INTERNAL REVENUE
BULLETIN

HIGHLIGHTS OF THIS ISSUE

Bulletin No. 2022–21
May 23, 2022

These synopses are intended only as aids to the reader in identifying the subject matter covered. They may not be relied upon as authoritative interpretations.

ADMINISTRATIVE, INCOME TAX

Rev. Proc. 2022-22, page 1098.
This revenue procedure provides two simplified procedures for bona fide residents of Puerto Rico who are not otherwise required to file taxable year 2021 Federal tax returns, and who meet certain other requirements (Puerto Rico CTC filers) to claim the child tax credit. Under section 4 of this revenue procedure, Puerto Rico CTC filers who file simplified U.S. self-employment tax returns may omit their modified adjusted gross income for the purpose of claiming the child tax credit. Under section 5 of this revenue procedure, Puerto Rico CTC filers who file simplified Federal income tax returns may omit their modified adjusted gross income for the purpose of claiming the child tax credit.

ESTATE TAX, GIFT TAX, INCOME TAX

REG-122770-18, page 1104.
These proposed regulations provide guidance relating to the use of actuarial tables in valuing annuities, interests for life or a term of years, and remainder or reversionary interests. These regulations will affect the valuation of inter vivos and testamentary transfers of interests dependent on one or more measuring lives. These regulations are necessary because section 7520(c)(3) directs the Secretary to update the actuarial tables to reflect the most recent mortality experience available.

INCOME TAX

Notice 2022-20, page 1095.
This notice publishes the inflation adjustment factor and reference price for calendar year 2022 for the renewable electricity production credit under section 45 of the Internal Revenue Code. The notice also provides the credit amounts for calendar year 2022 under section 45.

Notice 2022-24, page 1097.
The notice announces that under § 613A(c)(6)(C) of the Internal Revenue Code, the applicable percentage for purposes of determining percentage depletion on marginal properties for calendar year 2022 is 15 percent. The format of the notice is identical to the format of notices previously published on this issue.

Finding Lists begin on page ii.

The IRS Mission

Provide America's taxpayers top-quality service by helping them understand and meet their tax responsibilities and enforce the law with integrity and fairness to all.

Introduction

The Internal Revenue Bulletin is the authoritative instrument of the Commissioner of Internal Revenue for announcing official rulings and procedures of the Internal Revenue Service and for publishing Treasury Decisions, Executive Orders, Tax Conventions, legislation, court decisions, and other items of general interest. It is published weekly.

It is the policy of the Service to publish in the Bulletin all substantive rulings necessary to promote a uniform application of the tax laws, including all rulings that supersede, revoke, modify, or amend any of those previously published in the Bulletin. All published rulings apply retroactively unless otherwise indicated. Procedures relating solely to matters of internal management are not published; however, statements of internal practices and procedures that affect the rights and duties of taxpayers are published.

Revenue rulings represent the conclusions of the Service on the application of the law to the pivotal facts stated in the revenue ruling. In those based on positions taken in rulings to taxpayers or technical advice to Service field offices, identifying details and information of a confidential nature are deleted to prevent unwarranted invasions of privacy and to comply with statutory requirements.

Rulings and procedures reported in the Bulletin do not have the force and effect of Treasury Department Regulations, but they may be used as precedents. Unpublished rulings will not be relied on, used, or cited as precedents by Service personnel in the disposition of other cases. In applying published rulings and procedures, the effect of subsequent legislation, regulations, court decisions, rulings, and procedures must be considered, and Service personnel and others concerned are cautioned against reaching the same conclusions in other cases unless the facts and circumstances are substantially the same.

The Bulletin is divided into four parts as follows:

Part I.—1986 Code.
This part includes rulings and decisions based on provisions of the Internal Revenue Code of 1986.

Part II.—Treaties and Tax Legislation.
This part is divided into two subparts as follows: Subpart A, Tax Conventions and Other Related Items, and Subpart B, Legislation and Related Committee Reports.

Part III.—Administrative, Procedural, and Miscellaneous.
To the extent practicable, pertinent cross references to these subjects are contained in the other Parts and Subparts. Also included in this part are Bank Secrecy Act Administrative Rulings. Bank Secrecy Act Administrative Rulings are issued by the Department of the Treasury's Office of the Assistant Secretary (Enforcement).

Part IV.—Items of General Interest.
This part includes notices of proposed rulemakings, disbarment and suspension lists, and announcements.

The last Bulletin for each month includes a cumulative index for the matters published during the preceding months. These monthly indexes are cumulated on a semiannual basis, and are published in the last Bulletin of each semiannual period.

Part III

Credit for Renewable Electricity Production and Publication of Inflation Adjustment Factor and Reference Price for Calendar Year 2022

Notice 2022-20

This notice publishes the inflation adjustment factor and reference price for calendar year 2022 for the renewable electricity production credit under section 45 of the Internal Revenue Code. The 2022 inflation adjustment factor and reference price are used in determining the availability of the credit and apply to calendar year 2022 sales of kilowatt hours of electricity produced in the United States or a possession thereof from qualified energy resources. For calendar year 2022, the credit period for refined coal production and Indian coal production expired.

BACKGROUND

Section 45(a) provides that the renewable electricity production credit for any tax year is an amount equal to the product of 1.5 cents multiplied by the kilowatt hours of specified electricity produced by the taxpayer and sold to an unrelated person during the tax year. This electricity must be produced from qualified energy resources and at a qualified facility during the 10-year period beginning on the date the facility was originally placed in service.

Section 45(b)(1) provides that the amount of the credit determined under section 45(a) is reduced by an amount which bears the same ratio to the amount of the credit as (A) the amount by which the reference price for the calendar year in which the sale occurs exceeds 8 cents, bears to (B) 3 cents. Under section 45(b)(2), the 1.5 cent amount in section 45(a) and the 8 cent amount in section 45(b)(1) are each adjusted by multiplying such amount by the inflation adjustment factor for the calendar year in which the sale occurs. If any amount as increased under the preceding sentence is not a multiple of 0.1 cent, the amount is rounded to the nearest multiple of 0.1 cent. In the case of electricity produced in open-loop biomass facilities, landfill gas facilities, trash facilities, qualified hydropower facilities, and marine and hydrokinetic renewable energy facilities, section 45(b)(4)(A) requires the amount in effect under section 45(a)(1) (before rounding to the nearest 0.1 cent) to be reduced by one-half.

