation date occurs (see §§ 1.7520–1(b) and 1.7520–2(a)(2)) and the appropriate actuarial tables under either paragraph (f)(6) or (g)(6) of this section, at the option of the donor or the decedent's executor, as the case may be.

(iii) For purposes of paragraphs (g)(2)(i) and (ii) of this section, where the donor or decedent's executor is given the option to use the appropriate actuarial tables under either paragraph (f)(6) or (g)(6) of this section, the donor or decedent's executor must consistently use the same mortality basis with respect to each interest (income, remainder, partial, etc.) in the same property, and with respect to all transfers occurring on the same valuation date. For example, gift and income tax charitable deductions with respect to the same transfer must be determined based on factors with the same mortality basis, and all assets includible in the gross estate and/or estate tax deductions claimed must be valued based on factors with the same mortality basis.

(iv) In the case of transfers to a pooled income fund for which the valuation date is after April 30, 2019, and before June 1, 2023, the present value of the remainder interest under this section is determined under § 1.642(c)–6(e)(2).

(3) *Present value of a remainder interest.* The present value of a remainder interest in property transferred to a pooled income fund is computed on the basis of—

(i) Life contingencies determined from the values of l_x that are set forth in Table 2000CM in § 20.2031–7A(g)(4) of this chapter; and

(ii) Discount at a rate of interest, compounded annually, equal to the highest yearly rate of return of the pooled income fund for the three taxable years immediately preceding its taxable year in which the transfer of property to the fund is made. The provisions of § 1.642(c)–6(c) apply for determining the yearly rate of return. However, where the taxable year is less than 12 months, the provisions of § 1.642(c)–6(e)(3)(ii) apply for the determining the yearly rate of return.

(4) *Pooled income funds in existence less than three taxable years.* The provisions of § 1.642(c)–6(e)(4) apply for determining the highest yearly rate of return when the pooled income fund has been in existence less than three taxable years.

(5) *Computation of value of remainder interest.* The factor that is used in determining the present value of a remainder interest that is dependent on the termination of the life of one individual is the factor from Table S in paragraph (g)(6) of this section under the appropriate yearly rate of return opposite the number that corresponds to the age of the individual upon whose life the value of the remainder interest is based. Table S in paragraph (g)(6) of this section includes factors for yearly rates of return from 0.2 to 14 percent, inclusive, in increments of two-tenths of one percent. Actuarial factors that do not appear in paragraph (g)(6) of this section may be computed directly by using the formula in § 20.2031–7(d)(2)(ii)(B) of this chapter to derive a remainder factor from the appropriate mortality table to at least five decimal places. For the convenience of taxpayers, actuarial factors have been computed by the IRS and appear in Table S that is referenced and explained by IRS Publication 1457, *Actuarial Valuations Version 3A* (2009). The table is available at no charge, electronically via the IRS website at *https://www.irs.gov/retirement-plans/actuarial-tables* (or a corresponding URL as may be updated from time to time). For other situations, see § 1.642(c)–6(b). If the yearly rate of return is a percentage that is between the yearly rates of return for which factors are provided by Table S, an exact method of obtaining the applicable factors (such as through software using the actual rate of return and actuarial formulas provided in § 20.2031–7(d)(2)(ii)(B) of this chapter) or a linear interpolation must be used, provided whichever method used is applied consistently in valuing all interests in the same property. The present value of the remainder interest is determined by multiplying the fair market value of the property on the valuation date by the appropriate remainder factor. For an example of a computation of the present value of a remainder interest requiring a linear interpolation adjustment, see § 1.642(c)–6(e)(5).

(6) *Actuarial tables.* In the case of transfers for which the valuation date is on or after May 1, 2009, and before June 1, 2023, and without regard to the headings in the tables in this paragraph (g)(6) that do not contain this termination date for the applicability of the tables, the present value of a remainder interest dependent on the termination of one life in the case of a transfer to a pooled income fund is determined by using the following tables:

* * * * *

(7) *Applicability dates.* Paragraphs (g)(1) through (6) of this section apply on and after May 1, 2009, and before June 1, 2023.

■ **Par. 7.** Section 1.664–2 is amended by revising paragraphs (c) and (e) as follows:

§ 1.664–2 Charitable remainder annuity trust.

* * * * *

(c) *Calculation of the fair market value of the remainder interest of a charitable remainder annuity trust.* For purposes of sections 170, 2055, 2106, and 2522, the fair market value of the remainder interest of a charitable remainder annuity trust (as described in this section) is the net fair market value (as of the appropriate valuation date) of the property placed in trust less the present value of the annuity. For purposes of this section, *valuation date* means, in general, the date on which the property is transferred to the trust by the donor regardless of when the trust is created. In the case of transfers to a charitable remainder annuity trust for which the valuation date is after April 30, 1999, if an election is made under section 7520 and § 1.7520–2(b) to compute the present value of the charitable interest by using the interest rate component for either of the 2 months preceding the month in which the transfer is made, the month so elected is the valuation date for purposes of determining the interest rate and mortality tables. For purposes of section 2055 or 2106, the valuation date is the date of death unless the alternate valuation date is elected in accordance with section 2032 in which event, and within the limitations set forth in section 2032 and the regulations in this part under section 2032, the valuation date is the alternate valuation date. If the decedent's estate elects the alternate valuation date under section 2032 and also elects, under section 7520 and § 1.7520–2(b), to use the interest rate component for one of the 2 months preceding the alternate valuation date, the month so elected is the valuation date for purposes of determining the

interest rate and mortality tables. The present value of an annuity is computed under § 20.2031–7(d) of this chapter for transfers for which the valuation date is on or after June 1, 2023, or under § 20.2031–7A(a) through (g) of this chapter, whichever is applicable, for transfers for which the valuation date is before June 1, 2023. See, however, §§ 20.2031–7(d)(3) and 25.2512–5(d)(3) (transition rules) and 1.7520–3(b) (relating to exceptions to the use of prescribed tables under certain circumstances).

* * * * *

(e) *Applicability date.* Paragraph (c) of this section applies on and after June 1, 2023.

■ **Par. 8.** Section 1.664–4 is amended by:

■ 1. Revising paragraphs (a)(1) and (d).
■ 2. In paragraph (e):
■ i. Redesignating the heading and paragraphs (e)(1), (2), (5), and (7) as the heading for § 1.664–4A(g) and paragraphs (g)(1), (2), (5), and (6), respectively.
■ ii. Adding a new heading and new paragraphs (e)(1), (2), and (5).
■ iii. Revising the heading for paragraph (e)(6).
■ iv. Redesignating the text of paragraph (e)(6) as paragraph (e)(6)(iii).
■ v. Adding paragraphs (e)(6)(i) and (ii).
■ vi. Revising the introductory text of newly redesignated paragraph (e)(6)(iii).
■ vii. Adding a new paragraph (e)(7).
■ 3. Revising paragraph (f).

The additions and revisions read as follows:

§ 1.664–4 Calculation of the fair market value of the remainder interest in a charitable remainder unitrust.

(a) * * *

(1) Life contingencies determined as to each life involved, from the values of l$_x$ set forth in Table 2010CM in § 20.2031–7(d)(7)(ii) of this chapter in the case of transfers for which the valuation date is on or after June 1, 2023; or from Table 2000CM contained in § 20.2031–7A(g)(4) of this chapter in the case of transfers for which the valuation date is on or after May 1, 2009, and before June 1, 2023. See § 20.2031–7A(a) through (f) of this chapter, whichever is applicable, for transfers for which the valuation date is before May 1, 2009;

* * * * *

(d) *Valuation.* The fair market value of a remainder interest in a charitable remainder unitrust (as described in § 1.664–3) for transfers for which the valuation date is on or after June 1, 2023, is its present value determined under paragraph (e) of this section. The

fair market value of a remainder interest in a charitable remainder unitrust (as described in § 1.664–3) for transfers for which the valuation date is before June 1, 2023, is its present value determined under the following sections:

TABLE 1 TO PARAGRAPH (d)

Valuation dates		Applicable regulations
After	Before	
	01–01–52	1.664–4A(a)
12–31–51	01–01–71	1.664–4A(b)
12–31–70	12–01–83	1.664–4A(c)
11–30–83	05–01–89	1.664–4A(d)
04–30–89	05–01–99	1.664–4A(e)
04–30–99	05–01–09	1.664–4A(f)
04–30–09	06–01–23	1.664–4A(g)

(e) *Valuation of charitable remainder unitrusts having certain payout sequences for transfers for which the valuation date is on or after June 1, 2023*—(1) *In general.* Except as otherwise provided in paragraph (e)(2) of this section, in the case of transfers for which the valuation date is on or after June 1, 2023, the present value of a remainder interest is determined under paragraphs (e)(3) through (7) of this section, provided that, in a short taxable year, the trustee must prorate the unitrust amount as provided in § 1.664–3(a)(1)(v). See, however, § 1.7520–3(b) (relating to exceptions to the use of the prescribed tables under certain circumstances).

(2) *Transitional rule for valuation of charitable remainder unitrusts.* For purposes of section 170, 2055, 2106, 2522, or 2624, in the case of transfers to a charitable remainder unitrust for which the valuation date is after April 30, 2019, and on or before June 1, 2023, the present value of a remainder interest based on one or more measuring lives is determined under this section by using the section 7520 interest rate for the month in which the valuation date occurs (see §§ 1.7520–1(b) and 1.7520–2(a)(2)) and the appropriate actuarial factors derived from the selected mortality table, either Table 2010CM in § 20.2031–7(d)(7)(ii) of this chapter or Table 2000CM in § 20.2031–7A(g)(4) of this chapter, at the option of the donor or the decedent's executor, as the case may be. If any previously filed income tax return is amended to use the actuarial factors based on Table 2010CM, the amended return must state at the top "AMENDED PURSUANT TO TD 9974." If any previously filed gift or estate tax return is supplemented to use the actuarial factors based on Table 2010CM, the supplemental return must state at the top "SUPPLEMENTED PURSUANT TO TD 9974." For the

convenience of taxpayers, actuarial factors based on Table 2010CM appear in the current version of Table U(1), and actuarial factors based on Table 2000CM appear in the previous version of Table U(1). Both versions of Table U(1) currently are available, at no charge, electronically via the IRS website at *https://www.irs.gov/retirement-plans/ actuarial-tables* (or a corresponding URL as may be updated from time to time). The donor or decedent's executor must consistently use the same mortality basis with respect to each interest (income, remainder, partial, etc.) in the same property, and with respect to all transfers occurring on the same valuation date. For example, gift and income tax charitable deductions with respect to the same transfer must be determined based on factors with the same mortality basis, and all assets includible in the gross estate and/or estate tax deductions claimed must be valued based on factors with the same mortality basis.

* * * * *

(5) *Period is the life of one individual*—(i) *Factor.* If the period described in § 1.664–3(a)(5) is the life of one individual, the factor that is used in determining the present value of the remainder interest for transfers for which the valuation date is on or after June 1, 2023, is the factor obtained through the use of the formula in Figure 1 to this paragraph (e)(5)(i) to at least five decimal places. The prescribed mortality table is Table 2010CM as set forth in § 20.2031–7(d)(7)(ii) of this chapter, or for periods before June 1, 2023, the appropriate table found in § 20.2031–7A of this chapter. Table 2010CM is referenced by IRS Publication 1458, *Actuarial Values Version 4B.* The mortality tables prescribed for periods before June 1, 2023, are referenced by prior versions of IRS Publication 1458. Alternatively, the remainder factors have been determined for the convenience of taxpayers and appear in Table U(1) under the appropriate adjusted payout rate. Table U(1) currently is available, at no charge, electronically via the IRS website at *https://www.irs.gov/retirement-plans/ actuarial-tables* (or a corresponding URL as may be updated from time to time). Table U(1) is referenced and explained by IRS Publication 1458, *Actuarial Valuations Version 4B,* which will be available within a reasonable time after June 1, 2023. For purposes of the computations described in this paragraph (e)(5), the age of an individual is the age of that individual at the individual's nearest birthday. If

the adjusted payout rate is an amount that is between adjusted payout rates for which factors are provided in the appropriate table, an exact method of obtaining the applicable remainder factors (such as through software using the actual adjusted payout rate and the actuarial formula in this paragraph (e)(5)) or a linear interpolation must be used, provided whichever method used is applied consistently in valuing all interests in the same property. The applicable remainder factors derived by an exact method or by interpolation must be expressed to at least five decimal places. The present value of the remainder interest is determined by multiplying the net fair market value (as of the valuation date as determined in § 1.664–4(e)(4)) of the property placed in trust by the factor determined under this paragraph (e)(5). If the adjusted payout rate is from 0.2 to 20.0 percent, inclusive, taxpayers may see the actuarial tables referenced and explained by IRS Publication 1458, *Actuarial Valuations Version 4B.* Alternatively, the Commissioner may supply a factor upon a request for a ruling. See paragraph (b) of this section.

Figure 1 to Paragraph (e)(5)(i)— Formula for Determining Unitrust Remainder Factors

$$\left(1 + \frac{i}{2}\right) \sum_{t=0}^{\infty} v^{t+1} \left({}_{t+1}q_x - {}_tq_x\right)$$

where:

r = the adjusted payout rate;

v = 1 - r;

i = r / (1 − r)

$${}_tq_x = 1 - \frac{l_{x+t}}{l_x} \; ;$$

x = the age of the measuring life (determined as age at nearest birthday); and

l_x = the number associated with age x as set forth in the prescribed mortality table, representing the number of persons alive at age x.

(ii) *Sample factors from actuarial Table U(1).* For purposes of the example in paragraph (e)(5)(iii) of this section, the following factors from Table U(1) and Table F(3.2) (see paragraph (e)(6)(ii) of this section) will be used:

TABLE 2 TO PARAGRAPH (e)(5)(ii)
FACTORS FROM TABLE U(1)—BASED ON TABLE 2010CM

Adjusted payout rate			
Age	4.8%	5.0%	5.2%
77	0.61491	0.60343	0.59223

Factors from Table F(3.2)
Factors for Computing Adjusted Payout Rates for Unitrusts

Interest at 3.2 Percent

# of Months from Annual Valuation to First Payout		Adjustment Factors for Payments at End of Period	
At Least	But Less Than	Annual	Semiannual
6	7	0.984374	0.976683

(iii) *Example of interpolation.* After June 1, 2023, A, whose age is 76 years and 11 months, transfers $100,000 to a charitable remainder unitrust on January 1st. The trust instrument requires that the trust pay to A semiannually (on June 30 and December 31) 5 percent of the fair market value of the trust assets as of January 1st during A's life. The section 7520 rate for January is 3.2 percent. Under Table F(3.2), the appropriate adjustment factor is 0.976683 for semiannual payments payable at the end of the semiannual period. The adjusted payout rate is 4.883% (5% × 0.976683). Based on interpolating between the remainder factors in Table U(1), the present value of the remainder interest is $61,015, computed as illustrated in Figure 2 to this paragraph (e)(5)(iii).

Figure 2 to Paragraph (e)(5)(iii)— Illustration of Unitrust Interpolation Method

A. Table U(1) Factor at 4.8 percent for age 77 .... 0.61491

B. Less: Table U(1) Factor at 5.0 percent for age 77 .... - 0.60343

C. Difference: A - B 0.01148

D. Interpolation Adjustment:

$$\frac{4.883\% - 4.80\%}{5.0\% - 4.80\%} = \frac{z}{0.01148}$$

E.

$$\frac{4.883\% - 4.80\%}{5.0\% - 4.80\%} \cdot 0.01148 = z = 0.00476$$

F. Table U(1) Factor at 4.8 percent for age 77 .... 0.61491

G. Less: Interpolation Adjustment z .... - 0.00476

H. Interpolated Factor: F - G 0.61015

I. Amount Transferred .... $ 100,000

J. Present Value of Remainder Interest: H x I .... $ 61,015

(6) *Actuarial Table D and Tables F(0.2) through F(20.0) for transfers for which the valuation date is on or after May 1, 1989*—(i) *Remainder factors for charitable remainder unitrusts.* For transfers for which the valuation date is on or after May 1, 1989, the present value of a charitable remainder unitrust interest that is dependent upon a term of years is determined by using the formula in Figure 3 to this paragraph (e)(6)(i) and calculating the final result to at least six decimal places. For the convenience of taxpayers, actuarial factors have been computed by the IRS

and appear in Table D. Table D can be found on the IRS website at *https:// www.irs.gov/retirement-plans/actuarial-tables* (or a corresponding URL as may be updated from time to time). Table D is referenced and explained in IRS Publication 1458, *Actuarial Valuations Version 4B,* which will be available within a reasonable time after June 1,

2023. The remainder factors from Table D also can be found in paragraph (e)(6)(iii) of this section, but only for adjusted payout rates from 4.2 to 14 percent, inclusive. For transfers for which the valuation date is on or after June 1, 2023, where the present value of a charitable remainder unitrust interest is dependent on the termination of a life

interest, see paragraph (e)(5) of this section. See, however, § 1.7520–3(b) (relating to exceptions to the use of prescribed tables under certain circumstances).

Figure 3 to Paragraph (e)(6)(i)— Formula for Determining Term Certain Unitrust Remainder Factors

$$(1 - r)^n$$

where:

n = the term in years or fractions of a year; and

r = the adjusted payout rate.

(ii) *Unitrust payout rate adjustment factors.* For transfers for which the valuation date is on or after May 1, 1989, the unitrust payout rate adjustment factors are determined by using the formula in Figure 4 to this paragraph (e)(6)(ii) and calculating the final result to at least six decimal places. For the convenience of taxpayers, actuarial factors have been computed by

the IRS, for interest rates from 0.2 to 20 percent, inclusive, and appear in Tables F(0.2) through F(20.0). Tables F(0.2) through F(20.0) can be found on the IRS website at *https://www.irs.gov/ retirement-plans/actuarial-tables* (or a corresponding URL as may be updated from time to time). Tables F(0.2) through F(20.0) are referenced and explained in IRS Publication 1458,

Actuarial Valuations Version 4B, which will be available within a reasonable time after June 1, 2023. The factors from Table F also can be found in paragraph (e)(6)(iii) of this section, but only for interest rates from 4.2 to 14 percent, inclusive.

Figure 4 to Paragraph (e)(6)(ii)— Formula for Determining Unitrust Payout Rate Adjustment Factors

$$\frac{(1 + i)^{(1/p)} \cdot i \cdot v^{(d/12)}}{p\,(1 + i)[(1 + i)^{(1/p)} - 1]}$$

where:

p = the number of payments per year;

i = the applicable interest rate under section 7520 of the Internal Revenue Code;

v = 1 / (1 + i) ; and

d = the number of months between the annual valuation date and the regular

first payout date of a standard full year of the trust.

(iii) *Table D and Tables F(4.2) through F(14.0).* The unitrust remainder factors from Table D, for interest rates from 4.2 to 14 percent, inclusive, and the unitrust payout factors from Tables F(4.2) through F(14.0) are as follows:

*   *   *   *   *

(7) *Actuarial Table U(1) for transfers for which the valuation date is on or after June 1, 2023.* The present value of a remainder interest in a charitable remainder unitrust that is dependent on the termination of a life interest is determined by using the section 7520 rate, Tables F(0.2) through (20.0) (see paragraph (e)(6)(ii) of this section), and

the formula in paragraph (e)(5)(i) of this section to derive a remainder factor from the appropriate mortality table to at least five decimal places. For the convenience of taxpayers, actuarial factors have been computed by the IRS and appear in Table U(1). For transfers for which the valuation date is on or after June 1, 2023, the actuarial tables are currently available, at no charge, electronically via the IRS website at *https://www.irs.gov/retirement-plans/ actuarial-tables.* These actuarial tables are referenced and explained by IRS Publication 1458, *Actuarial Valuations Version 4B* (2023). This publication will

be available within a reasonable time after June 1, 2023. See, however, § 1.7520–3(b) (relating to exceptions to the use of prescribed tables under certain circumstances).

