

Life Estate Agreement - Two Life

Prepared for: Donor name

A. Input Assumptions

Date of Transfer	<u>July 17, 2019</u>
Nearest age on the date of the gift for <u>Life Tenant 1</u> is	<u>81</u>
Nearest age on the date of the gift for <u>Life Tenant 2</u> is	<u>79</u>
Fair market value of property transferred	\$ <u>400,000.00</u>
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. Net value of property not subject to depreciation (Line 1 minus Line 4)	\$140,000.00
6. Remainder interest factor based on tenant ages	0.7496
7. Remainder interest factor for real property which depreciates	0.54536
8. Value of remainder interest in real property	
(a) Value not subject to depreciation (Line 5 * Line 6)	\$104,944.00
(b) Value subject to depreciation (Line 4 * Line 7)	\$141,793.60
(c) Total value of remainder interest (Line 8(a) + Line 8(b)) (the tax deduction)	\$246,737.60

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.

© Copyright 2019 by Sharpe Group. All Rights Reserved.

Source URL (retrieved on 07/17/2019 - 04:16): <https://ala.givingplan.net/pp/life-estate-agreement-two-life/493>