Section 45(b)(5) provides that in the case of any facility using wind to produce electricity, the amount of the credit determined under section 45(a) (determined after the application of section 45(b)(1), (2), and (3) and without regard to section 45(b)(5)) shall be reduced by (A) in the case of any facility the construction of which begins after December 31, 2016, and before January 1, 2018, 20 percent, (B) in the case of any facility the construction of which begins after December 31, 2017, and before January 1, 2019, 40 percent, (C) in the case of any facility the construction of which begins after December 31, 2018, and before January 1, 2020, 60 percent, and (D) in the case of any facility the construction of which begins after December 31, 2019, and before January 1, 2022, 40 percent.

Section 45(c)(1) defines qualified energy resources as wind, closed-loop biomass, open-loop biomass, geothermal energy, municipal solid waste, qualified hydropower production, and marine and hydrokinetic renewable energy.

Section 45(d)(1) defines a qualified facility using wind to produce electricity as any facility owned by the taxpayer that is originally placed in service after December 31, 1993, and the construction of which begins before January 1, 2022. *See* section 45(e)(7) for rules relating to the inapplicability of the credit to electricity sold to utilities under certain contracts.

Section 45(d)(2)(A) defines a qualified facility using closed-loop biomass to produce electricity as any facility (i) owned by the taxpayer that is originally placed in service after December 31, 1992, and the construction of which begins before January 1, 2022, or (ii) owned by the taxpayer which before January 1, 2022 is originally placed in service and modified to use closed-loop biomass to co-fire with coal, with other biomass, or with both, but only if the modification is approved under the Biomass Power for Rural Development Programs or is part of a pilot project of the Commodity Credit Corporation as described in 65 FR 63052. For purposes of section 45(d)(2)(A)(ii), a facility shall be treated as modified before January 1, 2022, if the construction of such modification begins before such date. Section 45(d)(2)(C) provides that in the case of a qualified facility described in section 45(d)(2)(A)(ii), (i) the 10-year period referred to in section 45(a) is treated as beginning no earlier than the date of the enactment of section 45(d)(2)(C)(i) (October 22, 2004), and (ii) if the owner of such facility is not the producer of the electricity, the person eligible for the credit allowable under section 45(a) is the lessee or the operator of such facility. A qualified facility using closed-loop biomass includes a new unit placed in service after the date of the enactment of section 45(d)(2)(B) (October 3, 2008) in connection with a qualified facility using closed-loop biomass, but only to the extent of the increased amount of electricity produced at the facility by reason of such new unit.

Section 45(d)(3)(A) defines a qualified facility using open-loop biomass to produce electricity as any facility owned by the taxpayer which (i) in the case of a facility using agricultural livestock waste nutrients, (I) is originally placed in service after the date of the enactment of section 45(d)(3)(A)(i)(I) (October 22, 2004) and the construction of which begins before January 1, 2022, and (II) the nameplate capacity rating of which is not less than 150 kilowatts, and (ii) in the case of any other facility, the construction of which begins before January 1, 2022. In the case of any facility described in section 45(d)(3)(A), if the owner of such facility is not the producer of the electricity, section 45(d)(3)(C) provides that the person eligible for the credit allowable under section 45(a) is the lessee or the operator of such facility. A qualified facility using open-loop biomass includes a new unit placed in service after the date of the enactment of section 45(d)(3)(B) (October 3, 2008) in connection with a qualified facility using open-loop biomass, but only to the extent of the increased amount of electricity produced at the facility by reason of such new unit.

Section 45(d)(4) defines a qualified facility using geothermal energy to produce electricity as any facility owned by the taxpayer that is originally placed in service after the date of the enactment of section 45(d)(4) (October 22, 2004) and the construction of which begins before January 1, 2022. A qualified facility using geothermal energy does not include any property described in section 48(a)(3) the basis of which is taken into account by the taxpayer for purposes of determining the energy credit under section 48.

Section 45(d)(6) defines a qualified facility using gas derived from the biodegradation of municipal solid waste to produce electricity as any facility owned by the taxpayer that is originally placed in service after the date of the enactment of section 45(d)(6) (October 22, 2004) and the construction of which begins before January 1, 2022.

Section 45(d)(7) defines a qualified facility (other than a facility described in section 45(d)(6)) that uses municipal solid waste to produce electricity as any facility owned by the taxpayer that is originally placed in service after the date of the enactment of section 45(d)(7) (October 22, 2004) and the construction of which begins before January 1, 2022. A qualified facility using municipal solid waste includes a new unit placed in service in connection with a facility placed in service on or before the date of the enactment of section 45(d)(7), but only to the extent of the increased amount of electricity produced at the facility by reason of such new unit.

Section 45(d)(9) defines a qualified facility producing qualified hydroelectric production described in section 45(c)(8) as (i) any facility producing incremental hydropower production, but only to the extent of its incremental hydropower production attributable to efficiency improvements or additions to capacity described in section 45(c)(8)(B) placed in service after the date of the enactment of section 45(d)(9) (August 8, 2005) and before January 1, 2022, and (ii) any other facility placed in service after the date of the enactment of section 45(d)(9) (August 8, 2005) and the construction of which begins before January 1, 2022. Section 45(d)(9)(B) provides that, in the case of a qualified facility described in section 45(d)(9)(A), the 10-year period referred to in section 45(a) shall be treated as beginning on the date the efficiency improvements or additions to capacity are placed in service. Section 45(d)(9)(C) provides that for purposes of section 45(d)(9)(A)(i), an efficiency improvement or addition to capacity shall be treated as placed in service before January 1, 2022 if the construction of such improvement or addition begins before such date.

Section 45(d)(11) provides in the case of a facility producing electricity from marine and hydrokinetic renewable energy, the term “qualified facility” means any facility owned by the taxpayer which (A) has a nameplate capacity rating of at least 150 kilowatts, and (B) is originally placed in service on or after the date of the enactment of section 45(d)(11) (October 3, 2008) and the construction of which begins before January 1, 2022.