(f) *Applicability date.* This section applies on and after June 1, 2023.

■ **Par. 9.** The undesignated center heading immediately preceding § 1.664– 4A is revised to read as follows:

Unitrust Actuarial Tables Applicable Before June 1, 2023.

■ **Par. 10.** Section 1.664–4A is amended by:

■ 1. Revising the section heading.
■ 2. In newly redesignated paragraph (g):
■ i. Revising the heading and paragraphs (g)(1) and (2).
■ ii. Adding paragraphs (g)(3) and (4).
■ iii. Revising paragraph (g)(5).
■ iv. In paragraph (g)(6), revising the introductory text.
■ v. Adding paragraph (g)(7).

The additions and revisions read as follows:

§ 1.664–4A   Valuation of charitable remainder interests for which the valuation date is before June 1, 2023.

*　　*　　*　　*　　*

(g) *Valuation of charitable remainder unitrusts having certain payout sequences for transfers for which the valuation date is on or after May 1, 2009, and before June 1, 2023*—(1) *In general.* Except as otherwise provided in paragraph (g)(2) of this section, in the case of transfers for which the valuation date is on or after May 1, 2009, and before June 1, 2023, the present value of a remainder interest is determined under paragraphs (g)(3) through (6) of this section, provided that the amount of the payout as of any payout date during any taxable year of the trust is not larger than the amount that the trust could distribute on such date under § 1.664–3(a)(1)(v) if the taxable year of the trust were to end on such date. See, however, § 1.7520–3(b) (relating to exceptions to the use of the prescribed tables under certain circumstances).

(2) *Transitional rules for valuation of charitable remainder unitrusts.* (i) For purposes of section 2055, 2106, or 2624, if on May 1, 2009, the decedent was under a mental disability so that the disposition of the property could not be changed, and the decedent died on or after May 1, 2009, but before June 2, 2023, without having regained the ability to dispose of the decedent's property, or if the decedent died within 90 days of the date that the decedent first regained that ability on or after May 1, 2009, but before June 2, 2023, the present value of a remainder interest under this section is determined as if the valuation date with respect to the decedent's gross estate is either before May 1, 2009, or after April 30, 2009, at the option of the decedent's executor.

(ii) For purposes of section 170, 2055, 2106, 2522, or 2624, in the case of transfers to a charitable remainder unitrust for which the valuation date is on or after May 1, 2009, and before July 1, 2009, the present value of a remainder interest based on one or more measuring lives is determined under this section by using the section 7520 interest rate for the month in which the

valuation date occurs (see §§ 1.7520–1(b) and 1.7520–2(a)(2)) and the appropriate actuarial tables under either paragraph (f)(6) or (g)(6) of this section, at the option of the donor or the decedent's executor, as the case may be.

(iii) For purposes of paragraphs (g)(2)(i) and (ii) of this section, where the donor or decedent's executor is given the option to use the appropriate actuarial tables under either paragraph (f)(6) or (g)(6) of this section, the donor or decedent's executor must consistently use the same mortality basis with respect to each interest (income, remainder, partial, etc.) in the same property, and with respect to all transfers occurring on the same valuation date. For example, gift and income tax charitable deductions with respect to the same transfer must be determined based on factors with the same mortality basis, and all assets includible in the gross estate and/or estate tax deductions claimed must be valued based on factors with the same mortality basis.

(iv) In the case of transfers to a charitable remainder unitrust for which the valuation date is after April 30, 2019, and before June 1, 2023, the present value of the remainder interest under this section is determined under § 1.664(c)–4(e)(2).

(3) *Adjusted payout rate.* The adjusted payout rate is determined by applying the formula in § 1.664–4(e)(6)(ii) for the section 7520 interest rate applicable to the transfer to derive a factor and calculating the final result to at least six decimal places. For the convenience of taxpayers, actuarial factors have been computed by the IRS, for interest rates from 0.2 to 20 percent, inclusive, and appear in Tables F(0.2) through F(20.0). Tables F(0.2) through F(20.0) can be found on the IRS website at *https://www.irs.gov/retirement-plans/actuarial-tables* (or a corresponding URL as may be updated from time to time). Tables F(0.2) through F(20.0) are referenced and explained in IRS Publication 1458, *Actuarial Valuations Version 3B.* The payout adjustment factors from Table F can also be found in § 1.664–4(e)(6)(iii), but only for interest rates from 4.2 to 14 percent, inclusive. Alternatively, the Commissioner may supply a factor upon a request for a ruling. See § 1.664–4(b). See § 1.664–4(e) for rules applicable in determining the adjusted payout rate.

(4) *Period is a term of years.* If the period described in § 1.664–3(a)(5) is a term of years, the factor that is used in determining the present value of the remainder interest is determined by applying the formula in § 1.664–4(e)(6)(i) under the appropriate adjusted payout rate corresponding to the

number of years in the term and calculating the final result to at least six decimal places. For the convenience of taxpayers, actuarial factors have been computed by the IRS and appear in Table D. Table D can be found on the IRS website at *https://www.irs.gov/retirement-plans/actuarial-tables* (or a corresponding URL as may be updated from time to time). Table D is referenced and explained in IRS Publication 1458, *Actuarial Valuations Version 3B.* The remainder factors from Table D also can be found in § 1.664–4(e)(6)(iii), but only for adjusted payout rates from 4.2 to 14 percent, inclusive. If the adjusted payout rate is a percentage that is between the adjusted payout rate for which factors are provided by Table D, an exact method of obtaining the applicable remainder factors (such as through software using the actual rate of return and the actuarial formula provided in § 1.664–4(e)(6)(i)) or a linear interpolation must be used, provided whichever method used is applied consistently in valuing all interests in the same property. The applicable remainder factors derived by an exact method or by interpolation must be expressed to at least six decimal places. The present value of the remainder interest is determined by multiplying the net fair market value (as of the appropriate valuation date) of the property placed in trust by the factor determined under this paragraph (g)(4). Generally, for purposes of this section, the valuation date is, in the case of an inter vivos transfer, the date on which the property is transferred to the trust by the donor, and, in the case of a testamentary transfer under section 2055, 2106, or 2624, the valuation date is the date of death. See § 1.664–4(e)(4) for additional rules regarding the valuation date, and for an example that illustrates the application of this paragraph (g)(4).

(5) *Period is the life of one individual.* If the period described in § 1.664–3(a)(5) is the life of one individual, the factor that is used in determining the present value of the remainder interest for transfers for which the valuation date is on or after May 1, 2009, and before June 1, 2023, may be computed directly by using the formula in § 1.664–4(e)(5)(i) to derive a remainder factor from the appropriate mortality table and calculating the final result to at least five decimal places. For the convenience of taxpayers, actuarial factors have been computed by the IRS and appear in Table U(1). Table U(1) can be found on the IRS website at *https://www.irs.gov/retirement-plans/actuarial-tables* (or a corresponding

URL as may be updated from time to time). Table U(1) is referenced and explained in IRS Publication 1458, *Actuarial Valuations Version 3B.* The remainder factors from Table U(1) also can be found in paragraph (g)(6) of this section, but only for adjusted payout rates from 4.2 to 14 percent, inclusive. For purposes of the computations described in this paragraph (g)(5), the age of an individual is the age of that individual at the individual's nearest birthday. If the adjusted payout rate is a percentage that is between the adjusted payout rate for which factors are provided by Table U(1), an exact method of obtaining the applicable factors (such as through software using the actual rate of return and the actuarial formula provided in § 1.664–4(e)(5)(i) or a linear interpolation must be used, provided whichever method used is applied consistently in valuing all interests in the same property. The applicable remainder factors derived by an exact method or by interpolation must be expressed to at least five decimal places. The rules provided in § 1.664–4(e)(5) apply for determining the present value of the remainder interest. See § 1.664–4(e)(5) for an example illustrating the application of this paragraph (g)(5) (using current actuarial tables).

(6) *Actuarial Table U(1) for transfers for which the valuation date is on or after May 1, 2009, and before June 1, 2023.* For transfers for which the valuation date is on or after May 1, 2009, and before June 1, 2023, and without regard to the headings in the tables in this paragraph (g)(6) that do not contain this termination date for the applicability of the tables, the present value of a charitable remainder unitrust interest that is dependent on the termination of a life interest is determined by using the section 7520 rate, Table U(1) in this paragraph (g)(6), and Tables F(4.2) through F(14.0) in § 1.664–4(e)(6)(iii). See, however, § 1.7520–3(b) (relating to exceptions to the use of prescribed tables under certain circumstances). Actuarial factors that do not appear in the following tables may be computed directly by using the formula in § 1.664–4(e)(5)(i) to derive remainder factors from the appropriate mortality table and calculating the result to at least five decimal places. For the convenience of taxpayers, actuarial factors have been computed by the IRS and appear in Table U(1) that is referenced and explained by IRS Publication 1458, *Actuarial Valuations Version 3B* (2009). The table is available at no charge, electronically via the IRS website at

https://www.irs.gov/retirement-plans/ actuarial-tables (or a corresponding URL as may be updated from time to time).

*   *   *   *   *

(7) *Applicability dates.* Paragraphs (g)(1) through (6) of this section apply on and after May 1, 2009, and before June 1, 2023.

■ **Par. 11.** Section 1.7520–1 is amended by revising paragraphs (a)(1) and (2), (b)(2), (c), and (d) and adding paragraphs (e) and (f) to read as follows:

§ 1.7520–1 Valuation of annuities, interests for life or a term of years, and remainder or reversionary interests.

(a) * * * (1) Except as otherwise provided in this section and in § 1.7520–3 (relating to exceptions to the use of prescribed tables under certain circumstances), in the case of certain transactions after April 30, 1989, subject to income tax, the fair market value of annuities, interests for life or a term of years (including unitrust interests), and remainder or reversionary interests is their present value determined under this section. See § 20.2031–7(d) of this chapter (and, for periods prior to June 1, 2023, §§ 20.2031–7(d)(3) and 20.2031–7A of this chapter) for the computation of the value of annuities, interests for life or a term of years, and remainder or reversionary interests other than interests described in paragraphs (a)(2) and (3) of this section.

(2) For a transfer to a pooled income fund, see § 1.642(c)–6(e) (or, for periods prior to June 1, 2023, § 1.642(c)–6A) with respect to the valuation of the remainder interest.

*   *   *   *   *

(b) * * *

(2) *Mortality component.* The mortality component reflects the mortality data in the most recently available decennial mortality report based on the United States census. As the appropriate new decennial mortality report becomes available after each decennial census, the Treasury Department and the IRS will revise the mortality component described in this section and will update the appropriate regulations to adopt the revised mortality component tables. For transactions with valuation dates on or after June 1, 2023, the mortality component table (Table 2010CM) is in § 20.2031–7(d)(7)(ii) of this chapter, is referenced by IRS Publication 1457, *Actuarial Valuations Version 4A,* and can be found on the IRS website at *https://www.irs.gov/retirement-plans/ actuarial-tables* (or a corresponding URL as may be updated from time to time). See § 20.2031–7A of this chapter

for mortality component tables applicable to transactions for which the valuation date falls before June 1, 2023.

(c) *Actuarial factors.* The present value on the valuation date of an annuity, an interest for life or a term of years, and a remainder or reversionary interest is computed by using the section 7520 interest rate component that is described in paragraph (b)(1) of this section and the mortality component that is described in paragraph (b)(2) of this section. Actuarial factors for determining these present values may be calculated by taxpayers using the actuarial formulas in § 20.2031–7(d)(2) of this chapter but, for the convenience of taxpayers, are included in tables that are referenced and explained by publications of the Internal Revenue Service. If a factor for a particular situation is required in order to value an interest, that factor may be calculated by taxpayers using the actuarial formulas in § 20.2031–7(d)(2) of this chapter or the taxpayer may request a ruling to obtain the factor from the Internal Revenue Service. The request for a ruling must be accompanied by a recitation of the facts, including the date of birth for each measuring life and copies of relevant instruments. A request for a ruling must comply with the instructions for requesting a ruling published periodically in the Internal Revenue Bulletin (see Rev. Proc. 2023–1, 2023–1 I.R.B. 1, or successor revenue procedure(s), and §§ 601.201 and 601.601(d)(2)(ii)(*b*) of this chapter) and must include payment of the required user fee.

(d) *IRS publications referencing and explaining actuarial tables with rates from 0.2 to 20 percent, inclusive, at intervals of two-tenths of one percent, for valuation dates on or after June 1, 2023.* The publications listed in paragraphs (d)(1) through (3) of this section will be available within a reasonable time after June 1, 2023. The underlying actuarial tables referenced and explained by these publications currently are available, at no charge, electronically via the IRS website at *https://www.irs.gov/retirement-plans/ actuarial-tables:*

(1) IRS Publication 1457, *Actuarial Valuations Version 4A* (2023). This publication references tables of valuation factors and provides examples that show how to compute other valuation factors, for determining the present value of annuities, interests for life or a term of years, and remainder or reversionary interests, measured by one or two lives. These factors may also be used in the valuation of interests in a charitable remainder annuity trust as

defined in § 1.664–2 and a pooled income fund as defined in § 1.642(c)–5. This publication references and explains Table S (single life remainder factors), Table R(2) (two-life last-to-die remainder factors), Table B (actuarial factors used in determining the present value of an interest for a term of years), Table H (commutation factors), Table J (term certain annuity beginning-of-interval adjustment factors), and Table K (annuity end-of-interval adjustment factors). See earlier versions of the publication, § 1.642(c)–6A, or § 20.2031–7A of this chapter for Table S applicable to valuation dates before June 1, 2023. Earlier versions of the publication also contain earlier versions of Tables H and R(2). Tables B, J, and K also can be found in § 20.2031–7(d)(6) of this chapter, but only for interest rates from 4.2 to 14 percent, inclusive.

(2) IRS Publication 1458, *Actuarial Valuations Version 4B* (2023). This publication references and explains term certain tables and tables of one and two life valuation factors for determining the present value of remainder interests in a charitable remainder unitrust as defined in § 1.664–3. This publication references Table U(1) (unitrust single life remainder factors), Table U(2) (unitrust two-life last-to-die remainder factors), Table D (actuarial factors used in determining the present value of a remainder interest postponed for a term of years), Table F (adjustment payout rate factors), and Table Z (unitrust commutation factors). See earlier versions of the publication or § 1.664–4A for Table U(1) applicable to valuation dates before June 1, 2023. Earlier versions of the publication also contain earlier versions of Tables U(2) and Z. Table D also can be found in § 1.664–4(e)(6)(iii), but only for adjusted payout rates from 4.2 to 14 percent, inclusive. Table F also can be found in § 1.664–4(e)(6)(iii), but only for interest rates from 4.2 to 14 percent, inclusive.

(3) IRS Publication 1459, *Actuarial Valuations Version 4C* (2023). This publication references and explains Table C, which provides factors for making adjustments to the standard remainder factor for valuing gifts of depreciable property. See § 1.170A–12.

(4) The publications identified in paragraphs (d)(1) through (3) of this section also reference Table 2010CM, the mortality component table.

(e) *Use of approximation methods for obtaining factors when the required valuation rate falls between two listed rates.* For certain cases, this part and IRS publications provide approximation methods (for example, interpolation) for obtaining factors when the required

valuation rate falls between two listed rates (such as in the case of a pooled income fund's rate of return or a unitrust's adjusted payout rate). In general, exact methods of obtaining the applicable factors are allowed, such as through software using the applicable interest rate and the proper actuarial formula, provided such direct methods are applied consistently in valuing all interests in the same property. The actuarial formula in § 20.2031–7(d)(2)(ii)(B) of this chapter is used to determine the remainder factor for pooled income funds and the actuarial formula in § 1.664–4(e)(5)(i) is used to determine the remainder factor for unitrusts. The approximation method provided in this part, computed to at minimum the same number of decimal places as provided in this part, must be used if more exact methods are not available.

(f) *Applicability date.* This section applies on and after June 1, 2023.

PART 20—ESTATE TAX; ESTATES OF DECEDENTS DYING AFTER AUGUST 16, 1954

■ **Par. 12.** The authority citation for part 20 continues to read in part as follows:

Authority: 26 U.S.C. 7805.

* * * * *

■ **Par. 13.** Section 20.2031–0 is revised to read as follows:

§ 20.2031–0 Table of contents.

This section lists the section headings and undesignated center headings that appear in the regulations in this part under section 2031.

■ **Par. 14.** Section 20.2031–7 is amended by:

■ 1. Revising paragraph (c), the heading of paragraph (d), and paragraphs (d)(1) through (5).
■ 2. Redesignating paragraph (d)(7) as paragraph (g)(4) of § 20.2031–7A.
■ 3. Adding new paragraph (d)(7).
■ 4. Revising paragraph (e).

The revisions and addition read as follows:

§ 20.2031–7 Valuation of annuities, interests for life or a term of years, and remainder or reversionary interests.

* * * * *

(c) *Actuarial valuations.* The present value of annuities, interests for life or a term of years, and remainder or reversionary interests for estates of decedents for which the valuation date of the gross estate is on or after June 1, 2023, is determined under paragraph (d) of this section. The present value of annuities, interests for life or a term of years, and remainder or reversionary interests for estates of decedents for which the valuation date of the gross estate is before June 1, 2023, is determined (subject to paragraph (d)(3) of this section) under the following sections:

TABLE 1 TO PARAGRAPH (c)

Valuation dates		Applicable regulations
After	Before	
	01–01–52	§ 20.2031–7A(a)
12–31–51	01–01–71	20.2031–7A(b)
12–31–70	12–01–83	20.2031–7A(c)
11–30–83	05–01–89	20.2031–7A(d)
04–30–89	05–01–99	20.2031–7A(e)
04–30–99	05–01–09	§ 20.2031–7A(f)
04–30–09	06–01–23	20.2031–7A(g)

(d) *Actuarial valuations on or after June 1, 2023*—(1) *In general.* Except as otherwise provided in paragraph (b) of this section and § 20.7520–3(b) (pertaining to certain limitations on the use of prescribed tables), if the valuation date for the gross estate of the decedent is on or after June 1, 2023, the fair market value of annuities, interests for life or a term of years, and remainder or reversionary interests is the present value determined by using standard or special section 7520 actuarial factors. Many of these standard factors are derived by using the actuarial formulas provided in paragraph (d)(2) of this section, the appropriate section 7520 interest rate, and, if applicable, the mortality component for the valuation date of the interest that is being valued. For purposes of the computations described in this section, the age of an individual is the age of that individual at the individual's nearest birthday. For the convenience of taxpayers, paragraph

(d)(2) of this section provides for published tables of factors for specific types of interests. These published tables provide factors for rates from 0.2 to 20 percent, inclusive, at intervals of two-tenths of one percent. In general, appropriate factors instead may be computed directly from the actuarial formulas provided in paragraph (d)(2) of this section. In some cases, specific examples in this part and IRS publications illustrate approximation methods (for example, interpolation) for obtaining factors when the required valuation rate falls between two listed rates (such as in the case of a pooled income fund's rate of return or a unitrust's adjusted payout rate). Exact methods of obtaining the applicable actuarial factors are allowed, such as through software using the actual rate of return and the actuarial formulas provided in paragraph (d)(2) of this section, provided that the taxpayer uses at least the same number of decimal places as are provided in the published tables. The approximation method provided in this part, again using at least the same number of decimal places as provided in this part, must be used if more exact methods are not available. See §§ 20.7520–1 through 20.7520–4. The selected method must be applied consistently in valuing all interests in the same property.

