

Life Estate Agreement - Term of Years

Prepared for: Donor name

A. Input Assumptions

| | |
|---------------------------------------------------------------|----------------------|
| Date of Transfer | <u>July 18, 2019</u> |
| Fair market value of property transferred | <u>\$ 400,000.00</u> |
| The term of the life estate will last for | <u>6</u> years |
| Current value of depreciable property (improvements) | <u>\$ 360,000.00</u> |
| Estimated useful life of depreciable property in years | <u>40</u> years |
| Expected salvage value of depreciable property (improvements) | <u>\$ 100,000.00</u> |
| The discount rate (effective 7/2019) is | 2.6% |
| The mortality table is based on the census taken in | 2000 |

B. Calculation of Income Tax Deduction

| | |
|--------------------------------------------------------------------------------|----------------|
| 1. Current fair market value of life estate property | \$400,000.00 |
| 2. Current value of depreciable portion of life estate property | \$360,000.00 |
| 3. Salvage value of depreciable life estate property | \$100,000.00 |
| 4. Portion of property considered to be depreciable (Line 2 minus Line 3) | \$260,000.00 |
| 5. Number of years in term | 6 years |
| 6. Estimated useful life of depreciable property (in years) | 40 years |
| 7. Line 5 or 6 (whichever is less), multiplied by Line 4 | \$1,560,000.00 |
| 8. Line 7 divided by Line 6 | \$39,000.00 |
| 9. Ending value of life estate property (Line 1 - Line 8) | \$361,000.00 |
| 10. Remainder factor in Table B opposite number of years on Line 5 | 0.857266 |
| 11. Present value of remainder interest (Line 10 * Line 9) (the tax deduction) | \$309,473.30 |

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

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