Section 45(e)(2)(A) requires the Secretary to determine and publish in the Federal Register each calendar year the inflation adjustment factor and the reference price for such calendar year. The inflation adjustment factor and the reference price for the 2022 calendar year were published in the Federal Register at 87 FR 22286 on April 14, 2022. A Correction notice was published in the Federal Register at 87 FR 27204 on May 6, 2022.

Section 45(e)(2)(B) defines the inflation adjustment factor for a calendar year as a fraction the numerator of which is the GDP implicit price deflator for the preceding calendar year and the denominator of which is the GDP implicit price deflator for the calendar year 1992. The term “GDP implicit price deflator” means the most recent revision of the implicit price deflator for the gross domestic product as computed and published by the Department of Commerce before March 15 of the calendar year.

Section 45(e)(2)(C) provides that the reference price is the Secretary’s determination of the annual average contract price per kilowatt hour of electricity generated from the same qualified energy resource and sold in the previous year in the United States. Only contracts entered into after December 31, 1989 are taken into account.

INFLATION ADJUSTMENT FACTOR AND REFERENCE PRICE

The inflation adjustment factor for calendar year 2022 for qualified energy resources is 1.7593.

The reference price for calendar year 2022 for facilities producing electricity from wind (based upon information provided by the Department of Energy) is 4.09 cents per kilowatt hour. The reference prices for facilities producing electricity from closed-loop biomass, open-loop biomass, geothermal energy, municipal solid waste, qualified hydropower production, and marine and hydrokinetic energy have not been determined for calendar year 2022.

PHASEOUT CALCULATION

Because the 2022 reference price for electricity produced from wind (4.09 cents per kilowatt hour) does not exceed 8 cents multiplied by the inflation adjustment factor (1.7593), the phaseout of the credit provided in section 45(b)(1) does not apply to such electricity sold during calendar year 2022. However, refer to section 45(b)(5) for an additional phaseout of the credit for wind facilities the construction of which begins after December 31, 2016. For electricity produced from closed-loop biomass, open-loop biomass, geothermal energy, municipal solid waste, qualified hydropower production, and marine and hydrokinetic energy, the phaseout of the credit provided in section 45(b)(1) does not apply to such electricity sold during calendar year 2022.

CREDIT AMOUNT BY QUALIFIED ENERGY RESOURCE AND FACILITY

As required by section 45(b)(2), the 1.5 cent amount in section 45(a)(1) is adjusted by multiplying such amount by the inflation adjustment factor for the calendar year in which the sale occurs. If any amount as increased under the preceding sentence is not a multiple of 0.1 cent, such amount is rounded to the nearest multiple of 0.1

cent. In the case of electricity produced in open-loop biomass facilities, landfill gas facilities, trash facilities, qualified hydropower facilities, and marine and hydrokinetic renewable energy facilities, section 45(b)(4)(A) requires the amount in effect under section 45(a)(1) (before rounding to the nearest 0.1 cent) to be reduced by one-half. Under the calculation required by section 45(b)(2), the credit for renewable electricity production for calendar year 2022 under section 45(a) is 2.6 cents per kilowatt hour on the sale of electricity produced from the qualified energy resources of wind, closed-loop biomass, and geothermal energy, and 1.3 cents per kilowatt hour on the sale of electricity produced in open-loop biomass facilities, landfill gas facilities, trash facilities, qualified hydropower facilities, and marine and hydrokinetic energy facilities.

DRAFTING AND CONTACT INFORMATION

The principal author of this notice is Charles Hyde of the Office of Associate Chief Counsel (Passthroughs & Special Industries). For further information regarding this notice contact Mr. Hyde at (202) 317-6853 (not a toll-free number).

2022 Marginal Production Rates

Notice 2022-24

This notice announces the applicable percentage under § 613A of the Internal Revenue Code to be used in determining percentage depletion for marginal properties for the 2022 calendar year.

Section 613A(c)(6)(C) defines the term "applicable percentage" for purposes of determining percentage depletion for oil and gas produced from marginal properties. The applicable percentage is the percentage (not greater than 25 percent) equal to the sum of 15 percent, plus one percentage point for each whole dollar by which $20 exceeds the reference price (determined under § 45K(d)(2)(C)) for crude oil for the calendar year preceding the calendar year in which the taxable year begins. The reference price determined under § 45K(d)(2)(C) for the 2021 calendar year is $65.90.

The following table contains the applicable percentages for marginal production for taxable years beginning in calendar years 1991 through 2022.

Notice 2022-24
APPLICABLE PERCENTAGE FOR MARGINAL PRODUCTION

Calendar Year	*Applicable Percentage*
1991	15 percent
1992	18 percent
1993	19 percent
1994	20 percent
1995	21 percent
1996	20 percent
1997	16 percent
1998	17 percent
1999	24 percent
2000	19 percent
2001	15 percent
2002	15 percent
2003	15 percent
2004	15 percent
2005	15 percent
2006	15 percent
2007	15 percent
2008	15 percent
2009	15 percent
2010	15 percent
2011	15 percent
2012	15 percent
2013	15 percent

Notice 2022-24 APPLICABLE PERCENTAGE FOR MARGINAL PRODUCTION	
Calendar Year	*Applicable Percentage*
2014	15 percent
2015	15 percent
2016	15 percent
2017	15 percent
2018	15 percent
2019	15 percent
2020	15 percent
2021	15 percent
2022	15 percent

The principal author of this notice is Elimelech Brander of the Office of Associate Chief Counsel (Passthroughs and Special Industries). For further information regarding this notice contact Mr. Brander at (202) 317-6853 (not a toll-free number).

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26 CFR 1.6012-1: Individuals required to make returns of income.
(Also Part I, §§ 24, 933, 7527A; 1.933-1.)

Rev. Proc. 2022-22

SECTION 1. PURPOSE

.01 This revenue procedure provides simplified procedures for certain bona fide residents of the Commonwealth of Puerto Rico (Puerto Rico) to claim the child tax credit under § 24.[1] The Department of the Treasury and the Internal Revenue Service (IRS) have provided these procedures to make it easier for certain bona fide residents of Puerto Rico to file taxable year 2021 Federal tax returns to claim the child tax credit.