(2) *Specific interests*—(i) *Pooled income funds and charitable remainder trusts.* The fair market value of a remainder interest in a pooled income fund, as defined in § 1.642(c)-5 of this chapter, is its value determined under § 1.642(c)-6(e) of this chapter. The fair market value of a remainder interest in a charitable remainder annuity trust, as defined in § 1.664–2(a) of this chapter, is the present value determined under § 1.664–2(c) of this chapter. The fair market value of a remainder interest in a charitable remainder unitrust, as defined in § 1.664–3 of this chapter, is its present value determined under § 1.664–4(e) of this chapter. The fair market value of a life interest or an interest for a term of years in a charitable remainder unitrust is the fair market value of the property as of the date of valuation less the fair market value of the remainder interest on that date determined under § 1.664–4(e)(4) and (5) of this chapter.

(ii) *Ordinary remainder and reversionary interests*—(A) *Remainder and reversionary interests for a term of years.* If the interest to be valued is a remainder or reversionary interest to take effect after a definite number of years, the present value of the interest is computed by multiplying the value of the property by the appropriate remainder factor (that corresponds to the applicable section 7520 interest rate and the stated term). The factor for an ordinary remainder interest following a term certain may be found using the formula in Figure 1 to this paragraph (d)(2)(ii)(A) and computing the result to at least six decimal places. For the convenience of taxpayers, actuarial factors have been computed by the IRS and appear in Table B. Table B can be found on the IRS website at *https://www.irs.gov/retirement-plans/actuarial-tables* (or a corresponding URL as may be updated from time to time). Table B is referenced and explained in IRS Publication 1457, *Actuarial Valuations Version 4A,* which will be available within a reasonable time after June 1, 2023. The remainder factors from Table B also can be found in paragraph (d)(6) of this section, but only for interest rates from 4.2 to 14 percent, inclusive. For information about obtaining special factors for other situations, see paragraph (d)(4) of this section.

Figure 1 to Paragraph (d)(2)(ii)(A)—Formula for Determining Term Certain Remainder Factors

$$\left(\frac{1}{1+i}\right)^n$$

where:

n = the term of years; and

i = the interest rate specified under section 7520 of the Internal Revenue Code.

(B) *Remainder and reversionary interests dependent on the life of one individual.* If the interest to be valued is a remainder or reversionary interest to take effect after the death of one individual, the present value of the interest is computed by multiplying the value of the property by the appropriate remainder factor (that corresponds to the applicable section 7520 interest rate and the age of the measuring life of the life interest that precedes the remainder interest). The factor for an ordinary remainder interest following the death of one individual may be found using the formula in Figure 2 to this paragraph (d)(2)(ii)(B) and computing the result to at least five decimal places. The prescribed mortality table is Table 2010CM as set forth in paragraph (d)(7)(ii) of this section, or for periods before June 1, 2023, the appropriate table found in § 20.2031–7A. For the convenience of taxpayers, actuarial factors have been computed by the IRS and appear in Table S. Table S currently is available, at no charge, electronically via the IRS website at *https://www.irs.gov/retirement-plans/actuarial-tables* (or a corresponding URL as may be updated from time to time). Table S is referenced and explained by IRS Publication 1457, *Actuarial Valuations Version 4A,* which will be available within a reasonable time after June 1, 2023. For information about obtaining special factors for other situations, see paragraph (d)(4) of this section.

Figure 2 to Paragraph (d)(2)(ii)(B)—Formula for Determining Single Life Remainder Factors

$$\left(1 + \frac{i}{2}\right) \sum_{t=0}^{\infty} v^{t+1} \left(_{t+1}q_x - _tq_x\right)$$

where:

i = the applicable interest rate under section 7520 of the Internal Revenue Code;

v = $1 / (1 + i)$;

$_tq_x = 1 - \dfrac{l_{x+t}}{l_x}$;

x = the age of the measuring life (determined as age at nearest birthday); and

l_x = the number associated with age x as set forth in the prescribed mortality table, representing the number of persons alive at age x.

(iii) *Ordinary interests for a term of years and ordinary interests for life.* If the interest to be valued is the right of a person to receive the income of certain property, or to the use of certain property, for a term of years or for the life of one individual, the present value of the interest is computed by multiplying the value of the property by the appropriate actuarial factor for an interest for a term of years or for a life (that corresponds to the applicable section 7520 interest rate and the durational period). The actuarial factor for an ordinary income interest for a term certain may be found by subtracting from 1.000000 the factor for an ordinary remainder interest following the same term certain that is determined under the formula in paragraph (d)(2)(ii)(A) of this section. For the convenience of taxpayers, actuarial factors have been computed by the IRS and appear in the "Income Interest" column of Table B which can be found on the IRS website at *https://www.irs.gov/retirement-plans/actuarial-tables* (or a corresponding URL as may be updated from time to time). The actuarial factor for an ordinary income interest for the life of one individual may be found by subtracting from 1.00000 the factor for an ordinary remainder interest following the life of the same individual that is determined in paragraph (d)(2)(ii)(B) of this section. For the convenience of taxpayers, actuarial factors have been computed by the IRS and appear in the "Life Estate" column of Table S. Table S (applicable when the valuation date is on or after June 1, 2023) can be found on the IRS website at *https://www.irs.gov/retirement-plans/actuarial-tables.* Tables B and S are referenced and explained by IRS Publication 1457,

Actuarial Valuations Version 4A. See § 20.2031–7A or earlier versions of Publication 1457 for valuation of interests before June 1, 2023. For information about obtaining special factors for other situations, see paragraph (d)(4) of this section.

(iv) *Annuities.* (A) If the interest to be valued is the right of a person to receive an annuity that is payable at the end of each year for a term of years or for the life of one individual, the present value of the interest is computed by multiplying the aggregate amount payable annually by the appropriate annuity factor (that corresponds to the applicable section 7520 interest rate and annuity period). The appropriate annuity factor for an annuity payable for a term of years is computed by subtracting from 1.000000 the factor for an ordinary remainder interest following the same term certain that is determined under the formula in paragraph (d)(2)(ii)(A) of this section and then dividing the result by the applicable section 7520 interest rate expressed to at least four decimal places. For the convenience of taxpayers, actuarial factors have been computed by the IRS and appear in the "Annuity" column of Table B which can be found on the IRS website at *https://www.irs.gov/retirement-plans/actuarial-tables* (or a corresponding URL as may be updated from time to time). The appropriate annuity factor for an annuity payable for the life of one individual is computed by subtracting from 1.00000 the factor for an ordinary remainder interest following the life of the same individual that is determined under the formula in paragraph (d)(2)(ii)(B) of this section and then dividing the result by the applicable section 7520 interest rate expressed to at

least four decimal places. For the convenience of taxpayers, actuarial factors have been computed by the IRS and appear in the "Annuity" column of Table S. Table S (applicable when the valuation date is on or after June 1, 2023) can be found on the IRS website at *https://www.irs.gov/retirement-plans/actuarial-tables.* Tables B and S are referenced and explained in IRS Publication 1457, *Actuarial Valuations Version 4A.* See § 20.2031–7A or earlier versions of Publication 1457 for valuation of interests before June 1, 2023. For information about obtaining special factors for other situations, see paragraph (d)(4) of this section.

(B) If the annuity is payable at the end of semiannual, quarterly, monthly, or weekly periods, the product obtained by multiplying the annuity factor by the aggregate amount payable annually is then multiplied by the applicable adjustment factor at the appropriate interest rate component for payments made at the end of the specified periods. The applicable adjustment factor may be found using the formula in Figure 3 to this paragraph (d)(2)(iv)(B) and calculating the result to at least four decimal places. For the convenience of taxpayers, actuarial factors have been computed by the IRS and appear in Table K. Table K, which is referenced and explained by Publication 1457, can be found on the IRS website at *https://www.irs.gov/retirement-plans/actuarial-tables.* The provisions of this paragraph (d)(2)(iv)(B) are illustrated by the example in paragraph (d)(2)(iv)(B)(*2*) of this section.

Figure 3 to Paragraph (d)(2)(iv)(B)—Formula for Determining Annuity Adjustment Factor at the End of the Specified Period

$$\frac{i}{p\left[(1+i)^{(1/p)}-1\right]}$$

where:

p = the number of payments per year; and

i = the interest rate specified under section 7520 of the Internal Revenue Code.

(*1*) *Sample factors from actuarial Tables S and K.* For purposes of the example in paragraph (d)(2)(iv)(B)(*2*) of this section, the following factors from Tables S and K will be used:

TABLE 2 TO PARAGRAPH (d)(2)(iv)(B)(*1*)
FACTORS FROM TABLE S—BASED ON TABLE 2010CM

Age	Annuity	Life estate	Remainder
Interest at 3.2 Percent			
75	9.4053	0.30097	0.69903
Factors from Table K			
Adjustment Factors for Annuities Payable at the End of Each Interval			
Interest rate	Semi-annually	Quarterly	Monthly
3.2%	1.0079	1.0119	1.0146

(*2*) *Example.* At the time of the decedent's death, the survivor/annuitant, age 75, is entitled to receive an annuity of $15,000 per year for life payable in equal monthly installments at the end of each month. The section 7520 rate for the month in which the decedent died is 3.2 percent. Under Table S, the annuity factor at 3.2 percent for an individual aged 75 is 9.4053. Under Table K, the adjustment factor under the column for payments made at the end of each monthly period at the rate of 3.2 percent is 1.0146. The aggregate annual amount, $15,000, is multiplied by the factor 9.4053 and the product then is multiplied by 1.0146. The present value of the annuity at the date of the decedent's death is, therefore, $143,139.26 ($15,000 × 9.4053 × 1.0146).

(C) If an annuity is payable at the beginning of annual, semiannual, quarterly, monthly, or weekly periods for a term of years, the value of the annuity is computed by multiplying the aggregate amount payable annually by the annuity factor described in paragraph (d)(2)(iv)(A) of this section; and the product so obtained then is multiplied by the applicable adjustment factor at the appropriate interest rate component for payments made at the beginning of specified periods. The applicable adjustment factor may be found using the formula in Figure 4 to this paragraph (d)(2)(iv)(C) and calculating the result to at least four decimal places. For the convenience of taxpayers, actuarial factors have been computed by the IRS and appear in Table J. Table J, which is referenced and explained by Publication 1457, can be found on the IRS website at *https://www.irs.gov/retirement-plans/actuarial-tables.* If an annuity is payable at the beginning of annual, semiannual, quarterly, monthly, or weekly periods for one or more lives, the value of the annuity is the sum of the first payment plus the present value of a similar annuity, the first payment of which is not to be made until the end of the payment period, determined as provided in paragraph (d)(2)(iv)(B) of this section.

Figure 4 to Paragraph (d)(2)(iv)(C)— Formula for Determining Annuity Adjustment Factor at the Beginning of the Specified Period

$$\frac{i}{p\left[(1-v)^{(1/p)}\right]}$$

where:

p = the number of payments per year;

v = 1 / (1 + i); and

i = the interest rate specified under section 7520 of the Internal Revenue Code.

(v) *Annuity and unitrust interests for a term of years or until the prior death of an individual.* See § 25.2512–5(d)(2)(v) of this chapter for examples explaining how to compute the present value of an annuity or unitrust interest that is payable until the earlier of the lapse of a term of years or the death of an individual.

(3) *Transitional rule.* If a decedent dies after April 30, 2019, and on or before June 1, 2023, the fair market value of annuities, interests for life or a term of years, and remainder or reversionary interests based on one or more measuring lives included in the gross estate of the decedent is their present value determined under this section by using the section 7520 interest rate for the month in which the valuation date occurs (see §§ 20.7520–1(b) and 20.7520–2(a)(2)) and factors derived from the selected mortality table, either Table 2010CM in paragraph (d)(7)(ii) of this section or Table 2000CM in § 20.2031–7A(g)(4), at the option of the donor or the decedent's executor, as the case may be. If any previously filed estate tax return is supplemented to use the actuarial factors based on Table 2010CM, the supplemental return must state at the top ''AMENDED PURSUANT TO TD 9974.'' For the convenience of taxpayers, actuarial factors based on Table 2010CM appear in the current version of Table S, and actuarial factors based on Table 2000CM appear in the previous version of Table S. Both versions of Table S will be available as provided in paragraph (d)(4) of this section. The decedent's executor must consistently use the same mortality basis with respect to each interest (income, remainder, partial, etc.) in the same property, and with respect to all transfers occurring on the same

valuation date. For example, gift and income tax charitable deductions with respect to the same transfer must be determined based on factors with the same mortality basis, and all assets includible in the gross estate and/or estate tax deductions claimed must be valued based on factors with the same mortality basis.

(4) *Publications and actuarial computations by the Internal Revenue Service.* The factor for determining the present value of a remainder interest that is dependent on the termination of the life of one individual may be computed by using the formula in paragraph (d)(2)(ii)(B) of this section to derive a remainder factor from the appropriate mortality table expressed to at least five decimal places. For the convenience of taxpayers, actuarial factors have been computed by the IRS and appear in Table S. The remainder factor for determining the present value of a remainder interest following a term certain may be computed by using the formula in paragraph (d)(2)(ii)(A) of this section expressed to at least six decimal places. For the convenience of taxpayers, actuarial factors have been computed by the IRS and appear in Table B. Adjustment factors for term certain annuities payable at the beginning of each interval may be computed by using the formula in paragraph (d)(2)(iv)(C) of this section expressed to at least four decimal places. For the convenience of taxpayers, actuarial factors have been computed by the IRS and appear in Table J. Adjustment factors for annuities payable at the end of each interval may be computed by using the formula in paragraph (d)(2)(iv)(B) of this section expressed to at least four decimal places. For the convenience of taxpayers, actuarial factors have been

computed by the IRS and appear in Table K. These tables currently are available, at no charge, electronically via the IRS website at *https://www.irs.gov/retirement-plans/actuarial-tables* (or a corresponding URL as may be updated from time to time). IRS Publication 1457, *Actuarial Valuations Version 4A* (2023), references and explains the factors contained in the actuarial tables and also includes examples that illustrate how to compute many special factors for more unusual situations. This publication will be available within a reasonable time after June 1, 2023. Tables B, J, and K also can be found in paragraph (d)(6) of this section, but only for interest rates from 4.2 to 14 percent, inclusive. If a special factor is required in the case of an actual decedent, the special factor may be calculated by the executor using the actuarial formulas in paragraph (d)(2) of this section or the executor may request a ruling to obtain the factor from the Internal Revenue Service. 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 decedent's death, 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*) of this chapter) and must include payment of the required user fee.

(5) *Examples.* The provisions of this section are illustrated by the examples in this paragraph (d)(5). For purposes of these examples, the following factors from Tables S, B, and K will be used:

TABLE 3 TO PARAGRAPH (d)(5)

Age	Annuity	Life estate	Remainder
Factors From Table S—Based on Table 2010CM **Interest at 3.2 Percent**			
31	23.8334	0.76267	0.23733
46	20.0146	0.64047	0.35953
Interest at 4.6 Percent			
65	11.7691	0.54138	0.45862
Factors from Table B **Annuity, Income, and Remainder Interests for a Term Certain** **Interest at 2.6 Percent**			
Years	Annuity	Income interest	Remainder
5	4.6325	0.120445	0.879555

TABLE 3 TO PARAGRAPH (d)(5)—Continued

Age	Annuity	Life estate	Remainder
Factors From Table K Adjustment Factors for Annuities Payable at the End of Each Interval			
Interest Rate	Semi-annually	Quarterly	Monthly
2.6%	1.0065	1.0097	1.0119
3.2%	1.0079	1.0119	1.0146

(i) *Example 1: Remainder payable at an individual's death.* The decedent, or the decedent's estate, was entitled to receive certain property worth $50,000 upon the death of A, to whom the income was bequeathed for life. At the time of the decedent's death, A was 65 years and 5 months old. In the month in which the decedent died, the section 7520 rate was 4.6 percent. Under Table S, the remainder factor at 4.6 percent for determining the present value of the remainder interest due at the death of a person aged 65, A's age at A's nearest birthday to the date of the decedent's death, is 0.45862. The present value of the remainder interest at the date of the decedent's death is, therefore, $22,931 ($50,000 times 0.45862).

(ii) *Example 2: Income payable for an individual's life.* A's parent bequeathed an income interest in property to A for life, with the remainder interest passing to B at A's death. At the time of the parent's death, the value of the property was $50,000 and A was 30 years and 10 months old. The section 7520 rate at the time of the parent's death was 3.2 percent. Under Table S, the factor at 3.2 percent for determining the present value of the life estate given to a person aged 31, A's age at A's nearest birthday to the date of the decedent's death, is 0.76267. The present value of A's income interest at the time of the parent's death is, therefore, $38,133.50 ($50,000.00 × 0.76267).

(iii) *Example 3: Annuity payable for an individual's life.* A purchased an annuity for the benefit of both A and B. Under the terms of the annuity contract, at A's death, a survivor annuity of $10,000 per year, payable in equal semiannual installments made at the end of each interval is payable to B for life. At A's death, B was 45 years and 7 months old. Also, at A's death, the section 7520 rate was 3.2 percent. Under Table S, the factor at 3.2 percent for determining the present value of an annuity interest payable until the death of a person age 46 (B's age at B's nearest birthday to the date of A's death) is 20.0146. The adjustment factor from Table K at an interest rate of 3.2 percent for semiannual annuity payments made at the end of the period is 1.0079. The present value of the annuity at the date of A's death is, therefore, $201,727.15 ($10,000 × 20.0146 × 1.0079).

(iv) *Example 4: Annuity payable for a term of years.* The decedent, or the decedent's estate, was entitled to receive an annuity of $10,000 per year payable in equal quarterly installments at the end of each quarter throughout a term certain. At the time of the decedent's death, the section 7520 rate was 2.6 percent. A quarterly payment had been made immediately prior to the decedent's death and payments were to continue for 5 more years. Under Table B for the interest rate of 2.6 percent, the factor for the present value of an annuity with a term of 5 years is 4.6325.

The adjustment factor from Table K at an interest rate of 2.6 percent for quarterly annuity payments made at the end of the quarter is 1.0097. The present value of the annuity is, therefore, $46,774.35 ($10,000 × 4.6325 × 1.0097).

* * * * *

(7) *Actuarial Table S and Table 2010CM where the valuation date is on or after June 1, 2023*—(i) *Determination of required factors.* Except as provided in § 20.7520–3(b) (pertaining to certain limitations on the use of prescribed tables), for determination of the present value of a remainder interest that is dependent on the termination of a life interest, where the valuation date is on or after June 1, 2023, actuarial remainder factors computed to at least five decimal places directly by using the formula in paragraph (d)(2)(ii)(B) of this section, Table 2010CM, and the section 7520 rate are used in the application of the provisions of this section. For the convenience of taxpayers, the actuarial factors, when the section 7520 interest rate component is from 0.2 to 20 percent, inclusive, have been computed by the IRS and can be found in Table S. Table S currently is available, at no charge, electronically via the IRS website at *https://www.irs.gov/retirement-plans/actuarial-tables.* Table S is also referenced and explained by IRS Publication 1457, *Actuarial Valuations Version 4A,* which will be available within a reasonable time after June 1, 2023.

TABLE 4 TO PARAGRAPH (d)(7)(ii)

Age x	l_x	Age x	l_x	Age x	l_x
0	100,000.00	37	97,193.66	74	71,177.55
1	99,382.28	38	97,058.84	75	69,174.83
2	99,341.16	39	96,915.25	76	67,044.59
3	99,313.80	40	96,761.20	77	64,773.93
4	99,292.72	41	96,595.51	78	62,366.05
5	99,276.45	42	96,416.30	79	59,795.50
6	99,261.55	43	96,220.61	80	57,080.84
7	99,248.33	44	96,005.41	81	54,213.71
8	99,236.50	45	95,768.60	82	51,205.27
9	99,226.09	46	95,509.98	83	48,059.88
10	99,217.03	47	95,229.06	84	44,808.51
11	99,208.80	48	94,923.45	85	41,399.79
12	99,199.98	49	94,589.88	86	37,895.25
13	99,188.21	50	94,225.50	87	34,313.98

TABLE 4 TO PARAGRAPH (d)(7)(ii)—Continued

Age x	l_x	Age x	l_x	Age x	l_x
14	99,170.64	51	93,828.33	88	30,700.82
15	99,145.34	52	93,398.01	89	27,106.68
16	99,111.91	53	92,934.52	90	23,586.75
17	99,070.69	54	92,438.08	91	20,198.02
18	99,021.50	55	91,907.95	92	16,996.17
19	98,964.16	56	91,342.02	93	14,032.08
20	98,898.61	57	90,737.24	94	11,348.23
21	98,824.20	58	90,090.97	95	8,975.661
22	98,741.32	59	89,401.06	96	6,931.559
23	98,652.16	60	88,665.95	97	5,218.261
24	98,559.87	61	87,883.66	98	3,823.642
25	98,466.80	62	87,051.88	99	2,722.994
26	98,373.71	63	86,167.86	100	1,882.108
27	98,280.09	64	85,226.77	101	1,261.083
28	98,185.51	65	84,221.59	102	818.2641
29	98,089.05	66	83,142.34	103	513.7236
30	97,989.90	67	81,978.28	104	311.8784
31	97,887.47	68	80,728.83	105	183.0200
32	97,781.58	69	79,387.95	106	103.8046
33	97,672.13	70	77,957.53	107	56.91106
34	97,559.20	71	76,429.84	108	30.17214
35	97,442.53	72	74,797.63	109	15.47804
36	97,321.14	73	73,049.33	110	0.000000

(e) *Applicability date.* This section applies on and after June 1, 2023.

■ **Par. 15.** The undesignated center heading immediately preceding § 20.2031–7A is revised to read as follows:

Actuarial Tables Applicable Before June 1, 2023

■ **Par. 16.** Section 20.2031–7A is amended by:
■ 1. Revising the section heading.
■ 2. Adding paragraphs (g) heading and (g)(1) through (3).
■ 3. In newly redesignated paragraph (g)(4), revising the heading and introductory text.
■ 4. Adding paragraph (g)(5).

The revisions and additions read as follows:

§ 20.2031–7A Valuation of annuities, interests for life or a term of years, and remainder or reversionary interests for estates of decedents for which the valuation date of the gross estate is before June 1, 2023.

* * * * *

(g) *Valuation of annuities, interests for life or a term of years, and remainder or reversionary interests for estates of decedents for which the valuation date of the gross estate is on or after May 1, 2009, and before June 1, 2023*—(1) *In general.* Except as otherwise provided in §§ 20.2031–7(b) and 20.7520–3(b) (pertaining to certain limitations on the use of prescribed tables), if the valuation date for the gross estate of the decedent is on or after May 1, 2009, and before June 1, 2023, the fair market value of annuities, interests for life or a term of years, and remainder or reversionary interests is the present value of the interests determined by using standard or special section 7520 actuarial factors and the valuation methodology described in § 20.2031–7(d). These factors are derived by using the appropriate section 7520 interest rate and, if applicable, the mortality component for the valuation date of the interest that is being valued. See §§ 20.7520–1 through 20.7520–4. See paragraph (g)(4) of this section for determination of the appropriate table for use in valuing these interests.

(2) *Transitional rules.* (i) If a decedent dies on or after May 1, 2009, and if, on May 1, 2009, the decedent was under a mental disability so that the disposition of the decedent's property could not be changed, and the decedent dies on or before June 1, 2023, either without having regained the ability to dispose of the decedent's property or within 90 days of the date on which the decedent first regains that ability, the fair market value of annuities, interests for life or a term of years, and remainder or reversionary interests included in the gross estate of the decedent is their present value determined either under this section or under the corresponding section applicable at the time the decedent first became subject to the mental disability, at the option of the decedent's executor. For example, see paragraph (d) of this section.

(ii) If a decedent dies on or after May 1, 2009, and before July 1, 2009, the fair market value of annuities, interests for life or a term of years, and remainder or reversionary interests based on one or more measuring lives included in the gross estate of the decedent is their present value determined under this section by using the section 7520 interest rate for the month in which the valuation date occurs (see §§ 20.7520–1(b) and 20.7520–2(a)(2)) and the appropriate actuarial tables under either paragraph (f)(4) or (g)(4) of this section, at the option of the decedent's executor.

(iii) For purposes of paragraphs (g)(2)(i) and (ii) of this section, where the decedent's executor is given the option to use the appropriate actuarial tables under either paragraph (f)(4) or (g)(4) of this section, the decedent's executor must consistently use the same mortality basis with respect to each interest (income, remainder, partial, etc.) in the same property, and with respect to all transfers occurring on the same valuation date. For example, gift and income tax charitable deductions with respect to the same transfer must be determined based on factors with the same mortality basis, and all assets includible in the gross estate and/or estate tax deductions claimed must be valued based on factors with the same mortality basis.

(iv) If a decedent dies after April 30, 2019, and before June 1, 2023, the fair market value of annuities, interests for life or a term of years, and remainder or reversionary interests based on one or more measuring lives included in the gross estate is their present value determined under § 20.2031–7(d)(3).

(3) *Publications and actuarial computations by the Internal Revenue Service.* The factor for determining the

present value of a remainder interest that is dependent on the termination of the life of one individual may be computed by using the formula in § 20.2031–7(d)(2)(ii)(B) to derive a remainder factor from the appropriate mortality table expressed to at least five decimal places. For the convenience of taxpayers, actuarial factors have been computed by the IRS and appear in Table S. The factor for determining the present value of a remainder interest following a term certain may be computed by using the formula in § 20.2031–7(d)(2)(ii)(A) expressed to at least six decimal places. For the convenience of taxpayers, actuarial factors have been computed by the IRS and appear in Table B. Adjustment factors for term certain annuities payable at the beginning of each interval may be computed by using the formula in § 20.2031–7(d)(2)(iv)(C) expressed to at least four decimal places. For the convenience of taxpayers, actuarial factors have been computed by the IRS and appear in Table J. Adjustment factors for annuities payable at the end of each interval may be computed by using the formula in § 20.2031–7(d)(2)(iv)(B) expressed to at least four decimal places. For the convenience of taxpayers, actuarial factors have been computed by the IRS and appear in Table K. These tables are referenced and explained by IRS Publication 1457, *Actuarial Values Version 3A* (2009). Publication 1457 includes examples that illustrate how to compute many special factors for more unusual situations. The actuarial tables are available, at no charge, electronically via the IRS website at *https://www.irs.gov/retirement-plans/actuarial-tables* (or a corresponding URL as may be updated from time to time). Table S also can be found in paragraph (g)(4) of this section, but only for interest rates from 0.2 to 14 percent, inclusive. Tables B, J, and K

also can be found in § 20.2031–7(d)(6), but only for interest rates from 4.2 to 14 percent, inclusive. If a special factor is required in the case of an actual decedent, the special factor may be calculated by the executor using the actuarial formulas in § 20.2031–7(d)(2) or the executor may request a ruling to obtain the factor from the Internal Revenue Service. 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 decedent's death, 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*) of this chapter) and must include payment of the required user fee.

(4) *Actuarial tables.* Except as provided in § 20.7520–3(b) (pertaining to certain limitations on the use of prescribed tables), actuarial factors based on Table 2000CM must be used in the application of the provisions of this section. The factor for determining the present value of a remainder interest that is dependent on the termination of the life of one individual may be computed by using the formula in § 20.2031–7(d)(2)(ii)(B) to derive a remainder factor from the appropriate mortality table to at least five decimal places. For the convenience of taxpayers, actuarial factors, when the section 7520 interest rate component is from 0.2 to 20 percent, inclusive, have been computed by the IRS and appear in Table S (applicable on and after May 1, 2009, and before June 1, 2023). These actuarial tables, as referenced and explained by IRS Publication 1457, *Actuarial Valuations Version 3A,* are available, at no charge, electronically

via the IRS website at *https://www.irs.gov/retirement-plans/actuarial-tables.* Table S (notwithstanding the lack of the applicable termination date in its heading), where the section 7520 interest rate component is from 0.2 to 14 percent, inclusive, and Table 2000CM are as follows:

* * * * *

(5) *Applicability dates.* Paragraphs (g)(1) through (4) of this section apply on and after May 1, 2009, and before June 1, 2023.

■ **Par. 17.** Section 20.2032–1 is amended by revising paragraphs (f)(1) and (h) to read as follows:

§ 20.2032–1 Alternate valuation.

* * * * *

(f) * * *

(1) *Life estates, remainders, and similar interests*—(i) *In general.* The values of life estates, remainders, and similar interests are to be obtained by applying the methods prescribed in § 20.2031–7, using 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 the value of the property as of the alternate valuation date.

(ii) *Sample factors from actuarial Table S.* The present value of a remainder interest dependent on the termination of one life is determined by using the formula in § 20.2031–7(d)(2)(ii)(B) to derive a remainder factor from the appropriate mortality table to at least five decimal places. For the convenience of taxpayers, actuarial factors have been computed by the IRS and appear in Table S. Table S can be found on the IRS website at *https://www.irs.gov/retirement-plans/actuarial-tables* (or a corresponding URL as may be updated from time to time). For purposes of the example in paragraph (e)(5)(iii) of this section, the following relevant factors from Table S is used:

TABLE 2 TO PARAGRAPH (f)(1)(II)
TABLE S—BASED ON TABLE 2010CM

Age	Annuity	Life estate	Remainder
Interest at 4.2 Percent			
65	12.2128	0.51294	0.48706
Interest at 4.6 Percent			
65	11.7691	0.54138	0.45862

(iii) *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, A was 65 years and 5 months old, and the section 7520 rate was 4.6 percent. The

value of the decedent's remainder interest at the date of the decedent's death would be, as illustrated in § 20.2031–7(d)(5)(i) (*Example 1*),

$22,931.00 ($50,000 × 0.45862). On the date that is 6 months after the decedent's death, A was 65 years and 11 months old, and the section 7520 rate was 4.2 percent. 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, and the decedent's executor elected to use the alternate valuation date, the value of the remainder interest would be $19,482.40 ($40,000 × 0.48706). When the alternate valuation date is elected, the age of A, and other aspects of valuation which change by reason of the mere passage of time, is determined as of the date of the decedent's death, while the value of the

property and the relevant section 7520 interest rate is determined as of the alternate valuation date. Thus, the computation uses A's age of 65 years old at the date of the decedent's death, even though A would be closest to 66 years old on the alternate valuation date.

* * * * *

(h) *Applicability 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. Paragraph (f)(1) of this section applies on and after June 1, 2023.

§ 20.2032–1T [Removed]

■ **Par. 18.** Section 20.2032–1T is removed.

■ **Par. 19.** Section 20.2036–1 is amended by:

■ 1. In paragraph (c)(2)(iv), designating *Examples 1* through *8* as paragraphs (c)(2)(iv)(A) through (H), respectively.

■ 2. In newly designated paragraphs (c)(2)(iv)(A), (B), (C), (G), and (H), further redesignating the paragraphs in the first column as paragraphs in the second column:

Old paragraphs	New paragraphs
(c)(2)(iv)(A)(i) and (ii)	(c)(2)(iv)(A)(*1*) and (*2*)
(c)(2)(iv)(B)(i) and (ii)	(c)(2)(iv)(B)(*1*) and (*2*)
(c)(2)(iv)(C)(i), (ii), and (iii)	(c)(2)(iv)(C)(*1*), (*2*), and (*3*)
(c)(2)(iv)(G)(i), (ii), and (iii)	(c)(2)(iv)(G)(*1*), (*2*), and (*3*)
(c)(2)(iv)(G)(*3*)(A), (B), (C), (D), (E), and (F)	(c)(2)(iv)(G)(*3*)(*i*), (*ii*), (*iii*), (*iv*), (*v*), and (*vi*)
(c)(2)(iv)(G)(iv), (v), and (vi)	(c)(2)(iv)(G)(*4*), (*5*), and (*6*)
(c)(2)(iv)(H)(i), (ii), (iii), (iv), (v), (vi), and (vii)	(c)(2)(iv)(H)(*1*), (*2*), (*3*), (*4*), (*5*), (*6*), and (*7*)

■ 3. Revising newly designated paragraph (c)(2)(iv)(C).

The revision reads as follows:

§ 20.2036–1 Transfers with retained life estate.

* * * * *

(c) * * *
(2) * * *
(iv) * * *

(C) *Example 3.* (*1*) D created a CRUT within the meaning of section 664(d)(2). The trust instrument directs the trustee to hold, invest, and reinvest the corpus of the trust and to pay to D for D's life, and then to D's child (C) for C's life, in equal quarterly installments payable at the end of each calendar quarter, an amount equal to 6 percent of the fair market value of the trust as valued on December 15 of the prior taxable year of the trust. At the termination of the trust, the then-remaining corpus, together with any and all accrued income, is to be distributed to N, a charitable organization described in sections 170(c), 2055(a), and 2522(a). D dies six years later, survived by C, who was then age 55. The value of the trust assets on D's death was $300,000. D's executor does not elect to use the alternate valuation date and D's executor does not choose to use the section 7520 interest rate for either of the two months prior to D's death.

(*2*) The amount of the corpus with respect to which D retained the right to the income, and thus the amount includible in D's gross estate under section 2036(a)(1), is that amount of

corpus necessary to yield the unitrust payments as interest on the corpus. In this case, such amount of corpus is determined by dividing the trust's equivalent income interest rate by the section 7520 rate (which was 5.4 percent at the time of D's death). The equivalent income interest rate is determined by dividing the trust's adjusted payout rate by the excess of 1 over the adjusted payout rate. Based on Table F(5.4) in § 1.664–4(e)(6)(iii) of this chapter, the appropriate adjusted payout rate for the trust at D's death is 5.807 percent (6 percent × 0.967769). Thus, the equivalent income interest rate is 6.165 percent (5.807 percent/(1—5.807 percent)). The ratio of the equivalent interest rate to the assumed interest rate under section 7520 is 114.17 percent (6.165 percent/5.4 percent). Because this exceeds 100 percent, D's retained payout interest exceeds a full income interest in the trust, and D effectively retained the income from all the assets transferred to the trust. Accordingly, because D retained for life an interest at least equal to the right to all income from all the property transferred by D to the CRUT, the entire value of the corpus of the CRUT is includible in D's gross estate under section 2036(a)(1). (The result would be the same if D had retained, instead, an interest in the CRUT for a term of years and had died during the term.) Under the facts presented, section 2039 does not apply to include any amount in D's gross

estate by reason of D's retained unitrust interest. See § 20.2039–1(e).

(*3*) If, instead, D had retained the right to a unitrust amount having an adjusted payout for which the corresponding equivalent interest rate would have been less than the 5.4 percent assumed interest rate of section 7520, then a correspondingly reduced proportion of the trust corpus would be includible in D's gross estate under section 2036(a)(1). Alternatively, if the interest retained by D was instead only one-half of the 6 percent unitrust interest, then the amount included in D's estate would be the amount needed to produce a 3 percent unitrust interest. All of the results in this paragraph (c)(2)(iv)(C)(*3*) (*Example 3*) would be the same if the trust had been a grantor retained unitrust instead of a CRUT.

* * * * *

■ **Par. 20.** Section 20.2055–2 is amended by revising paragraphs (e)(3)(iii) and (f)(4) and (6) to read as follows:

§ 20.2055–2 Transfers not exclusively for charitable purposes.

* * * * *

(e) * * *
(3) * * *

(iii)(A) The rule in paragraphs (e)(2)(vi)(*a*) and (e)(2)(vii)(*a*) of this section that guaranteed annuity interests or unitrust interests, respectively, may be payable for a specified term of years or for the life or lives of only certain individuals generally is effective in the

case of transfers pursuant to wills and revocable trusts when the decedent dies on or after April 4, 2000. Two exceptions from the application of the rule in paragraphs (e)(2)(vi)(*a*) and (e)(2)(vii)(*a*) of this section are provided for transfers pursuant to a will or revocable trust executed on or before April 4, 2000. One exception is for a decedent who dies on or before July 5, 2001, without having republished the will (or amended the trust) by codicil or otherwise. The other exception is for a decedent who was, on April 4, 2000, under a mental disability that prevented a change in the disposition of the decedent's property, and who either does not regain competence to dispose of such property before the date of death, or dies prior to the later of 90 days after the date on which the decedent first regains competence, or July 5, 2001, without having republished the will (or amended the trust) by codicil or otherwise. If a guaranteed annuity interest or unitrust interest created pursuant to a will or revocable trust when the decedent dies on or after April 4, 2000, uses an individual other than one permitted in paragraphs (e)(2)(vi)(*a*) and (e)(2)(vii)(*a*) of this section, and the interest does not qualify for this transitional relief, the

interest may be reformed into a lead interest payable for a specified term of years. The term of years is determined by taking the factor for valuing the annuity or unitrust interest for the named individual measuring life and identifying the term of years (rounded up to the next whole year) that corresponds to the equivalent term of years factor for an annuity or unitrust interest. A judicial reformation must be commenced prior to the later of July 5, 2001, or the date prescribed by section 2055(e)(3)(C)(iii). Any judicial reformation must be completed within a reasonable time after it is commenced. A non-judicial reformation is permitted if effective under state law, provided it is completed by the date on which a judicial reformation must be commenced. In the alternative, if a court, in a proceeding that is commenced on or before July 5, 2001, declares any transfer made pursuant to a will or revocable trust where the decedent dies on or after April 4, 2000, and on or before March 6, 2001, null and void ab initio, the Internal Revenue Service will treat such transfers in a manner similar to that described in section 2055(e)(3)(J).