.02 Section 2 of this revenue procedure describes the child tax credit in further detail. Section 3 of this revenue procedure describes the scope of the procedures provided in this revenue procedure. Section 4 of this revenue procedure provides a simplified procedure for filing Form 1040-PR, *Planilla para la Declaración de la Contribución Federal sobre el Trabajo por Cuenta Propia*, or Form 1040-SS, *U.S. Self-Employment Tax Return*, to claim the child tax credit. Section 5 of this revenue procedure provides a simplified procedure for filing Form 1040, *U.S. Individual Income Tax Return* (also available as Formulario 1040(SP), *Declaración de Impuestos de los Estados Unidos Sobre los Ingresos Personales*), or Form 1040-SR, *U.S. Tax Return for Seniors* (also available as Formulario 1040-SR(SP), *Declaración de Impuestos de los Estados Unidos para Personas de 65 Años de Edad o Más*), to claim the child tax credit.

SECTION 2. BACKGROUND

.01 *Overview of 2021 Child Tax Credit*. Section 9611 of the American Rescue Plan Act of 2021 (American Rescue Plan), Public Law 117-2, 135 Stat. 4, 144-149 (March 11, 2021), added §§ 24(i), 24(j), and 7527A to the Code. Section 24(i) modifies the child tax credit rules set forth in § 24 for any taxable year beginning after December 31, 2020, and before January 1, 2022 (taxable year 2021). Section 7527A provides for advance payments of the child tax credit and section 24(j) provides that the amount of the child tax credit is generally reduced by these advance payments. Section 9612(a) of the American Rescue Plan added § 24(k) to the Code to provide special rules for American Samoa, Guam, the Commonwealth of the Northern Mariana Islands, Puerto Rico, and the U.S. Virgin Islands (each, a U.S. territory), effective for taxable years beginning after December 31, 2020. 135 Stat. at 150-152.

.02 *Credit Allowed*. Under § 24(a), a taxpayer may claim a child tax credit against the taxpayer's Federal income tax (as imposed by chapter 1 of the Code) for the taxable year with respect to each CTC qualifying child (as defined in section 2.06 of this revenue procedure) of the taxpayer.

.03 *Expanded Credit Eligibility for Bona Fide Residents of Puerto Rico*. Starting in 2021, a bona fide resident of Puerto Rico with one or more CTC qualifying children may claim the child tax credit. *See* §§ 24(i)(1) and 24(k)(2). Prior to enactment of the American Rescue Plan, § 24(d)(1)(B) required bona fide residents of Puerto Rico who had no earned income for Federal income tax purposes to have at least three CTC qualifying children as a condition for child tax credit eligibility.

.04 *Credit Fully Refundable*. The child tax credit for taxable year 2021 is fully refundable for a taxpayer if the taxpayer (or spouse, if filing a joint return) is a bona fide resident of Puerto Rico (within the meaning of § 937(a)) for such taxable year. *See* § 24(i)(1). Full refundability means that taxpayers can benefit from the maximum amount of the credit even

[1] Unless otherwise specified, all Code, section, and "§" references are to sections of the U.S. Internal Revenue Code (Code).

if they do not have taxable earned income or do not owe any Federal tax for taxable year 2021. Bona fide residents of Puerto Rico may claim the fully refundable child tax credit for taxable year 2021 even if they had no income and paid no U.S. Social Security taxes.

.05 *Credit Amounts*. Taxpayers claiming the child tax credit for taxable year 2021 may receive up to $3,000 for each CTC qualifying child who is between the ages of 6 and 17 as of the end of taxable year 2021, and $3,600 for each CTC qualifying child who is under the age of 6 as of the end of taxable year 2021. *See* § 24(i)(2) and (3). The child tax credit for taxable year 2021 begins to be reduced if modified adjusted gross income (AGI) for purposes of the child tax credit exceeds $150,000 if filing a joint return or if filing as a surviving spouse (as defined in § 2(a) of the Code); $112,500 if filing as head of household (as defined in § 2(b)); or $75,000 if filing as single or married and filing a separate return. *See* § 24(i)(4).

.06 *CTC Qualifying Child*. A "CTC qualifying child" is a qualifying child of the taxpayer (as defined in § 152(c)) who has not attained the age of 18 at the close of taxable year 2021. *See* § 24(i)(2)(A). No child tax credit is allowed for a qualifying child unless the social security number (SSN) of the child, which must be valid for employment and be issued by the Social Security Administration before the due date of the taxpayer's taxable year Federal income tax return (including extensions), is provided on the return. *See* § 24(h)(7). If the taxpayer's child was a U.S. citizen when the child received the SSN, the SSN is valid for employment.

.07 *Advance Child Tax Credit Payments for Calendar Year 2021*. Section 7527A(a) required the Secretary of the Treasury or her delegate to establish a program for making periodic advance child tax credit payments to taxpayers the total of which, during any calendar year, equals the "annual advance amount" (as defined in § 7527A(b)(1)) determined with respect to that taxpayer for that calendar year. Although residents of Puerto Rico may be eligible to claim the child tax credit, residents of Puerto Rico were not eligible to receive advance child tax credit payments. *See* § 7527A(e)(4)(A). However, there may have been circumstances in which a resident of Puerto Rico nonetheless received advance child tax credit payments (for example, if the IRS estimated the Puerto Rico resident's child tax credit for taxable year 2021 based on a Form 1040 or Form 1040-SR that the resident filed for taxable year 2019 or 2020).

.08 *Reconciliation Requirement Regarding Child Tax Credit and Advance Child Tax Credit Payments*. Bona fide residents of Puerto Rico who received advance child tax credit payments (described in section 2.07 of this revenue procedure) during calendar year 2021 must reduce (but not below zero) the amount of the child tax credit claimed for taxable year 2021 by the total amount of those advance child tax credit payments. *See* § 24(j)(1). If the amount of the taxpayer's advance child tax credit payments received in calendar year 2021 exceeds the taxpayer's allowable child tax credit for taxable year 2021, the taxpayer's Federal income tax imposed for taxable year 2021 will be increased by the excess subject to reduction by a "safe harbor amount." *See* § 24(j)(2).