(B) The appropriate annuity factor for an annuity payable for a term of years is computed by subtracting from

1.000000 the factor for an ordinary remainder interest following the same term certain that is determined under the formula in § 20.2031–7(d)(2)(ii)(A) and then dividing the result by the applicable section 7520 interest rate, expressing the annuity factor to at least four decimal places. For the convenience of taxpayers, actuarial factors have been computed by the IRS and appear in the "Annuity" column of Table B. The appropriate annuity factor for an annuity payable for the life of one individual is computed by subtracting from 1.00000 the factor for an ordinary remainder interest following the life of the same individual that is determined under the formula in § 20.2031–7(d)(2)(ii)(B) and then dividing the result by the applicable section 7520 interest rate expressed to at least four decimal places. For the convenience of taxpayers, actuarial factors have been computed by the IRS and appear in the "Annuity" column of Table S. Tables B and S can be found on the IRS website at *https://www.irs.gov/retirement-plans/actuarial-tables* (or a corresponding URL as may be updated from time to time). For purposes of the example in paragraph (e)(3)(iii)(C) of this section, the following relevant factors from Tables B and S are used:

TABLE 1 TO PARAGRAPH (e)(3)(iii)(B)

Years	Annuity	Income interest	Remainder
Factors From Table B			
Annuity, Income, and Remainder Interests for a Term Certain			
Interest at 3.2 Percent			
37	21.5068	0.688218	0.311782
38	21.8089	0.697886	0.302114
Factors from Table S—Based on Table 2010CM			
Interest at 3.2 Percent			
Age	Annuity	Life estate	Remainder
40	21.7045	0.69454	0.30546

(C) The following example illustrates how to determine the term of years for a reformed interest as discussed in paragraph (e)(3)(iii)(A) of this section. Assume an annuity interest payable for the life of an individual age 40 at the time of the transfer on or after June 1, 2023, with an interest rate of 3.2 percent under section 7520. Under Table S, the annuity factor at 3.2 percent for the life of an individual age 40 is 21.7045. Based on Table B at 3.2 percent, the factor 21.7045 corresponds to a term of

years between 37 and 38 years. Accordingly, the annuity interest must be reformed into an interest payable for a term of 38 years.

*   *   *   *   *

(f) * * *

(4) *Other decedents.* The present value of an interest not described in paragraph (f)(2) of this section is to be determined under § 20.2031–7(d) in the case of decedents where the valuation date of the gross estate is on or after June 1, 2023, or under § 20.2031–7A in the

case of decedents where the valuation date of the gross estate is before June 1, 2023.

*   *   *   *   *

(6) *Applicability date.* Paragraphs (e)(3)(iii) and (f)(4) of this section apply on and after June 1, 2023.

■ **Par. 21.** Section 20.2056A–4 is amended by:

■ 1. Revising paragraph (c)(4)(ii)(B).

■ 2. In paragraph (d), designating *Examples 1* through *5* as paragraphs (d)(1) through (5), respectively.

■ 3. Revising the headings in newly designated paragraphs (d)(1) through (3).

■ 4. Revising newly designated paragraph (d)(4) and paragraph (e).

The revisions read as follows:

§ 20.2056A–4 Procedures for conforming marital trusts and nontrust marital transfers to the requirements of a qualified domestic trust.

* * * * *

(c) * * *

(4) * * *

(ii) * * *

(B) The total present value of the nonassignable annuity or other payment is the present value of the annuity or other payment as of the date of the decedent's death, determined in accordance with the interest rates and mortality table prescribed by section 7520. The expected annuity term is the number of years that would be required for the scheduled payments to exhaust a hypothetical fund equal to the present value of the scheduled payments. This is determined by first dividing the total present value of the payments by the annual payment. From the quotient so obtained, the expected annuity term is derived by identifying the term of years that corresponds to the lowest annuity factor that is equal to or greater than the quotient. The annuity factor is computed by subtracting from 1.000000

the factor for an ordinary remainder interest following the same term certain that is determined under the formula in § 20.2031–7(d)(2)(ii)(A) and then dividing the result by the applicable section 7520 interest rate expressed to at least four decimal places. For the convenience of taxpayers, actuarial factors have been computed by the IRS and appear in the "Annuity" column of Table B which can be found on the IRS website at *https://www.irs.gov/retirement-plans/actuarial-tables* (or a corresponding URL as may be updated from time to time). If the quotient obtained falls between two terms, the longer term is used.

* * * * *

(d) * * *

(1) *Example 1. Transfer and assignment of probate and nonprobate property to QDOT.* * * *

(2) *Example 2. Formula assignment.* * * *

(3) *Example 3. Jointly owned property.* * * *

(4) *Example 4. Computation of corpus portion of annuity payment.* (i) The appropriate annuity factor for an annuity payable for the life of one individual is computed by subtracting from 1.00000 the factor for an ordinary remainder interest following the life of the same individual that is determined under the formula in § 20.2031–

7(d)(2)(ii)(B) and then dividing the result by the applicable section 7520 interest rate expressed to at least four decimal places. For the convenience of taxpayers, actuarial factors have been computed by the IRS and appear in the "Annuity" column of Table S. The appropriate annuity factor for an annuity payable for a term of years is computed by subtracting from 1.000000 the factor for an ordinary remainder interest following the same term certain that is determined under the formula in § 20.2031–7(d)(2)(ii)(A) and then dividing the result by the applicable section 7520 interest rate expressed to at least four decimal places. For the convenience of taxpayers, actuarial factors have been computed by the IRS and appear in the "Annuity" column of Table B. The applicable adjustment factor for annuities that are payable at the end of semiannual, quarterly, monthly, or weekly periods is computed by use of the formula in § 20.2031–7(d)(2)(iv)(B) to at least four decimal places. For the convenience of taxpayers, actuarial factors have been computed by the IRS and appear in Table K. These actuarial tables can be found on the IRS website at *https://www.irs.gov/retirement-plans/actuarial-tables.* For purposes of the example in this paragraph (d)(4), the relevant factors from Tables S, B, and K are:

TABLE 2 TO PARAGRAPH (d)(4)(i)

FACTORS FROM TABLE S—BASED ON TABLE 2010CM

Age	Annuity	Life Estate	Remainder
Interest at 3.6 Percent			
60	14.6908	0.52887	0.47113
Factors From Table B			
Annuity, Income, and Remainder Interests for a Term Certain			
Interest at 3.6 Percent			

Years	Annuity	Income Interest	Remainder
21	14.5605	0.524177	0.475823
22	15.0198	0.540712	0.459288

Factors From Table K			
Adjustment Factors for Annuities Payable at the End of Each Interval			

Interest Rate	Semi-Annually	Quarterly	Monthly
3.6%	1.0089	1.0134	1.0164

(ii) At the time of D's death, on or after June 1, 2023, D is a participant in an employees' pension plan described in section 401(a). On D's death, D's spouse S, a resident of the United States, becomes entitled to receive a

survivor's annuity of $72,000 per year, payable monthly, for life. At the time of D's death, S is age 60. Assume that under section 7520, the appropriate discount rate to be used for valuing annuities in the case of this decedent is

3.6 percent. Under Table S, the annuity factor at 3.6 percent for a person age 60 is 14.6908. The adjustment factor at 3.6 percent in Table K for monthly payments is 1.0164. Accordingly, the right to receive $72,000 per year on a

monthly basis is equal to the right to receive $73,180.80 ($72,000 × 1.0164) on an annual basis.

(iii) The corpus portion of each annuity payment received by S is determined as follows:

(A) The first step is to determine the present value of S's annuity payments under the plan ($73,180.80 × 14.6908 = $1,075,084.50).

(B) The second step is to determine the number of years that would be required for S's annuity to exhaust a hypothetical fund of $1,075,084.50. The annuity factor of 14.6908 falls between the Table B term certain annuity factors for 21 and 22 years at an interest rate of 3.6 percent. Accordingly, the expected annuity term is 22 years.

(C) The third step is to determine the corpus amount of the annual payment by dividing the expected term of 22 years into the present value of the hypothetical fund ($1,075,084.50/22 = $48,867.48).

(D) In the fourth step, the corpus portion of each annuity payment is determined by dividing the corpus amount of each annual payment by the annual annuity payment (adjusted for payments more frequently than annually as in paragraph (d)(4)(i) of this section) ($48,867.48/73,180.80 = 0.67).

(iv) Accordingly, 67 percent of each payment to S is deemed to be a distribution of corpus. A marital deduction is allowed for $1,075,084.50, the present value of the annuity as of D's date of death, if either: S agrees to roll over the corpus portion of each payment to a QDOT and the executor files the Information Statement described in paragraph (c)(5) of this section and the Roll Over Agreement described in paragraph (c)(7) of this section; or S agrees to pay the tax due on the corpus portion of each payment and the executor files the Information Statement described in paragraph (c)(5) of this section and the Payment Agreement described in paragraph (c)(6) of this section.

* * * * *

(e) *Applicability date.* Paragraphs (c)(4)(ii)(B) and (d)(4) of this section are applicable with respect to decedents dying on or after June 1, 2023.

■ **Par. 22.** Section 20.7520–1 is amended by revising paragraphs (a)(1) and (2), (b)(2), (c), and (d) and adding paragraphs (e) and (f) to read as follows:

§ 20.7520–1 Valuation of annuities, interests for life or a term of years, and remainder or reversionary interests.

(a) * * *(1) Except as otherwise provided in this section and in § 20.7520–3 (relating to exceptions to the use of prescribed tables under

certain circumstances), in the case of estates of decedents with valuation dates after April 30, 1989, the fair market value of annuities, interests for life or a term of years (including unitrust interests), and remainder or reversionary interests is their present value determined under this section. See § 20.2031–7(d) (and, for periods prior to June 1, 2023, § 20.2031–7A) for the computation of the value of annuities, interests for life or a term of years, and remainder or reversionary interests, other than interests described in paragraphs (a)(2) and (3) of this section.

(2) For a transfer to a pooled income fund, see § 1.642(c)-6(e) of this chapter (or, for periods prior to June 1, 2023, § 1.642(c)–6A of this chapter) with respect to the valuation of the remainder interest.

* * * * *

(b) * * *

(2) *Mortality component.* The mortality component reflects the mortality data in the most recently available decennial mortality report based on the United States census. As the appropriate new decennial mortality report becomes available after each decennial census, the Treasury Department and the IRS will revise the mortality component described in this section and will update the regulations to adopt the revised mortality component tables. For decedents' estates with valuation dates on or after June 1, 2023, the mortality component table (Table 2010CM) is in § 20.2031–7(d)(7)(ii) and is referenced by IRS Publication 1457, *Actuarial Valuations Version 4A,* and can be found on the IRS website at *https://www.irs.gov/retirement-plans/actuarial-tables* (or a corresponding URL as may be updated from time to time). See § 20.2031–7A for mortality component tables applicable to decedents' estates with valuation dates before June 1, 2023.

(c) *Actuarial factors.* The present value on the valuation date of an annuity, an interest for life or a term of years, and a remainder or reversionary interest is computed by using the section 7520 interest rate component that is described in paragraph (b)(1) of this section and the mortality component that is described in paragraph (b)(2) of this section. Actuarial factors for determining these present values may be calculated by using the formulas in § 20.2031–7(d)(2). For the convenience of taxpayers, the IRS has computed actuarial factors and displayed them on tables that are referenced and explained by publications of the Internal Revenue

Service. If a special factor is required in order to value an interest, the special factor may be calculated by the taxpayer using the actuarial formulas in § 20.2031–7(d)(2) or the taxpayer may request a ruling to obtain the factor from the Internal Revenue Service. The request for a ruling must be accompanied by a recitation of the facts, including the date of birth for each measuring life and copies of relevant instruments. A request for a ruling must comply with the instructions for requesting a ruling published periodically in the Internal Revenue Bulletin (see Rev. Proc. 2023–1, 2023–1 I.R.B. 1, or successor revenue procedures, and §§ 601.201 and 601.601(d)(2)(ii)(*b*) of this chapter) and must include payment of the required user fee.

(d) *IRS publications referencing and explaining actuarial tables with rates from 0.2 to 20 percent, inclusive, at intervals of two-tenths of one percent, for valuation dates on and after June 1, 2023.* The publications listed in paragraphs (d)(1) through (3) of this section will be available within a reasonable time after June 1, 2023. The underlying actuarial tables referenced and explained by these publications currently are available, at no charge, electronically via the IRS website at *https://www.irs.gov/retirement-plans/actuarial-tables:*

(1) IRS Publication 1457, *Actuarial Valuations Version 4A* (2023). This publication references tables of valuation factors and provides examples that show how to compute other valuation factors, for determining the present value of annuities, interests for life or a term of years, and remainder or reversionary interests, measured by one or two lives. These factors also may be used in the valuation of interests in a charitable remainder annuity trust as defined in § 1.664–2 of this chapter and a pooled income fund as defined in § 1.642(c)-5 of this chapter. This publication references and explains Tables S (single life remainder factors), R(2) (two-life last-to-die remainder factors), B (actuarial factors used in determining the present value of an interest for a term of years), H (commutation factors), J (term certain annuity beginning-of-interval adjustment factors), and K (annuity end-of-interval adjustment factors). See earlier versions of the publication, § 1.642(c)-6A of this chapter, or § 20.2031–7A for Table S applicable to valuation dates before June 1, 2023. See earlier versions of the publication for Table R(2) applicable to valuation dates before June 1, 2023. Earlier versions of the publication also contain earlier

versions of Tables H and R(2). Tables B, J, and K also can be found in § 20.2031–7(d)(6), but only for interest rates from 4.2 to 14 percent, inclusive.

(2) IRS Publication 1458, *Actuarial Valuations Version 4B* (2023). This publication references and explains term certain tables and tables of one and two life valuation factors for determining the present value of remainder interests in a charitable remainder unitrust as defined in § 1.664–3 of this chapter. This publication references Tables U(1) (unitrust single life remainder factors), U(2) (unitrust two-life last-to-die remainder factors), D (actuarial factors used in determining the present value of a remainder interest postponed for a term of years), F (adjustment payout rate factors), and Z (unitrust commutation factors). See earlier versions of the publication or § 1.664–4A of this chapter for Table U(1) applicable to valuation dates before June 1, 2023. Earlier versions of the publication also contain earlier versions of Tables U(2) and Z. Table D also can be found in § 1.664–4(e)(6)(iii) of this chapter, but only for adjusted payout rates from 4.2 to 14 percent, inclusive. Table F also can be found in § 1.664–4(e)(6)(iii) of this chapter, but only for interest rates from 4.2 to 14 percent, inclusive.

(3) IRS Publication 1459, *Actuarial Valuations Version 4C* (2023). This publication references and explains Table C, which provides factors for making adjustments to the standard remainder factor for valuing gifts of depreciable property. See § 1.170A–12 of this chapter.

(4) The publications identified in paragraphs (d)(1) through (3) of this section also reference Table 2010CM, the mortality component table.

(e) *Use of approximation methods for obtaining factors when the required valuation rate falls between two listed rates.* For certain cases, this part and IRS publications provide approximation methods (for example, interpolation) for obtaining factors when the required valuation rate falls between two listed rates (such as in the case of a pooled income fund's rate of return or a unitrust's adjusted payout rate). In general, exact methods of obtaining the applicable factors are allowed, such as through software using the actual rate of return and the proper actuarial formulas used for the published factors at the listed rates, provided such direct methods are applied consistently in valuing all interests in the same property. The actuarial formula in § 20.2031–7(d)(2)(ii)(B) is used to determine the remainder factor for pooled income funds and the actuarial

formula in § 1.664–4(e)(5)(i) of this chapter is used to determine the remainder factor for unitrusts. When using either an exact method or the approximation method, the resulting actuarial factor must be expressed with at least the same number of decimal places as that used in this part. The approximation method provided in this part must be used if more exact methods are not available.

(f) *Applicability date.* This section applies on and after June 1, 2023.

PART 25—GIFT TAX; GIFTS MADE AFTER DECEMBER 31, 1954

■ **Par. 23.** The authority citation for part 25 continues to read in part as follows:

Authority: 26 U.S.C. 7805.

* * * * *

■ **Par. 24.** Section 25.2512–0 is revised to read as follows:

§ 25.2512–0 Table of contents.

This section lists the section headings that appear in the regulations in this part under section 2512.

■ **Par. 25.** Section 25.2512–5 is amended by revising paragraphs (c), (d), and (e) to read as follows:

§ 25.2512–5 Valuation of annuities, interests for life or a term of years, and remainder or reversionary interests.

* * * * *

(c) *Actuarial valuations.* The present value of annuities, interests for life or a term of years, and remainder or reversionary interests transferred by gift on or after June 1, 2023, is determined under paragraph (d) of this section. The present value of annuities, interests for life or a term of years, and remainder or reversionary interests transferred by gift before June 1, 2023, is determined (subject to paragraph (d)(3) of this section) under the following sections:

TABLE 1 TO PARAGRAPH (C)

Transfers		Applicable regulations
After	Before	
	01–01–52	§ 25.2512–5A(a)
12–31–51	01–01–71	25.2512–5A(b)
12–31–70	12–01–83	25.2512–5A(c)
11–30–83	05–01–89	25.2512–5A(d)
04–30–89	05–01–99	25.2512–5A(e)
04–30–99	05–01–09	25.2512–5A(f)
04–30–09	06–01–23	25.2512–5A(g)

(d) *Actuarial valuations on or after June 1, 2023*—(1) *In general.* Except as otherwise provided in paragraph (b) of this section and § 25.7520–3(b) (relating to exceptions to the use of prescribed tables under certain circumstances), the fair market value of annuities, interests for life or a term of years, and remainder or reversionary interests transferred on or after June 1, 2023, is the present value of such interests determined under paragraph (d)(2) of this section and by using standard or special section 7520 actuarial factors. Many of these factors are derived by using the actuarial formulas provided in § 20.2031–7(d)(2) of this chapter, appropriate section 7520 interest rate, and, if applicable, the mortality component for the valuation date of the interest that is being valued. For purposes of the computations described in this section, the age of an individual is the age of that individual at the individual's nearest birthday. For the convenience of taxpayers, paragraph (d)(2) of this section provides for published tables of factors for specific types of interests. These published tables provide factors for rates from 0.2 to 20 percent, inclusive, at intervals of two-tenths of one percent. In general, appropriate factors instead may be computed directly from the actuarial formulas provided in § 20.2031–7(d)(2) of this chapter. In some cases, specific examples in this part and IRS publications illustrate approximation methods (for example, interpolation) for obtaining factors when the required valuation rate falls between two listed rates (such as in the case of a pooled income fund's rate of return or a unitrust's adjusted payout rate). Exact methods of obtaining the applicable actuarial factors are allowed, such as through software using the actual rate of return and the actuarial formulas provided in § 20.2031–7(d)(2) of this chapter. When using either an exact method or the approximation method, the resulting actuarial factor must be expressed with at least the same number of decimal places as that used in this part. The approximation method provided in this part must be used if more exact methods are not available.

See §§ 25.7520–1 through 25.7520–4. The selected method must be applied consistently in valuing all interests in the same property. The fair market value of a qualified annuity interest described in section 2702(b)(1) and a qualified unitrust interest described in section 2702(b)(2) is the present value of such interests determined under § 25.7520–1(c).

(2) *Specific interests.* When the donor transfers property in trust or otherwise and retains an interest therein, generally, the value of the gift is the value of the property transferred less the value of the donor's retained interest. However, if the donor transfers property after October 8, 1990, to or for the benefit of a member of the donor's family, the value of the gift is the value of the property transferred less the value of the donor's retained interest as determined under section 2702. If the donor assigns or relinquishes an annuity, an interest for life or a term of years, a remainder or reversionary interest that the donor holds by virtue of a transfer previously made by the donor or another, the value of the gift is the value of the interest transferred. However, see section 2519 for a special rule in the case of the assignment of an income interest by a person who received the interest from a spouse.

(i) *Pooled income funds and charitable remainder trusts.* The fair market value of a remainder interest in a pooled income fund, as defined in § 1.642(c)–5 of this chapter, is its value determined under § 1.642(c)–6(e) of this chapter (see § 1.642(c)–6A of this chapter for certain prior periods). The fair market value of a remainder interest in a charitable remainder annuity trust, as described in § 1.664–2(a) of this chapter, is its present value determined under § 1.664–2(c) of this chapter. The fair market value of a remainder interest in a charitable remainder unitrust, as defined in § 1.664–3 of this chapter, is its present value determined under § 1.664–4(e) of this chapter. The fair market value of a life interest or term for years interest in a charitable remainder unitrust is the fair market value of the property as of the date of transfer less the fair market value of the remainder interest, determined under § 1.664–4(e)(4) and (5) of this chapter.

(ii) *Ordinary remainder and reversionary interests*—(A) *Remainder and reversionary interests after a term of years.* If the interest to be valued is a remainder or reversionary interest to take effect after a definite number of years, the present value of the interest is computed by multiplying the value of the property by the appropriate remainder factor (that corresponds to

the applicable section 7520 interest rate and the stated term). The factor for an ordinary remainder interest following a term certain may be found using the formula in § 20.2031–7(d)(2)(ii)(A) of this chapter and computing the result to at least six decimal places. For the convenience of taxpayers, actuarial factors have been computed by the IRS and appear in Table B. Table B can be found on the IRS website at *https://www.irs.gov/retirement-plans/actuarial-tables* (or a corresponding URL as may be updated from time to time). Table B is referenced and explained in IRS Publication 1457, *Actuarial Valuations Version 4A,* which will be available within a reasonable time after June 1, 2023. The remainder factors from Table B also can be found in paragraph (d)(6) of this section, but only for interest rates from 4.2 to 14 percent, inclusive. For information about obtaining special factors for other situations, see paragraph (d)(4) of this section.

(B) *Remainder and reversionary interests dependent on the life of one individual.* If the interest to be valued is a remainder or reversionary interest to take effect after the death of one individual, the present value of the interest is computed by multiplying the value of the property by the appropriate remainder factor (that corresponds to the applicable section 7520 interest rate and the age of the measuring life of the life interest that precedes the remainder interest). The factor for an ordinary remainder interest following the death of one individual may be found by using the formula in § 20.2031–7(d)(2)(ii)(B) of this chapter to derive a remainder factor from the appropriate mortality table to at least five decimal places. For the convenience of taxpayers, actuarial factors have been computed by the IRS and appear in Table S. Table S currently is available, at no charge, electronically via the IRS website at *https://www.irs.gov/retirement-plans/actuarial-tables* (or a corresponding URL as may be updated from time to time). Table S is referenced and explained by IRS Publication 1457, *Actuarial Valuations Version 4A,* which will be available within a reasonable time after June 1, 2023. For information about obtaining special factors for other situations, see paragraph (d)(4) of this section.

(iii) *Ordinary interests for a term of years and life interests.* If the interest to be valued is the right of a person to receive the income of certain property, or to the use of certain property, for a term of years or for the life of one individual, the present value of the interest is computed by multiplying the value of the property by the appropriate actuarial factor for an interest for a term

of years or for a life interest (that corresponds to the applicable section 7520 interest rate and the durational period). The actuarial factor for an ordinary income interest for a term certain may be found by subtracting from 1.000000 the factor for an ordinary remainder interest following the same term certain that is determined under the formula in § 20.2031–7(d)(2)(ii)(A) of this chapter. For the convenience of taxpayers, actuarial factors have been computed by the IRS and appear in the ''Income Interest'' column of Table B which can be found on the IRS website at *https://www.irs.gov/retirement-plans/actuarial-tables* (or a corresponding URL as may be updated from time to time). The actuarial factor for an ordinary income interest for the life of one individual may be found by subtracting from 1.00000 the factor for an ordinary remainder interest following the life of the same individual that is determined in § 20.2031–7(d)(2)(ii)(B) of this chapter. For the convenience of taxpayers, actuarial factors have been computed by the IRS and appear in the ''Life Estate'' column of Table S. Table S (applicable when the valuation date is on or after June 1, 2023) can be found on the IRS website at *https://www.irs.gov/retirement-plans/actuarial-tables.* Tables B and S are referenced and explained by IRS Publication 1457, *Actuarial Valuations Version 4A.* See § 20.2031–7A of this chapter or earlier versions of Publication 1457 for valuation of interests before June 1, 2023. For information about obtaining special factors for other situations, see paragraph (d)(4) of this section.

(iv) *Annuities.* (A) If the interest to be valued is the right of a person to receive an annuity that is payable at the end of each year for a term of years or for the life of one individual, the present value of the interest is computed by multiplying the aggregate amount payable annually by the appropriate annuity factor (that corresponds to the applicable section 7520 interest rate and annuity period). The appropriate annuity factor for an annuity payable for a term of years is computed by subtracting from 1.000000 the factor for an ordinary remainder interest following the same term certain that is determined under the formula in § 20.2031–7(d)(2)(ii)(A) of this chapter and then dividing the result by the applicable section 7520 interest rate expressed to at least four decimal places. For the convenience of taxpayers, actuarial factors have been computed by the IRS and appear in the ''Annuity'' column of Table B which

can be found on the IRS website at *https://www.irs.gov/retirement-plans/actuarial-tables* (or a corresponding URL as may be updated from time to time). The appropriate annuity factor for an annuity payable for the life of one individual is computed by subtracting from 1.00000 the factor for an ordinary remainder interest following the life of the same individual that is determined in § 20.2031–7(d)(2)(ii)(B) of this chapter and then dividing the result by the applicable section 7520 interest rate expressed to at least four decimal places. For the convenience of taxpayers, actuarial factors have been computed by the IRS and appear in the ''Annuity'' column of Table S. Table S (applicable when the valuation date is on or after June 1, 2023) can be found

on the IRS website at *https://www.irs.gov/retirement-plans/actuarial-tables.* Tables B and S are referenced and explained in IRS Publication 1457, *Actuarial Valuations Version 4A.* See § 20.2031–7A of this chapter or earlier versions of Publication 1457 for valuation of interests before June 1, 2023. For information about obtaining special factors for other situations, see paragraph (d)(4) of this section.

(B) If the annuity is payable at the end of semiannual, quarterly, monthly, or weekly periods, the product obtained by multiplying the annuity factor by the aggregate amount payable annually then is multiplied by the applicable adjustment factor at the appropriate interest rate component for payments made at the end of the specified period.

The applicable adjustment factor may be found using the formula in § 20.2031–7(d)(2)(iv)(B) of this chapter expressed to at least four decimal places. For the convenience of taxpayers, actuarial factors have been computed by the IRS and appear in Table K. Table K, which is referenced and explained by Publication 1457, can be found on the IRS website at *https://www.irs.gov/retirement-plans/actuarial-tables.* The provisions of this paragraph (d)(2)(iv)(B) are illustrated by the example in paragraph (d)(2)(iv)(B)(*2*) of this section.

(*1*) *Sample factors from actuarial Tables S and K.* For purposes of the example in paragraph (d)(2)(iv)(B)(*2*) of this section, the relevant factors from Tables S and K are:

TABLE 2 TO PARAGRAPH (d)(2)(iv)(B)(*1*)

Age	Annuity	Life estate	Remainder
Factors From Table S—Based on Table 2010CM **Interest at 3.2 Percent**			
68	12.2552	0.39217	0.60783
Factors From Table K **Adjustment Factors for Annuities Payable at the End of Each Interval**			
Interest rate	Semi-annually	Quarterly	Monthly
3.2%	1.0079	1.0119	1.0146

(*2*) *Example.* On July 1 of a year after 2021, the donor agrees to pay the annuitant the sum of $10,000 per year, payable in equal semiannual installments at the end of each period. The semiannual installments are to be made on each December 31st and June 30th. The annuity is payable until the annuitant's death. On the date of the agreement, the annuitant is 68 years and 5 months old. The donee annuitant's age is treated as 68 for purposes of computing the present value of the annuity. The section 7520 rate on the date of the agreement is 3.2 percent. Under Table S, the factor at 3.2 percent for determining the present value of an annuity payable until the death of a person aged 68 is 12.2552. The adjustment factor from Table K in the column for payments made at the end of each semiannual period at the rate of 3.2 percent is 1.0079. The aggregate annual amount of the annuity, $10,000, is multiplied by the factor 12.2552 and the product is multiplied by 1.0079. The present value of the donee's annuity is, therefore, $123,520.16 ($10,000 × 12.2552 × 1.0079).

(C) If an annuity is payable at the beginning of annual, semiannual, quarterly, monthly, or weekly periods

for a term of years, the value of the annuity is computed by multiplying the aggregate amount payable annually by the annuity factor described in paragraph (d)(2)(iv)(A) of this section; and the product so obtained then is multiplied by the applicable adjustment factor at the appropriate interest rate component for payments made at the beginning of specified periods. The applicable adjustment factor may be found using the formula in § 20.2031–7(d)(2)(iv)(C) of this chapter expressed to at least four decimal places. For the convenience of taxpayers, actuarial factors have been computed by the IRS and appear in Table J. Table J, which is referenced and explained by Publication 1457, can be found on the IRS website at *https://www.irs.gov/retirement-plans/actuarial-tables.* If an annuity is payable at the beginning of annual, semiannual, quarterly, monthly, or weekly periods for one or more lives, the value of the annuity is the sum of the first payment and the present value of a similar annuity, the first payment of which is not to be made until the end of the payment period, determined as provided in paragraph (d)(2)(iv)(B) of this section.

(v) *Annuity and unitrust interests for a term of years or until the prior death of an individual*—(A) *Annuity interests*—(*1*) *In general.* (*i*) The present value of an annuity interest that is payable until the earlier to occur of the lapse of a specific number of years or the death of an individual may be computed with the use of commutation factors and an applicable adjustment factor. The commutation factors are computed directly with the set of formulas in Figure 1 to this paragraph (d)(2)(v)(A)(*1*)(*i*). The prescribed mortality table is Table 2010CM as set forth in § 20.2031–7(d)(7)(ii) of this chapter, or for periods before June 1, 2023, the appropriate table found in § 20.2031–7A of this chapter. For the convenience of taxpayers, commutation factors have been computed by the IRS and appear in Table H. Table H currently is available, at no charge, electronically via the IRS website at *https://www.irs.gov/retirement-plans/actuarial-tables* (or a corresponding URL as may be updated from time to time). Table H is referenced and explained by IRS Publication 1457, *Actuarial Valuations Version 4A,* which

will be available within a reasonable time after June 1, 2023.

Figure 1 to Paragraph (d)(2)(v)(A)(*1*)(*i*)—Formulas for Determining Commutation Factors

$$D_x = v^x \cdot l_x$$

$$N_{x+1} = \sum_{t=1}^{\infty} D_{x+t}$$

$$M_x = \sum_{t=0}^{\infty} v^{x+t+1} \cdot d_{x+t}$$

$$\overset{\circ}{N}_x = N_{x+1} + \frac{1}{2} M_x$$

$$\overline{M}_x = \left(1 + \frac{i}{2}\right) \cdot M_x$$

where:

i   = the applicable interest rate under Section 7520 of the Internal Revenue Code;

v   = 1 / (1 + i);

d_x = $l_x - l_{x+1}$;

x   = is the age of the measuring life (determined as age at nearest birthday); and

l_x = the number associated with age x as set forth in the prescribed mortality table, representing the number of persons alive at age x.

(*ii*) The applicable adjustment factor for annuities that are payable at the end of semiannual, quarterly, monthly, or weekly periods is computed by use of the formula in § 20.2031–7(d)(2)(iv)(B) of this chapter expressed to at least four decimal places. For the convenience of taxpayers, actuarial factors have been computed by the IRS and appear in Table K. Table K can be found on the IRS website at *https://www.irs.gov/ retirement-plans/actuarial-tables.* For purposes of the example in paragraph (d)(2)(v)(A)(*2*) of this section, the relevant factors from Tables H(2.8) and K are:

TABLE 3 TO PARAGRAPH (d)(2)(v)(A)(*1*)(*ii*)

Age (x)	D_x	N_x-factor	M_x-factor
Factors From Table H(2.8) **Commutation Factors—Based on Table 2010CM**			
Interest Rate of 2.8 Percent			
60	16,911.03	271,994.3	9,295.187
70	11,280.80	133,677.8	7,537.826
Factors From Table K **Adjustment Factors for Annuities Payable at the End of Each Interval**			

Interest rate	Semi-annually	Quarterly	Monthly
2.8%	1.0070	1.0104	1.0128

(*2*) *Example.* The donor transfers $100,000 into a trust on January 1, 2022 and retains the right to receive an annuity from the trust in the amount of $10,000 per year, payable in equal semiannual installments at the end of each period. The semiannual installments are to be made on each June 30th and December 31st. The annuity is payable for 10 years or until the donor's prior death. At the time of the transfer, the donor is 59 years and 6 months old. The donor's age is deemed to be 60 for purposes of computing the present value of the retained annuity. If the section 7520 rate for the month in which the transfer occurred is 2.8 percent, the present value of the donor's retained annuity interest for the shorter of life or term would be is $82,363.54, determined in Figure 2 to this paragraph (d)(2)(v)(A)(*2*).

Figure 2 to Paragraph (d)(2)(v)(A)(*2*)— Illustration of Calculation of Present Value of the Donor's Retained Annuity Interest for the Shorter of Life or Term

A.	Initial age	60
B.	Plus: Term of years	<u>10</u>
C.	Sum (Terminal age)	70
D.	$\overset{\circ}{N}_x$ factor, Table H(2.8), age 60	271,994.30
E.	Less: $\overset{\circ}{N}_x$ factor, Table H(2.8), age 70	<u>133,677.80</u>
F.	Difference	138,316.50
G.	D_x factor, Table H(2.8), age 60	16,911.03
H.	Required Annuity Factor: F / G	8.1791
I.	Table K factor, semiannual payments at 2.8%	1.0070
J.	Annual Annuity Amount	$10,000
K.	Present value of retained interest: H x I x J	$82,363.54

(B) *Unitrust interests*—(*1*) *In general.* (*i*) The present value of a unitrust interest that is payable until the earlier to occur of the lapse of a specific number of years or the death of an individual may be computed with the use of an adjusted payout rate factor and unitrust commutation factors. The payout rate adjustment factor is determined by applying the formula in § 1.664–4(e)(6)(ii) of this chapter for the section 7520 interest rate applicable to the transfer and computing the result to at least six decimal places. For the convenience of taxpayers, payout rate adjustment factors have been computed by the IRS, for interest rates from 0.2 to 20 percent, inclusive, and appear in Tables F(0.2) through F(20.0). The unitrust commutation factors may be computed directly with the set of formulas in Figure 3 to this paragraph (d)(2)(v)(B)(*1*)(*i*). For the convenience of taxpayers, actuarial factors have been computed by the IRS and appear in Table Z. Tables F and Z can be found on the IRS website at *https://www.irs.gov/retirement-plans/actuarial-tables.*

Figure 3 to Paragraph (d)(2)(v)(B)(*1*)(*i*)—Formulas for Determining Unitrust Commutation Factors

$$^{u}D_x = \ ^{u}v^x \cdot l_x$$

$$^{u}N_{x+1} = \sum_{t=1}^{\infty} \ ^{u}D_{x+t}$$

$$^{u}M_x = \sum_{t=0}^{\infty} \ ^{u}v^{x+t+1} \cdot d_{x+t}$$

$$^{u}\overset{\circ}{N}_x = \ ^{u}N_{x+1} + \frac{1}{2} \ ^{u}M_x$$

$$^{u}\overline{M}_x = (1 + \frac{^{u}i}{2}) \cdot \ ^{u}M_x$$

where:

r   = the adjusted payout rate;

^{u}v = 1 - r;

^{u}i = r / (1 − r);

d_x = $l_x - l_{x+1}$;

x   = is the age of the measuring life (determined as age at nearest birthday); and

l_x = the number associated with age x as set forth in the prescribed mortality table, representing the number of persons alive at age x.

(*ii*) For purposes of the example in paragraph (d)(2)(v)(B)(*2*) of this section, the relevant factors from Tables F(3.4), Z(4.8), and Z(5.0) are:

TABLE 4 TO PARAGRAPH (d)(2)(v)(B)(*1*)(*ii*)

Number of months from annual valuation to first payout		Adjustment factors for payments at end of period	
At least	But less than	Annual	Semiannual
Factors From Table F(3.4) **Factors for Computing Adjusted Payout Rates for Unitrusts**			
Interest at 3.4 Percent			
6	7	0.983422	0.975270
Factors From Table Z(4.8) **Unitrust Commutation Factors—Based on Table 2010CM**			
Adjusted Payout Rate of 4.8 Percent			
Age (x)	^UD_x	^UN_x-factor	^UM_x-factor
60	4,634.189	58,509.09	1,684.151
70	2,491.406	24,541.74	1,254.007
Factors From Table Z(5.0) **Unitrust Commutation Factors—Based on Table 2010CM**			
Adjusted Payout Rate of 5.0 Percent			
Age (x)	^UD_x	^UN_x-factor	^UM_x-factor
60	4,084.822	50,451.77	1,429.466
70	2,150.356	20,823.44	1,054.386

(*2*) *Example of interpolation.* The donor who, as of the nearest birthday, is 60 years old, transfers $100,000 to a unitrust on January 1st of a year after 2021. The trust instrument requires that each year the trust pay to the donor, in equal semiannual installments on June 30th and December 31st, 5 percent of the fair market value of the trust assets, valued as of January 1st of that year, for 10 years or until the prior death of the donor. The section 7520 rate for the January in which the transfer occurred is 3.4 percent. Under Table F(3.4), the appropriate adjustment factor is 0.975270 for semiannual payments payable at the end of the semiannual period. The adjusted payout rate is 4.876 percent (5% × 0.975270). The present value of the donor's retained interest is $37,419.00 determined in paragraphs (d)(2)(v)(B)(*2*)(*i*) through (*iii*) of this section. Using Table Z, the method required is to prepare two computations, one at a payout rate of 4.8 percent, and one at 5.0 percent, and interpolate between these two in order to get the result at the adjusted payout rate of 4.876 percent. As an alternative to using an interpolation method, it also is acceptable to compute the remainder factor directly from the root actuarial formulas using the actual adjusted payout rate of 4.876%.

(*i*) Determine the terminal age, as illustrated in Figure 4 to this paragraph (d)(2)(v)(B)(*2*)(*i*).

Figure 4 to Paragraph (d)(2)(v)(B)(*2*)(*i*)—Illustration of Determination of Terminal Age

A.	Initial age	60
B.	Plus: Term of years	10
C.	Sum (Terminal age)	70

(*ii*) Determine the Payout Interest Factor at the Table Z payout rates immediately below and above the adjusted payout rate, as illustrated in Figure 5 to this paragraph (d)(2)(v)(B)(*2*)(*ii*).