SECTION 3. SCOPE

.01 *Overview*. This revenue procedure allows Puerto Rico CTC filers (as defined in section 4.02 of this revenue procedure) to provide information to the IRS to claim the child tax credit through the filing of a simplified Federal tax return using either of the following procedures: (1) the procedures set forth in section 4 of this revenue procedure, which allow Puerto Rico CTC filers to provide this information through a simplified Form 1040-PR or Form 1040-SS or (2) the procedures set forth in section 5 of this revenue procedure, which allow Puerto Rico CTC filers to provide this information through a simplified Form 1040 or Form 1040-SR.

.02 *Purpose of Simplified Filing Procedure under Section 4*. Section 4 of this revenue procedure provides a simplified filing procedure that permits Puerto Rico CTC filers to file a Form 1040-PR or Form 1040-SS to claim the child tax credit. Specifically, Puerto Rico CTC filers who file a simplified Form 1040-PR or Form 1040-SS for taxable year 2021 in accordance with section 4 of this revenue procedure do not need to specify their income to compute the amount of child tax credit that they are eligible to claim.

.03 *Purpose of Simplified Filing Procedure under Section 5*. Section 5 of this revenue procedure provides a simplified filing procedure that permits Puerto Rico CTC filers to file a Form 1040 or Form 1040-SR to claim the child tax credit. Specifically, Puerto Rico CTC filers who file a simplified Form 1040 or Form 1040-SR for taxable year 2021 in accordance with section 5 of this revenue procedure do not need to specify their income to compute the amount of child tax credit that they are eligible to claim.

.04 *Individuals Who Are Not Puerto Rico Residents Are Not Eligible*. The procedures provided by this revenue procedure apply only to a U.S. citizen or U.S. resident alien who is a bona fide resident of Puerto Rico and who is not described in section 3.05, 3.06, 3.07, or 3.08 of this revenue procedure. The procedures provided by this revenue procedure do not apply to a resident of any U.S. territory (as defined in section 2.01 of this revenue procedure) other than Puerto Rico, or to a U.S. citizen or U.S. resident who is not a resident of a U.S. territory. Residents of a U.S. territory should contact their local territory tax agency for additional information about the child tax credit. A U.S. citizen or U.S. resident who is not a resident of a U.S. territory should refer to Form 1040 or Form 1040-SR, Schedule 8812 (Form 1040), *Credits for Qualifying Children and Other Dependents*, and their instructions, to claim the child tax credit for taxable year 2021. A U.S. citizen or U.S. resident alien who is not a bona fide resident of Puerto Rico or a resident of a U.S. territory may qualify to use the simplified filing procedures set forth in Rev. Proc. 2022-12, 2022-7 I.R.B. 494. *See* section 4.02(1) and (6) of this revenue procedure.

.05 *Individuals Required to File a Form 1040-PR, Form 1040-SS, Form 1040, or Form 1040-SR Not Eligible*. The procedures provided by this revenue procedure do not apply to individuals who are required to file a Form 1040-PR, Form 1040-SS, Form 1040, or Form 1040-SR for taxable year 2021 (including bona fide residents of Puerto Rico who are required to report tax on their self-employment income). *See* section 4.02(2) and (3) of this revenue procedure.

.06 *Individuals With Modified AGI Above Applicable Income Thresholds Not Eligible*. The procedures provided by this revenue procedure do not apply to individuals whose modified AGI for purposes of the child tax credit exceeds the applicable income threshold for claiming the maximum child tax credit amount as described in section 2.05 of this revenue procedure. That is, the procedures do not apply to individuals whose modified AGI exceeds (i) $150,000, if filing a joint return or filing as a surviving spouse; (ii) $112,500, if filing as head of household; and (iii) $75,000, if filing as single or married and filing a separate return. The amount of income of an individual with modified AGI at or below their applicable threshold will not impact the amount of the child tax credit that the individual is eligible to claim. *See* section 4.02(4) of this revenue procedure.

.07 *Individuals Who Received Excess Advance Child Tax Credit Payments Not Eligible*. The procedures provided by this revenue procedure apply to individuals who need to file a Federal income tax return to claim the child tax credit in an amount greater than zero for taxable year 2021. Individuals who received advance child tax credit payments during calendar year 2021, the total amount of which equals or exceeds the individual's allowable child tax credit for taxable year 2021, cannot claim the child tax credit in an amount greater than zero for taxable year 2021. Accordingly, the procedures provided by this revenue procedure do not apply to such individuals, and they cannot file a Federal tax return under this revenue procedure. *See* section 4.02(5) of this revenue procedure.

.08 *Individuals Who Previously Filed a Form 1040-PR, Form 1040-SS, Form 1040, or Form 1040-SR Not Eligible*. The procedures provided by this revenue procedure do not apply to individuals who have already filed a paper or electronic Form 1040-PR, Form 1040-SS, Form 1040, or Form 1040-SR for taxable year 2021. Such individuals do not need to file any additional forms or otherwise contact the IRS to claim the child tax credit for each CTC qualifying child if the child tax credit was claimed on the previously filed return for taxable year 2021. *See* section 4.02(7) of this revenue procedure.

SECTION 4. SPECIAL PROCEDURE FOR PUERTO RICO CTC FILERS TO FILE FORM 1040-PR OR FORM 1040-SS TO CLAIM THE CHILD TAX CREDIT

.01 *Federal Tax Return Claiming the Child Tax Credit*. Under the simplified procedure set forth in this section 4, a simplified return may be filed, on paper or electronically, for taxable year 2021 on a Form 1040-PR or Form 1040-SS. A Federal tax return for taxable year 2021 filed by a Puerto Rico CTC filer under the simplified procedure in this section 4 will result in the Puerto Rico CTC filer claiming the child tax credit for taxable year 2021.