Figure 5 to Paragraph (d)(2)(v)(B)(2)(ii)—Illustration of Determination of Payout Interest Factors

D.	Payout Rate	4.80%	5.00%
E.	Equivalent Interest Rate Factor: D / (1 - D)	0.05042	0.05263
F.	$^{u}\overset{\circ}{N}_x$ factor, Table Z, age 60	58,509.09	50,451.77
G.	Less: $^{u}\overset{\circ}{N}_x$ factor, TableZ, age 70	24,541.74	20,823.44
H.	Difference	33,967.35	29,628.33
I.	$^{u}D_x$ factor, Table Z, age 60	4,634.189	4,084.822
J.	Intermediate Factor: H / I	7.32973	7.25327
K.	Payout Interest Factor: E x J	0.36956	0.38174

(*iii*) Interpolate between the Payout Interest Factors at 4.8% and 5.0% to determine the Payout Interest Factor at the adjusted rate of 4.876%, as illustrated in Figure 6 to this paragraph (d)(2)(v)(B)(*2*)(*iii*).

Figure 6 to Paragraph (d)(2)(v)(B)(2)(iii)—Illustration of Interpolation

L.	Payout Interest Factor at 5.00%	0.38174
M.	Less: Payout Interest Factor at 4.8%	0.36956
N.	Difference: L - M	0.01218
O.	Adjusted Payout Rate	4.876%

P. Interpolation Adjustment:

$$\frac{5.00\% - 4.876\%}{5.00\% - 4.80\%} = \frac{z}{0.01218}$$

$$\frac{5.00\% - 4.876\%}{5.00\% - 4.80\%} \cdot 0.01218 = z = 0.00755$$

Q.	Payout Interest Factor at 5.00%	0.38174
R.	Less: Interpolation Adjustment z	0.00755
S.	Interpolated Payout Interest Factor: Q - R	0.37419
T.	Amount Transferred	$100,000
U.	Present Value of Retained Payout Interest: S x T	$37,419

(3) *Transitional rule.* If the valuation date of a transfer of property by gift is after April 30, 2019, and on or before June 1, 2023, the fair market value of the interest transferred is determined by using 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 factors derived from the selected mortality table, either Table 2010CM in § 20.2031–7(d)(7)(ii) of this chapter or Table 2000CM in § 20.2031–7A(g)(4) of this chapter, at the option of the donor or the decedent's executor, as the case may be. If any previously filed gift tax return is supplemented to use the actuarial factors based on Table 2010CM, the supplemental return must state at the top "AMENDED PURSUANT TO TD 9974." For the convenience of taxpayers, actuarial factors based on Table 2010CM appear in the current

version of Table S, and actuarial factors based on Table 2000CM appear in the previous version of Table S. Both versions of Table S will be available as provided in paragraph (d)(4) of this section. With respect to each individual transaction, the donor must consistently use the same mortality basis with respect to each interest (income, remainder, partial, etc.) in the same property, and with respect to all transfers occurring on the same valuation date. For example, gift and income tax charitable deductions with respect to the same transfer must be determined based on factors with the same mortality basis, and all assets includible in the gross estate and/or estate tax deductions claimed must be valued based on factors with the same mortality basis.

(4) *Publications and actuarial computations by the Internal Revenue Service.* The factor for determining the present value of a remainder interest that is dependent on the termination of the life of one individual may be computed by using the formula in § 20.2031–7(d)(2)(ii)(B) of this chapter to derive a remainder factor from the appropriate mortality table expressed to at least five decimal places. For the convenience of taxpayers, actuarial factors have been computed by the IRS and appear in Table S. The factor for determining the present value of a remainder interest following a term certain may be computed by using the formula in § 20.2031–7(d)(2)(ii)(A) of this chapter expressed to at least six decimal places. For the convenience of taxpayers, actuarial factors have been computed by the IRS and appear in Table B. Adjustment factors for term certain annuities payable at the beginning of each interval may be computed by using the formula in § 20.2031–7(d)(2)(iv)(C) of this chapter expressed to at least four decimal places. For the convenience of taxpayers, actuarial factors have been computed by the IRS and appear in Table J. Adjustment factors for annuities payable at the end of each interval may be computed by using the formula in § 20.2031–7(d)(2)(iv)(B) of this chapter expressed to at least four decimal places. For the convenience of taxpayers, actuarial factors have been computed by the IRS and appear in Table K. These tables currently are available, at no charge, electronically via the IRS website at *https:// www.irs.gov/retirement-plans/actuarial-tables* (or a corresponding URL as may be updated from time to time). IRS Publication 1457, *Actuarial Valuations Version 4A* (2023), references and

explains the factors contained in the actuarial tables and also includes examples that illustrate how to compute many special factors for more unusual situations. This publication will be available within a reasonable time after June 1, 2023. Tables B, J, and K also can be found in § 20.2031–7(d)(6) of this chapter, but only for interest rates from 4.2 to 14 percent, inclusive. If a particular factor is required, that factor may be calculated by the taxpayer using the actuarial formula in § 20.2031–7(d)(2) of this chapter or the taxpayer may request a ruling to obtain the factor from the Internal Revenue Service. 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 Rev. Proc. 2023–1, 2023–1 I.R.B. 1, or successor revenue procedures, and §§ 601.201 and 601.601(d)(2)(ii)(*b*) of this chapter) and must include payment of the required user fee.

(e) *Applicability date.* This section applies on and after June 1, 2023.

■ **Par. 26.** The undesignated center heading immediately preceding § 25.2512–5A is revised to read as follows:

Actuarial Tables Applicable Before June 1, 2023

■ **Par. 27.** Section 25.2512–5A is amended by revising the section heading and adding paragraph (g) to read as follows:

§ 25.2512–5A Valuation of annuities, interests for life or a term of years, and remainder or reversionary interests transferred before June 1, 2023.

* * * * *

(g) *Valuation of annuities, interests for life or a term of years, and remainder or reversionary interests transferred on or after May 1, 2009, and before June 1, 2023*—(1) *In general.* Except as otherwise provided in §§ 25.2512–5(b) and 25.7520–3(b) (pertaining to certain limitations on the use of prescribed tables), if the valuation date of the transferred interest is on or after May 1, 2009, and before June 1, 2023, the fair market value of annuities, interests for life or a term of years, and remainder or reversionary interests transferred by gift is the present value of the interests determined by using standard or special section 7520 actuarial factors and the

valuation methodology described in § 25.2512–5(d). Sections 20.2031–7(d)(6) and 20.2031–7A(g)(4) of this chapter and related sections provide tables with standard actuarial factors and examples that illustrate how to use the tables to compute the present value of ordinary annuity, life, term, and remainder interests in property. Sections 20.2031–7(d)(6) and 20.2031–7A(g)(4) of this chapter also refer to standard and special actuarial factors that may be necessary to compute the present value of similar interests in more unusual fact situations. These factors and examples also generally are applicable for gift tax purposes in computing the values of taxable gifts.

(2) *Transitional rule.* (i) 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 using 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 § 20.2031–7A(f)(4) or (g)(4) of this chapter, at the option of the donor.

(ii) For purposes of paragraph (g)(2)(i) of this section, where the donor is given the option to use either of two appropriate actuarial tables, the donor must consistently use the same mortality basis with respect to each interest (income, remainder, partial, etc.) in the same property, and with respect to all transfers occurring on the same valuation date. For example, gift and income tax charitable deductions with respect to the same transfer must be determined based on factors with the same mortality basis, and all assets includible in the gross estate and/or estate tax deductions claimed must be valued based on factors with the same mortality basis.

(iii) If the valuation date of a transfer of property by gift is after April 30, 2019, and before June 1, 2023, the fair market value of the interest transferred is determined under § 25.2512–5(d)(3).

(3) *Publications and actuarial computations by the Internal Revenue Service.* The factor for determining the present value of a remainder interest that is dependent on the termination of the life of one individual may be computed by using the formula in § 20.2031–7(d)(2)(ii)(B) of this chapter to derive a remainder factor from the appropriate mortality table to at least five decimal places. For the convenience of taxpayers, actuarial factors have been computed by the IRS and appear in Table S. The factor for determining the present value of a remainder interest following a term

certain may be computed by using the formula in § 20.2031–7(d)(2)(ii)(A) of this chapter expressed to at least six decimal places. For the convenience of taxpayers, actuarial factors have been computed by the IRS and appear in Table B. Adjustment factors for term certain annuities payable at the beginning of each interval may be computed by using the formula in § 20.2031–7(d)(2)(iv)(C) of this chapter expressed to at least four decimal places. For the convenience of taxpayers, actuarial factors have been computed by the IRS and appear in Table J. Adjustment factors for annuities payable at the end of each interval may be computed by using the formula in § 20.2031–7(d)(2)(iv)(B) of this chapter expressed to at least four decimal places. For the convenience of taxpayers, actuarial factors have been computed by the IRS and appear in Table K. These tables are referenced and explained by IRS Publication 1457, *Actuarial Values Version 3A,* (2009). Publication 1457 includes examples that illustrate how to compute many special factors for more unusual situations. The actuarial tables are available, at no charge, electronically via the IRS website at *https://www.irs.gov/ retirement-plans/actuarial-tables* (or a corresponding URL as may be updated from time to time). Table S also can be found in § 20.2031–7A(g)(4) of this chapter, but only for interest rates from 0.2 to 14 percent, inclusive. Tables B, J, and K also can be found in § 20.2031– 7(d)(6) of this chapter, but only for interest rates from 4.2 to 14 percent,

inclusive. If a particular factor is required in the case of a completed gift, that factor may be calculated by the donor using the actuarial formulas in § 20.2031–7(d)(2) of this chapter or the donor may request a ruling to obtain the factor from the Internal Revenue Service. 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*) of this chapter) and must include payment of the required user fee.

(4) *Applicability dates.* Paragraphs (g)(1) through (3) of this section apply on and after May 1, 2009, and before June 1, 2023.

■ **Par. 28.** Section 25.2522(c)–3 is amended by:

■ 1. In paragraph (d)(2)(iv), designating *Examples 1* through *3* as paragraphs (d)(2)(iv)(A) through (C), respectively.

■ 2. Revising the headings for newly designated paragraphs (d)(2)(iv)(A) and (B), newly designated paragraph (d)(2)(iv)(C), and paragraph (e).

■ 3. Adding paragraph (f).

The revisions and addition read as follows:

§ 25.2522(c)–3 Transfers not exclusively for charitable, etc., purposes in the case of gifts made after July 31, 1969.

* * * * *

(d) * * *

(2) * * *

(iv) * * *

(A) *Example 1.* * * *

(B) *Example 2.* * * *

(C) *Example 3—*(*1*) *Factors.* The appropriate annuity factor for an annuity payable for a term of years is computed by subtracting from 1.000000 the factor for an ordinary remainder interest following the same term certain that is determined under the formula in § 20.2031–7(d)(2)(ii)(A) of this chapter and then dividing the result by the applicable section 7520 interest rate expressed to at least four decimal places. For the convenience of taxpayers, annuity factors have been computed by the IRS and appear in the "Annuity" column of Table B. The actuarial commutation factors can be computed directly by using the formulas in § 25.2512–5(d)(2)(v)(A)(*1*), the section 7520 rate, and Table 2010CM as set forth in § 20.2031–7(d)(7)(ii) of this chapter. For the convenience of taxpayers, actuarial factors have been computed by the IRS and appear in Table H. Tables B and H can be found on the IRS website at *https:// www.irs.gov/retirement-plans/actuarial- tables* (or a corresponding URL as may be updated from time to time). For purposes of the example in paragraph (d)(2)(iv)(C)(*2*) of this section, the relevant factors from Tables B and H are:

TABLE 1 TO PARAGRAPH (d)(2)(iv)(C)(*1*)

Years	Annuity	Income interest	Remainder
Factors From Table B **Annuity, Income, and Remainder Interests for a Term Certain**			
Interest at 2.8 Percent			
10	8.6179	0.241302	0.758698
Factors from Table H(2.8) **Commutation Factors—Based on Table 2010CM**			
Interest Rate of 2.8 Percent			
Age (x)	D_x	N_x-factor	M_x-factor
60	16,911.03	271,994.3	9,295.187
70	11,280.80	133,677.8	7,537.826

(*2*) *Application.* In a year after 2023, D transfers $65,000 in trust with the requirement that a guaranteed annuity interest (as defined in paragraph (c)(2)(vi) of this section) of $5,000 a year, payable annually at the end of

each year, be paid to Y Charity for a period of 10 years and that a guaranteed annuity interest (as defined in paragraph (c)(2)(vi) of this section) of $5,000 a year, payable annually at the end of each year, be paid to W, D's wife,

aged 60, for 10 years or until her prior death. The annuities are to be paid simultaneously, and the remainder is to be paid to D's children. The section 7520 interest rate for the date of transfer is 2.8 percent, and the taxpayer elects

not to use the interest rate from either of the two preceding months. The fair market value of the private annuity is $40,895.50 ($5,000 × 8.1791), as determined pursuant to § 25.2512–5(d)(2)(v)(A) and by the use of factors derived from Table H and illustrated in paragraph (d)(2)(iv)(C)(*3*) of this section. The fair market value of the charitable annuity is $43,089.50 ($5,000 × 8.6179), determined using the annuity factor from Table B. It is not evident from the

governing instrument of the trust or from local law that the trustee would be required to apportion the trust fund between the wife and charity in the event the fund were insufficient to pay both annuities in a given year. Accordingly, the deduction with respect to the charitable annuity will be limited to $24,104.50 ($65,000 less $40,895.50 [the value of the private annuity]), which is the minimum amount it is evident the charity will receive.

(*3*) *Actuarial factor.* In paragraph (d)(2)(iv)(C)(*2*) of this section, the actuarial factor for determining the value of the private annuity is derived by the use of factors involving one life and a term of years. The factor is determined as illustrated in Figure 1 to this paragraph (d)(2)(iv)(C)(*3*).

Figure 1 to Paragraph (d)(2)(iv)(C)(*3*)— Illustration of Calculation of Annuity Factor for Shorter of Term or Life

A.	Initial age	60
B.	Plus: Term of years	<u>10</u>
C.	Sum (Terminal age)	70
D.	$\overset{\circ}{N}_x$ factor, Table H(2.8), age 60	271,994.30
E.	Less: $\overset{\circ}{N}_x$ factor, Table H(2.8), age 70	<u>133,677.80</u>
F.	Difference	138,316.50
G.	D_x factor, Table H(2.8), age 60	16,911.03
H.	Required Annuity Factor: F / G	8.1791

* * * * *

(e) *Guaranteed annuity and unitrust interests reformed as an interest for a term of years*—(1) *In general.* The rules in paragraphs (c)(2)(vi)(*a*) and (c)(2)(vii)(*a*) of this section that guaranteed annuity interests or unitrust interests, respectively, may be payable for a specified term of years or for the life or lives of only certain individuals applies to transfers made on or after April 4, 2000. If a transfer is made on or after April 4, 2000, that uses an individual other than one permitted in paragraphs (c)(2)(vi)(*a*) and (c)(2)(vii)(*a*) of this section, the interest may be reformed into a lead interest payable for a specified term of years. The term of years is determined by taking the factor for valuing the annuity or unitrust interest for the named individual measuring life and identifying the term of years (rounded up to the next whole year) that corresponds to the equivalent term of years factor for an annuity or unitrust interest. See paragraph (e)(4) of this section for an example.

(2) *Judicial and non-judicial reformations.* A judicial reformation must be commenced prior to October 15th of the year following the year in which the transfer is made and must be completed within a reasonable time after it is commenced. A non-judicial reformation is permitted if effective under state law, provided it is completed by the date on which a judicial reformation must be commenced. In the alternative, if a court, in a proceeding that is commenced on or before July 5, 2001, declares any transfer, made on or after April 4, 2000, and on or before March 6, 2001, null and void ab initio, the Internal Revenue Service will treat such transfers in a manner similar to that described in section 2055(e)(3)(J).

(3) *Sample factors from actuarial Tables B and S.* The appropriate annuity factor for an annuity payable for a term of years is computed by subtracting from 1.000000 the factor for an ordinary remainder interest following the same term certain that is determined under the formula in § 20.2031–7(d)(2)(ii)(A)

of this chapter and then dividing the result by the applicable section 7520 interest rate expressed to at least four decimal places. For the convenience of taxpayers, actuarial factors have been computed by the IRS and appear in the "Annuity" column of Table B. The appropriate annuity factor for an annuity payable for the life of one individual is computed by subtracting from 1.00000 the factor for an ordinary remainder interest following the life of the same individual that is determined under the formula in § 20.2031–7(d)(2)(ii)(B) of this chapter and then dividing the result by the applicable section 7520 interest rate expressed to at least four decimal places. For the convenience of taxpayers, actuarial factors have been computed by the IRS and appear in the "Annuity" column of Table S. Tables B and S can be found on the IRS website at *https://www.irs.gov/retirement-plans/actuarial-tables.* For purposes of the example in paragraph (e)(4) of this section, the relevant factors from Tables B and S are:

TABLE 2 TO PARAGRAPH (e)(3)

Years	Annuity	Income interest	Remainder
Factors From Table B **Annuity, Income, and Remainder Interests for a Term Certain**			
Interest at 2.4 Percent			
38	24.7471	0.593929	0.406071
39	25.1436	0.603447	0.396553
Factors From Table S—Based on Table 2010CM			
Interest at 2.4 Percent			
Age	Annuity	Life Estate	Remainder
40	24.9063	0.59775	0.40225

(4) *Example.* An annuity interest payable for the life of an individual age 40 at the time of the transfer that occurs on or after June 1, 2023, assuming an interest rate of 2.4 percent under section 7520, has an annuity factor reported in Table S of 24.9063. Based on Table B at 2.4 percent, the factor 24.9063 corresponds to a term of years between 38 and 39 years. Accordingly, the annuity interest must be reformed into an interest payable for a term of 39 years. (To determine the value of a charitable remainder interest payable after this annuity interest, the taxpayer then must satisfy the test illustrated in § 25.7520–3(b)(2)(v)(E).)

(f) *Applicability date.* This section applies only to gifts made after July 31, 1969.

■ **Par. 29.** Section 25.7520–1 is amended by revising paragraphs (a)(1) and (2), (b)(2), (c), and (d) and adding paragraphs (e) and (f) to read as follows:

§ 25.7520–1 Valuation of annuities, interests for life or a term of years, and remainder or reversionary interests.

(a) * * *(1) Except as otherwise provided in this section and in § 25.7520–3(b) (relating to exceptions to the use of prescribed tables under certain circumstances), in the case of certain gifts after April 30, 1989, the fair market value of annuities, interests for life or a term of years (including unitrust interests), and remainder or reversionary interests is their present value determined under this section. See § 20.2031–7(d) of this chapter (and, for periods prior to June 1, 2023, §§ 20.2031–7(d)(3) and 20.2031–7A of this chapter) for the computation of the value of annuities, interests for life or a term of years, and remainder or reversionary interests, other than interests described in paragraphs (a)(2) and (3) of this section.

(2) In the case of a gift to a pooled income fund on or after June 1, 2023, see § 1.642(c)–6(e) of this chapter (or, for periods prior to June 1, 2023, § 1.642(c)–6A of this chapter) with respect to the valuation of the remainder interest.

* * * * *

(b) * * *

(2) *Mortality component.* The mortality component reflects the mortality data most recently available from the United States census. As the appropriate new mortality report becomes available after each decennial census, the Treasury Department and the IRS will revise the mortality component described in this section and will update the appropriate regulations to adopt the revised mortality component tables. For gifts with valuation dates on or after June 1, 2023, the mortality component table (Table 2010CM) is in § 20.2031–7(d)(7)(ii) of this chapter, and is referenced by IRS Publication 1457, *Actuarial Valuations Version 4A,* and can be found on the IRS website at *https://www.irs.gov/ retirement-plans/actuarial-tables* (or a corresponding URL as may be updated from time to time). See § 20.2031–7A of this chapter for mortality component tables applicable to gifts for which the valuation date falls before June 1, 2023.