.02 *Definition of Puerto Rico CTC Filer*. For purposes of this revenue procedure, a "Puerto Rico CTC filer" is an individual--

(1) Who is a bona fide resident of Puerto Rico (within the meaning of § 937(a) for taxable year 2021);

(2) Whose income for taxable year 2021 is completely exempt from taxation under § 933;

(3) Who is not required to file a Form 1040-PR, Form 1040-SS, Form 1040, or Form 1040-SR for taxable year 2021, such as to report tax on self-employment income;

(4) Whose modified AGI for taxable year 2021 under § 24(b)(1) is less than or equal to their applicable income threshold under § 24(i)(4)(B);

(5) Who is eligible to claim the child tax credit in an amount greater than zero for taxable year 2021;

(6) Who is a U.S. citizen or resident alien (or is treated as a United States resident alien in accordance with an election under § 6013(g) or (h)); and

(7) Who has not already filed a paper or electronic Form 1040-PR, Form 1040-SS, Form 1040, or Form 1040-SR for taxable year 2021.

.03 *Simplified Filing Method*.

(1) *Overview*. In the case of a Puerto Rico CTC filer, the IRS will process the filer's Form 1040-PR or Form 1040-SS for taxable year 2021 to calculate the child tax credit if the form is prepared in the manner required by this section 4.03. The Form 1040-PR or Form 1040-SS must include the information described in this section 4.03 to claim the child tax credit. The information described in this section 4.03 generally follows the standard IRS instructions except that a Puerto Rico CTC filer is not required to report the filer's modified AGI on line 1 of Part II. A Puerto Rico CTC filer may file a Schedule LEP (Form 1040), *Request for Change in Language Preference* (also available as Anexo LEP (Formulario 1040(SP)), *Solicitud para Cambiar la Preferencia de Idioma*), with Form 1040-PR or Form 1040-SS to request a change in language preference for further communications from the IRS.

(2) *Personal information*. A Puerto Rico CTC filer must enter their name, mailing address, and SSN or IRS Individual Taxpayer Identification Number (ITIN), and the name and SSN or ITIN of their spouse if filing a joint return, at the top of Form 1040-PR or Form 1040-SS.

(3) *Virtual currency*. A Puerto Rico CTC filer must check the appropriate box indicating whether the filer (either filer if filing a joint return) received, sold, exchanged, or otherwise disposed of a financial interest in any virtual currency.

(4) *Part I, line 1 (filing status)*. A Puerto Rico CTC filer must select their filing status for taxable year 2021 on line 1 of Part I.

(5) *Part I, line 2 (CTC qualifying children)*. A Puerto Rico CTC filer must complete the appropriate lines on line 2 of Part I regarding each CTC qualifying child for taxable year 2021 who has an SSN that is valid for employment. For each individual claimed as a CTC qualifying child, the Puerto Rico CTC filer must provide the name, SSN, and relationship to the individual.

(6) *Part I, lines 3 through 8*. A Puerto Rico CTC filer must leave lines 3 through 8 of Part I blank.

(7) *Part I, line 9 (child tax credit entry)*. A Puerto Rico CTC filer must complete line 9 of Part I. To determine this amount, the Puerto Rico CTC filer must:

(a) Compute the sum of the following:

(i) $3,600 multiplied by the number of CTC qualifying children of the filer listed on line 2 of Part I who were under age 6 at the end of taxable year 2021; and

(ii) $3,000 multiplied by the number of CTC qualifying children of the filer listed on line 2 of Part I who were under age 18 at the end of taxable year 2021 but who were not under age 6 at the end of taxable year 2021;

(b) Subtract from that sum the aggregate amount of advance child tax credit payments the filer (and the filer's spouse if filing jointly) received for 2021, if any, which may be obtained from the filer's Letter 6419 or the filer's IRS online account at https://www.irs.gov/account and, as applicable, Letter 6419 of the filer's spouse or the IRS online account of the filer's spouse; and

(c) Enter that result on line 9 of Part I.

(8) *Part I, lines 10 through 11b*. A Puerto Rico CTC filer must leave lines 10 through 11b of Part I blank.

(9) *Part I, lines 12 through 14a*. A Puerto Rico CTC filer must enter on lines 12 through 14a of Part I the amount entered on line 9 of Part I.

(10) *Part I, line 14a checkbox (split direct deposit indicator)*. A Puerto Rico CTC filer may not check the box on line 14a of Part I.

(11) *Part I, lines 14b through 14d (direct deposit information)*. A Puerto Rico CTC filer may request the direct deposit of their taxable year 2021 tax refund into an account at a bank or other financial institution by entering the information on lines 14b through 14d of Part I. The Puerto Rico CTC filer must not request that their taxable year 2021 tax refund be deposited into an account that is not in the name of that filer (for example, a Puerto Rico CTC filer must not request a direct deposit of their taxable year 2021 tax refund into their tax return preparer's account).

(12) *Part I, lines 15 and 16*. A Puerto Rico CTC filer must leave lines 15 and 16 of Part I blank.

(13) *Part II, line 1 (modified adjusted gross income)*. A Puerto Rico CTC filer must leave line 1 of Part II blank.

(14) *Part II, line 3 (refundable child tax credit)*. A Puerto Rico CTC filer must enter on line 3 of Part II the amount entered on line 9 of Part I.

(15) *Parts III through VI*. A Puerto Rico CTC filer must leave Parts III through VI blank.

(16) *Signature*. A Puerto Rico CTC filer must sign the return under penalties of perjury, including the filer's identity protection personal identification number (that is, the filer's IP PIN), if applicable, as part of the filer's signature. In addition, the Puerto Rico CTC filer may enter the identifying information of any third-party designee, if applicable, at the bottom of page 1 of Form 1040-PR or Form 1040-SS. A Puerto Rico CTC filer who has been assigned an IP PIN, but has misplaced it, may retrieve the IP PIN at https://www.irs.gov/identity-theft-fraud-scams/retrieve-your-ip-pin.

.04 *Simplified Return Is a Federal Tax Return*. A simplified return completed by a Puerto Rico CTC filer in accordance with the procedure described in section 4.03 of this revenue procedure is a taxable year 2021 Federal tax return for all purposes, whether filed on paper or electronically.

SECTION 5. SPECIAL PROCEDURE FOR PUERTO RICO CTC FILERS TO FILE FORM 1040 OR FORM 1040-SR TO CLAIM THE CHILD TAX CREDIT

.01 *Federal Tax Return Claiming the Child Tax Credit*. Under the simplified procedure set forth in this section 5, a simplified return may be filed, on paper or electronically, for taxable year 2021 on a Form 1040 or Form 1040-SR. A Federal tax return for taxable year 2021 filed by a Puerto Rico CTC filer under the simplified procedure in this section 5 will result in the Puerto Rico CTC filer claiming the child tax credit for taxable year 2021.