(c) *Actuarial factors.* The present value on the valuation date of an annuity, an interest for life or a term of years, and a remainder or reversionary interest is computed by using the section 7520 interest rate component that is described in paragraph (b)(1) of this section and the mortality component that is described in paragraph (b)(2) of this section. Actuarial factors for determining these present values may be calculated using the formulas in § 20.2031–7(d)(2) of this chapter. For the convenience of taxpayers, the IRS has computed actuarial factors and displayed them on

tables that are referenced and explained by publications of the Internal Revenue Service. If a particular factor is required in order to value an interest, that factor may be calculated by the taxpayer using the actuarial formulas in § 20.2031–7(d)(2) of this chapter or the taxpayer may request a ruling to obtain the factor from the Internal Revenue Service. The request for a ruling must be accompanied by a recitation of the facts, including the date of birth for each measuring life and copies of relevant instruments. A request for a ruling must comply with the instructions for requesting a ruling published periodically in the Internal Revenue Bulletin (see Rev. Proc. 2023–1, 2023–1 I.R.B. 1, or successor revenue procedures, and §§ 601.201 and 601.601(d)(2)(ii)(*b*) of this chapter) and must include payment of the required user fee.

(d) *IRS publications referencing and explaining actuarial tables with rates from 0.2 to 20 percent, inclusive, at intervals of two-tenths of one percent, for valuation dates on or after June 1, 2023.* The publications listed in paragraphs (d)(1) through (3) of this section will be available within a reasonable time after June 1, 2023. The underlying actuarial tables referenced and explained by these publications currently are available, at no charge, electronically via the IRS website at *https://www.irs.gov/retirement-plans/ actuarial-tables:*

(1) IRS Publication 1457, *Actuarial Valuations Version 4A* (2023). This publication references tables of valuation factors and provides examples that show how to compute other valuation factors, for determining the present value of annuities, interests for life or a term of years, and remainder or reversionary interests, measured by one or two lives. These factors may also be used in the valuation of interests in a

charitable remainder annuity trust as defined in § 1.664–2 of this chapter and a pooled income fund as defined in § 1.642(c)–5 of this chapter. This publication references and explains Tables S (single life remainder factors), R(2) (two-life last-to-die remainder factors), B (actuarial factors used in determining the present value of an interest for a term of years), H (commutation factors), J (term certain annuity beginning-of-interval adjustment factors), and K (annuity end-of-interval adjustment factors). See earlier versions of the publication, § 1.642(c)–6A of this chapter, or § 20.2031–7A of this chapter for Table S applicable to valuation dates before June 1, 2023. Earlier versions of the publication also contain earlier versions of Tables H and R(2). Tables B, J, and K also can be found in § 20.2031–7(d)(6) of this chapter, but only for interest rates from 4.2 to 14 percent, inclusive.

(2) IRS Publication 1458, *Actuarial Valuations Version 4B* (2023). This publication references and explains term certain tables and tables of one and two life valuation factors for determining the present value of remainder interests in a charitable remainder unitrust as defined in § 1.664–3 of this chapter. This publication references Tables U(1) (unitrust single life remainder factors), U(2) (unitrust two-life last-to-die remainder factors), D (actuarial factors used in determining the present value of a remainder interest postponed for a term of years), F (adjustment payout rate factors), and Z (unitrust commutation factors). See earlier versions of the publication or § 1.664–4A of this chapter for Table U(1) applicable to valuation dates before June 1, 2023. Earlier versions of the publication also contain earlier versions of Tables U(2) and Z. Table D also can be found in § 1.664–4(e)(6)(iii) of this chapter, but only for adjusted payout rates from 4.2 to 14 percent, inclusive. Table F also can be found in § 1.664–4(e)(6)(iii) of this chapter, but only for interest rates from 4.2 to 14 percent, inclusive.

(3) IRS Publication 1459, *Actuarial Valuations Version 4C* (2023). This publication references and explains Table C, which provides factors for making adjustments to the standard remainder factor for valuing gifts of depreciable property. See § 1.170A–12 of this chapter.

(4) The publications identified in paragraphs (d)(1) through (3) of this section also reference Table 2010CM, the mortality component table.

(e) *Use of approximation methods for obtaining factors when the required valuation rate falls between two listed rates.* For certain cases, this part and IRS publications provide approximation methods (for example, interpolation) for obtaining factors when the required valuation rate falls between two listed rates (such as in the case of a pooled income fund's rate of return or a unitrust's adjusted payout rate). In general, exact methods of obtaining the applicable factors are allowed, such as through software using the actual rate of return and the proper actuarial formula, provided such direct methods are applied consistently in valuing all interests in the same property. The actuarial formula in § 20.2031–7(d)(2)(ii)(B) of this chapter is used to determine the remainder factor for pooled income funds and the actuarial formula in § 1.664–4(e)(5)(i) of this chapter is used to determine the remainder factor for unitrusts. When using either an exact method or the approximation method, at least the same number of decimal places as that used in this part must be used for the resulting actuarial factor. The approximation method provided in this part must be used if more exact methods are not available.

(f) *Applicability date.* This section applies on and after June 1, 2023.

■ **Par. 30.** Section 25.7520–3 is amended by:

■ 1. Redesignating paragraph (b)(2)(v) as paragraph (b)(2)(vi).

■ 2. Adding new paragraph (b)(2)(v).

■ 3. In newly redesignated paragraph (b)(2)(vi), designating *Examples 1* through *5* as paragraphs (b)(2)(vi)(A) through (E), respectively.

■ 4. Revising the heading of newly designated paragraph (b)(2)(vi)(A).

■ 5. In newly designated paragraph (b)(2)(vi)(B):

■ i. Revising the heading.

■ ii. Removing "*Example 1*" and "this paragraph" and adding in their places "paragraph (b)(2)(vi)(A) of this section (*Example 1*)" and "this paragraph (b)(2)(vi)(B)", respectively.

■ 6. Revising the heading for newly designated paragraph (b)(2)(vi)(C).

■ 7. In newly designated paragraph (b)(2)(vi)(D):

■ i. Revising the heading.

■ ii. Removing "*Example 3*" and adding "paragraph (b)(2)(vi)(C) of this section (*Example 3*)" in its place.

■ 8. Revising newly designated paragraph (b)(2)(vi)(E) and paragraphs (b)(4) and (c).

The revisions read as follows:

§ 25.7520–3 Limitation on the application of section 7520.

*   *   *   *   *

(b) * * *

(2) * * *

(v) *Annuity payable from a trust or other limited fund.* The present value of an annuity interest (the subject annuity) payable from a trust or other limited fund (the fund) must be determined by taking into account the possibility of exhaustion of the fund. Thus, the present value of any such annuity that will exhaust the fund (and of any other interest dependent on the present value of such an annuity) is determined by using actuarial factors, under the applicable section 7520 mortality and interest rate assumptions, reflecting the term certain period to the exhaustion of the fund. Because it is assumed under the prescribed mortality component, Table 2010CM, that any measuring life may survive past age 109 and until just before age 110, any life annuity could require payments in the person's 110th year. To determine whether a subject annuity that is payable as a level amount paid annually at the end of each year for a life, will exhaust the fund, the annuitant's age must be subtracted from 110 to determine the longest possible duration of the annuity (maximum number of years) under the prescribed mortality table. If the present value of an annuity for the same level payments, payable for a term certain equal to that maximum number of years, is greater than the value of the fund, the annuity is determined to exhaust the fund before the end of that maximum number of years (under the prescribed assumptions), and the present value of the subject annuity is determined on the basis of life annuity factors limited by the period to exhaustion. The period to exhaustion is the shortest period for which the present value of that same annuity payable for a term certain is greater than or equal to the value of the fund, under the prescribed section 7520 interest rate. If the subject annuity is for life (or for a period depending in part on life) and the period to exhaustion is shorter than the longest possible life period, the present value of the subject annuity is determined as the present value of an annuity for the shorter of life or a term of years limited by the period to exhaustion, and the actuarial commutation factors may be used in determining the present value. The actuarial commutation factors can be computed directly by using the formulas in § 25.2512–5(d)(2)(v)(A)(*1*), the section 7520 rate, and Table 2010CM as set forth in § 20.2031–7(d)(7)(ii) of this chapter. For the convenience of taxpayers, actuarial commutation factors have been computed by the IRS and appear in Table H. The appropriate annuity factors for an annuity payable for a term of years certain is computed

by subtracting from 1.000000 the factor for an ordinary remainder interest following the same term certain that is determined under the formula in § 20.2031–7(d)(2)(ii)(A) of this chapter and then dividing the result by the applicable section 7520 interest rate expressed to at least four decimal places. For the convenience of taxpayers, actuarial factors have been computed by the IRS and appear in the "Annuity" column of Table B. Tables B and H can be found on the IRS website at *https://www.irs.gov/retirement-plans/ actuarial-tables* (or a corresponding URL as may be updated from time to time). For an annuity payable for the longer of a life (or lives) or a term of years, the year of the last possible annuity payment is determined based on the later of the end of the term period or the year the youngest measuring life would reach age 110. For an annuity payable for the shorter of a life (or lives) or a term of years, the year of the last

possible payment is determined based on the earlier of the end of the term period or the year the youngest measuring life would reach age 110. After determining the point of exhaustion of funds, the approximation method for determining the present value of annuity payments for a life or lives so limited by exhaustion illustrated in the example in paragraph (b)(2)(vi)(E) of this section is to be used if a more exact method (for example, computing the year-by-year present value of each payment until the fund is exhausted) is not used. The selected method must be applied consistently in valuing all interests in the same property.

(vi) * * *

(A) *Example 1. Unproductive property.* * * *

(B) *Example 2. Beneficiary's right to make trust productive.* * * *

(C) *Example 3. Annuity trust funded with unproductive property.* * * *

(D) *Example 4. Unitrust funded with unproductive property.* * * *

(E) *Example 5. Annuity exhausting a trust or other limited fund.* (*1*) The donor, who is age 60 and in normal health, transfers property worth $1,000,000 to a trust created for this purpose on or after June 1, 2023. The trust will pay a 10 percent ($100,000 per year) annuity to a charitable organization for the life of the donor, payable annually at the end of each year, and the remainder then will be distributed to the donor's child. The trust has no other beneficial interests payable before the end of the annuity. The section 7520 rate for the month of the transfer is 4.4 percent. Under section 7520(a)(2) of the Code, the donor has elected to use the section 7520 rate for the month of transfer. For purposes of this example, the relevant factors from Tables B and H(4.4) are:

TABLE 1 TO PARAGRAPH (b)(2)(vi)(E)(*1*)

Years	Annuity	Income interest	Remainder
Factors From Table B **Annuity, Income, and Remainder Interests for a Term Certain**			
Interest at 4.4 Percent			
13	9.7423	0.428661	0.571339
14	10.2896	0.452741	0.547259
50	20.0878	0.883862	0.116138
Factors From Table H(4.4) **Commutation Factors—Based on Table 2010CM**			
Interest Rate of 4.4 Percent			
Age (x)	D_x	N_x-factor	M_x-factor
60	6,694.636	90,259.34	2,723.225
73	3,151.228	29,432.25	1,856.209
74	2,941.075	26,452.50	1,777.165

(*2*) First, it is necessary to determine whether the annuity may exhaust the corpus before all planned annuity payments are made. This determination

is made by using values from Table B as illustrated in Figure 1 to this paragraph (b)(2)(vi)(E)(*2*).

BILLING CODE 4830–01–P

Figure 1 to Paragraph (b)(2)(vi)(E)(2)— Illustration of Determining Present Value of Term Certain Annuity

A.	Highest age possible under mortality table	110
B.	Less: age of the measuring life at date of transfer	- 60
C.	Difference: number of years annuity obligation may continue	50
D.	Annual annuity payment	$100,000
E.	Table B annuity factor for 50 years at 4.4 percent	20.0878
F.	Present value of term certain annuity: D x E	$2,008,780

(*3*) Because the present value of an annuity for a term of 50 years exceeds the corpus, the annuity may exhaust the trust before all payments are made. Consequently, the annuity must be valued as an annuity payable for a term of years or until the prior death of the annuitant, with the term of years determined by the number of years to exhaustion of the fund, assuming earnings at the section 7520 rate of 4.4 percent.

(*4*) If an annuity of $100,000 payable at the end of each year for a period had an annuity factor of 10.0, it would have a present value exactly equal to the principal available to pay the annuity over the term. The annuity factor for 13 years at 4.4 percent in Table B is 9.7423, so the present value of an annuity of $100,000 at 4.4 percent, payable at the end of each year for 13 years certain, is $100,000 times 9.7423 or $974,230. The annuity factor for 14 years at 4.4 percent is 10.2896, so the present value of an annual annuity of $100,000 per year at 4.4 percent for 14 years certain is $100,000 times 10.2896, or $1,028,960.

Therefore, 14 years is the shortest term for which a term certain annuity of $100,000 per year is greater than the fund of $1,000,000. Thus, it is determined, under the prescribed assumptions, that the $1,000,000 initial transfer will be sufficient to make 13 annual payments of $100,000, but not to make the entire 14th payment. Subtracting the present value of the 13-year term certain annuity, $974,230, from the fund of $1,000,000 leaves a remainder of $25,770. Of the initial transfer amount, $25,770 is not needed to make payments for 13 years, so this amount, as accumulated for 14 years, will be available for the final payment. The 14-year accumulation factor at 4.4 percent is 1.827288 $((1 + 0.044)^{14} =$ 1.827288)$, so the amount available in 14 years is $25,770 times 1.827288 or $47,089.21. Therefore, for purposes of this present value determination, the subject annuity is treated as being composed of two distinct annuity components. The two annuity components taken together must equal the total annual amount of $100,000.

The annual amount of the first annuity component is the exact amount that the trust will have available for the final payment, $47,089.21. The annual amount of the second annuity component then must be $100,000 minus $47,089.21, or $52,910.79. Under the section 7520 assumptions, the initial corpus will be able to make payments of $52,910.79 per year for 13 years, as well as payments of $47,089.21 per year for 14 years. The present value of the subject annuity is computed by adding together the present values of two separate component annuities payable for the shorter of a life or a term.

(*5*) The actuarial factor for determining the value of the annuity of $52,910.79 per year payable for 13 years or until the prior death of a person aged 60 is derived by the use of factors involving one life and a term of years, derived from Table H. The factor is determined as illustrated in Figure 2 to this paragraph (b)(2)(vi)(E)(*5*).

Figure 2 to Paragraph (b)(2)(vi)(E)(*5*)—Illustration of Determining Annuity Factor for Shorter of Life or 13 Years

G.	Initial age	60
H.	Plus: Term of years	+ <u>13</u>
I.	Sum (Terminal age)	73
J.	$\overset{\circ}{N}_x$ factor, Table H(4.4), age 60	90,259.34
K.	Less: $\overset{\circ}{N}_x$ factor, Table H(4.4), age 73	- <u>29,432.25</u>
L.	Difference	60,827.09
M.	D_x factor, Table H(4.4), age 60	6,694.636
N.	Required Annuity Factor: L / M	9.0859

(*6*) The actuarial factor for determining the value of the annuity $47,089.21 per year payable for 14 years or until the prior death of a person aged 60 is derived by the use of factors involving one life and a term of years, derived from Table H. The factor is determined as illustrated in Figure 3 to this paragraph (b)(2)(vi)(E)(*6*).

Figure 3 to Paragraph (b)(2)(vi)(E)(*6*)— Illustration of Determining Annuity Factor for Shorter of Life or 14 Years

O. Initial age	60
P. Plus: Term of years	+ 14
Q. Sum (Terminal age)	74
R. $\overset{\circ}{N}_x$ factor, Table H(4.4), age 60	90,259.34
S. Less: $\overset{\circ}{N}_x$ factor, Table H(4.4), age 74	- 26,452.50
T. Difference	63,806.84
U. D_x factor, Table H(4.4), age 60	6,694.636
V. Required Annuity Factor: T / U	9.5310

(*7*) Based on the calculations of paragraph (b)(2)(vi)(E)(*5*) of this section, the present value of an annuity of $52,910.79 per year payable for 13 years or until the prior death of a person aged 60 is $480,742.15 ($52,910.79 × 9.0859). Based on the calculations of paragraph (b)(2)(vi)(E)(*6*) of this section, the present value of an annuity of $47,089.21 per year payable for 14 years or until the prior death of a person aged 60 is $448,807.26 ($47,089.21 × 9.5310). Thus, the present value of the charitable annuity interest is the sum of the two component annuities, $929,549.41 ($480,742.15 + $448,807.26).

* * * * *

(4) *Example—terminal illness*—(i) *Sample factors from actuarial Table S.* The provisions of paragraph (b)(3) of this section are illustrated by the example in paragraph (b)(4)(ii) of this section. The appropriate annuity factor for an annuity payable for the life of one individual is computed by subtracting from 1.00000 the factor for an ordinary remainder interest following the life of the same individual that is determined under the formula in § 20.2031–7(d)(2)(ii)(B) of this chapter and then dividing the result by the applicable section 7520 interest rate expressed to at least four decimal places. For the convenience of taxpayers, actuarial factors have been computed by the IRS and appear in the ''Annuity'' column of Table S. Table S can be found on the IRS website at *https://www.irs.gov/retirement-plans/actuarial-tables.* For purposes of the example in paragraph (b)(4)(ii) of this section, the relevant factor from Table S is:

TABLE 2 TO PARAGRAPH (b)(4)(i)
FACTORS FROM TABLE S—BASED ON TABLE 2010CM

Age	Annuity	Life estate	Remainder
Interest at 4.4 Percent			
75	8.6473	0.38048	0.61952

(ii) *Example of donor with terminal illness.* The donor transfers property worth $1,000,000 to a child on or after June 1, 2023, in exchange for the child's promise to pay the donor $80,000 per year for the donor's life, payable annually at the end of each period. The section 7520 interest rate for the month of the transfer is 4.4 percent. The donor is age 75 but has been diagnosed with an incurable illness and has at least a 50 percent probability of dying within 1 year. Under Table S, the annuity factor at 4.4 percent for a person age 75 in normal health is 8.6473. Thus, if the donor were not terminally ill, the present value of the annuity would be $691,784 ($80,000 × 8.6473). Assuming the presumption provided in paragraph (b)(3) of this section does not apply, because there is at least a 50 percent probability that the donor will die within 1 year, the standard section 7520 annuity factor may not be used to determine the present value of the donor's annuity interest. Instead, a special section 7520 annuity factor must be computed that takes into account the projection of the donor's actual life expectancy.

* * * * *

(c) *Applicability dates.* Paragraph (a) of this section is applicable as of May 1, 1989. The provisions of paragraph (b) of this section, except paragraphs (b)(2)(v), (b)(2)(vi)(E), and (b)(4) of this section, are applicable to gifts made after December 13, 1995. Paragraphs (b)(2)(v), (b)(2)(vi)(E), and (b)(4) of this section are applicable to gifts made on or after June 1, 2023.

Douglas W. O'Donnell,
Deputy Commissioner for Services and Enforcement.

Approved: May 23, 2023.

Lily L. Batchelder,
Assistant Secretary of the Treasury (Tax Policy).

[FR Doc. 2023–11837 Filed 6–1–23; 4:15 pm]

BILLING CODE 4830–01–C