.02 *Definition of Puerto Rico CTC Filer*. For purposes of this section 5, a "Puerto Rico CTC filer" has the same definition as in section 4.02 of this revenue procedure.

.03 *Simplified Filing Method*.

(1) *Overview*. In the case of a Puerto Rico CTC filer, the IRS will process the filer's Form 1040 or Form 1040-SR for taxable year 2021 to calculate the child tax credit for taxable year 2021 if the form is prepared in the manner required by this section 5.03. The Form 1040 or Form 1040-SR must include the information described in this section 5.03 to claim the child tax credit. The information described in this section 5.03 generally follows the standard IRS instructions for filers whose income is completely exempt from taxation under § 933 except that a Puerto Rico CTC filer is not required to report the filer's modified AGI on lines 1 through 3 of Schedule 8812 (Form 1040). A Puerto Rico CTC filer may file a Schedule LEP (Form 1040) with Form 1040 or Form 1040-SR to request a change in language preference for further communications from the IRS.

(2) *Required general information on Form 1040 or Form 1040-SR*.

(a) *Filing status*. A Puerto Rico CTC filer must select their filing status for taxable year 2021 at the top of Form 1040 or Form 1040-SR.

(b) *Personal information*. A Puerto Rico CTC filer must enter their name, mailing address, and SSN or ITIN, and the name and SSN or ITIN of their spouse if filing a joint return, on the appropriate lines of Form 1040 or Form 1040-SR.

(3) *Virtual currency*. A Puerto Rico CTC filer must check the appropriate box on Form 1040 or Form 1040-SR indicating whether the filer (either filer if filing a joint return) received, sold, exchanged, or otherwise disposed of a financial interest in any virtual currency.

(4) *Individuals who could be claimed as dependents by other individuals*. A Puerto Rico CTC filer must check the applicable boxes in the top line of the "Standard Deduction" section of the Form 1040 or Form 1040-SR for each individual who can be claimed as a dependent by any other individual for taxable year 2021.

(5) *General information regarding dependents*.

(a) *In general*. A Puerto Rico CTC filer must complete the appropriate lines in the "Dependents" section of Form 1040 or Form 1040-SR regarding each CTC qualifying child for taxable year 2021 who has an SSN that is valid for employment. For each individual claimed as a CTC qualifying child, the Puerto Rico CTC filer must provide the name, SSN, and relationship to the individual.

(b) *CTC qualifying children*. A Puerto Rico CTC filer must check the child tax credit box in Column (4) of the "Dependents" section for each CTC qualifying child for taxable year 2021 who has an SSN that is valid for employment.

(6) *Limited information to provide in Form 1040 or Form 1040-SR, lines 1 through 38*. A Puerto Rico CTC filer must leave blank lines 1 through 38 of Form 1040 or Form 1040-SR, except as provided in this section 5.03(6):

(a) *Line 28 (child tax credit entry)*. A Puerto Rico CTC filer must enter the amount of the filer's child tax credit for taxable year 2021 on line 28. The credit amount may be computed using Schedule 8812 (Form 1040), available at https://www.irs.gov/Schedule8812 (also available as Anexo 8812 (Formulario 1040(SP)), *Créditos por Hijos Calificados y Otros Dependientes*, at https://www.irs.gov/Schedule8812SP), and information from the filer's Letter 6419 or the filer's IRS online account at https://www.irs.gov/account and, as applicable, Letter 6419 of the filer's spouse or the IRS online account of the filer's spouse. The filer claiming the child tax credit must (i) complete Schedule 8812 pursuant to the instructions described in section 5.03(8) through (22) of this revenue procedure, and (ii) attach the Schedule 8812 to the filer's Form 1040 or Form 1040-SR.

(b) *Lines 32 through 35a*. A Puerto Rico CTC filer must enter on lines 32 through 35a the amount entered on line 28.

(c) *Line 35a checkbox (split direct deposit indicator)*. A Puerto Rico CTC filer may not check the box on line 35a.

(d) *Lines 35b through 35d (direct deposit information)*. A Puerto Rico CTC filer may request the direct deposit of their taxable year 2021 tax refund into an account at a bank or other financial institution by entering the information on lines 35b through 35d. The Puerto Rico CTC filer must not request that their taxable year 2021 tax refund be deposited into an account that is not in the name of that filer (for example, a Puerto Rico CTC filer must not request a direct deposit of their taxable year 2021 tax refund into their tax return preparer's account).

(7) *Signature*. A Puerto Rico CTC filer must sign the Form 1040 or Form 1040-SR under penalties of perjury, including the filer's identity protection personal identification number (that is, the filer's IP PIN), if applicable, as part of the filer's signature. In addition, the Puerto Rico CTC filer may enter the identifying information of any third-party designee, if applicable, at the bottom of page 2 of Form 1040 or Form 1040-SR. A Puerto Rico CTC filer who has been assigned an IP PIN, but has misplaced it, may retrieve the IP PIN at https://www.irs.gov/identity-theft-fraud-scams/retrieve-your-ip-pin.

(8) *Schedule 8812*. A Puerto Rico CTC filer must enter the filer's name and SSN and the name of their spouse if filing a joint return at the top of Schedule 8812.

(9) *Schedule 8812, Part I-A, lines 1 through 3 (modified AGI)*. A Puerto Rico CTC filer must leave lines 1 through 3 of Schedule 8812 (Form 1040) blank.

(10) *Schedule 8812, Part I-A, lines 4a-c (CTC qualifying children)*. A Puerto Rico CTC filer must complete lines 4a, 4b and 4c.

(11) *Schedule 8812, Part I-A, line 5 (child tax credit)*. A Puerto Rico CTC filer must complete line 5. In completing line 5, the Puerto Rico CTC filer must provide the sum of the following:

(a) $3,600 multiplied by the number entered on line 4b; and

(b) $3,000 multiplied by the number entered on line 4c.

(12) *Schedule 8812, Part I-A, line 6 (credit for other dependents) and line 7*. A Puerto Rico CTC filer must leave lines 6 and 7 blank.

(13) *Schedule 8812, Part I-A, line 8*. A Puerto Rico CTC filer must enter on line 8 the amount entered on line 5.

(14) *Schedule 8812, Part I-A, line 9*: A Puerto Rico CTC filer must enter on line 9 $200,000 (or $400,000 if married and filing a joint return).

(15) *Schedule 8812, Part I-A, lines 10 and 11*. A Puerto Rico CTC filer must leave lines 10 and 11 blank.

(16) *Schedule 8812, Part I-A, line 12*. A Puerto Rico CTC filer must enter on line 12 the amount entered on line 5.

(17) *Schedule 8812, Part I-A, line 13*. A Puerto Rico CTC filer must check only the box on line 13B.

(18) *Schedule 8812, Part I-B, line 14a*. A Puerto Rico CTC filer must leave line 14a blank.

(19) *Schedule 8812, Part I-B, line 14b*. A Puerto Rico CTC filer must enter on line 14b the amount entered on line 5.

(20) *Schedule 8812, Part I-B, lines 14c and 14d*. A Puerto Rico CTC filer must leave lines 14c and 14d blank.

(21) *Schedule 8812, Part I-B, line 14e*. A Puerto Rico CTC filer must enter on line 14e the amount entered on line 5.

(22) *Schedule 8812, Part I-B, line 14f (advance child tax credit payments received)*. A Puerto Rico CTC filer must enter on line 14f the aggregate amount of advance child tax credit payments the filer (and the filer's spouse if filing jointly) received for 2021, which may be obtained from the filer's Letter 6419 or the filer's IRS online account at https://www.irs.gov/account and, as applicable, Letter 6419 of the filer's spouse or the IRS online account of the filer's spouse.

(23) *Schedule 8812, Part I-B, line 14g (allowable child tax credit)*. A Puerto Rico CTC filer must complete line 14g. To determine this amount, the Puerto Rico CTC filer must:

(a) Subtract the amount entered on line 14f from the amount entered on line 14e (that is, the filer must subtract the aggregate amount of advance child tax credit payments that the filer received in 2021, if any, from the amount of child tax credit for which the filer is eligible); and

(b) Enter that result (that is, the *allowable* child tax credit) on line 14g.

(24) *Schedule 8812, Part I-B, line 14h*. A Puerto Rico CTC filer must leave line 14h blank.

(25) *Schedule 8812, Part I-B, line 14i (refundable child tax credit)*. A Puerto Rico CTC filer must enter on line 14i the amount entered on line 14g.

(26) *Schedule 8812, Parts I-C through III, lines 15a through 50*. A Puerto Rico CTC filer must leave lines 15a through 50 blank.

.04 *Simplified Return Is a Federal Tax Return*. A simplified return completed by a Puerto Rico CTC filer in accordance with the procedure described in section 5.03 of this revenue procedure is a taxable year 2021 Federal tax return for all purposes, whether filed on paper or electronically.

SECTION 6. APPLICABILITY DATE

This revenue procedure applies to Federal tax returns filed after May 6, 2022.

SECTION 7. ADDITIONAL INFORMATION

.01 *Child Tax Credit and Advance Child Tax Credit Payments*. Individuals can obtain additional information regarding advance child tax credit payments and the child tax credit for taxable year 2021 through the IRS child tax credit and advance child tax credit payment webpage at https://www.irs.gov/childtaxcredit2021.

.02 *Completing a Federal Tax Return*. Bona fide residents of Puerto Rico can obtain additional information regarding how to complete their Federal tax returns at https://www.irs.gov/Form1040PR (in Spanish); https://www.irs.gov/Form1040SS; https://www.irs.gov/Form1040SP (in Spanish); https://www.irs.gov/Form1040; and https://www.irs.gov/Form1040SR.

.03 *Obtaining Tax Information in Other Languages*. Taxpayers may obtain basic tax information in other languages at https://www.irs.gov/MyLanguage.

SECTION 8. DRAFTING INFORMATION

The principal author of this revenue procedure is the Office of the Associate Chief Counsel (Income Tax & Accounting).

Part IV

Notice of Proposed Rulemaking

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

REG-122770-18

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Notice of proposed rulemaking.

SUMMARY: This document contains proposed regulations relating to the use of actuarial tables in valuing annuities, interests for life or a term of years, and remainder or reversionary interests. These regulations will affect the valuation of inter vivos and testamentary transfers of interests dependent on one or more measuring lives. These regulations are necessary because applicable law requires the actuarial tables to be updated to reflect the most recent mortality experience available.

DATES: Written or electronic comments and requests for a public hearing must be received by July 5, 2022. Requests for a public hearing must be submitted as prescribed in the "Comments and Requests for a Public Hearing" section.

ADDRESSES: Commenters are strongly encouraged to submit public comments electronically. Submit electronic submissions via the Federal eRulemaking Portal at www.regulations.gov (indicate IRS and REG-122770-18) by following the online instructions for submitting comments. Once submitted to the Federal eRulemaking Portal, comments cannot be edited or withdrawn. The IRS expects to have limited personnel available to process public comments that are submitted on paper through mail. Until further notice, any comments submitted on paper will be considered to the extent practicable. The Department of the Treasury (Treasury Department) and the IRS will publish for public availability any comment submitted electronically, and to the extent practicable on paper, to its public docket. Send paper submissions to: CC:PA:LPD:PR (REG-122770-18), room 5203, Internal Revenue Service, PO Box 7604, Ben Franklin Station, Washington, D.C. 20044.

FOR FURTHER INFORMATION CONTACT: Concerning the proposed regulations, Mayer R. Samuels of the Office of Associate Chief Counsel (Passthroughs and Special Industries), (202) 317-6859; concerning the submission of comments or requests for a public hearing, Regina L. Johnson, (202) 317-5177 (not toll-free numbers).

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 certain tables used for the valuation of interests in property under section 7520 of the Internal Revenue Code of 1986 (Code) to reflect the most recent mortality experience available.

In General

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 for life or a term of years, and a 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) 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. Section 7520(c)(2), as it existed on May 1, 1989, directed the Secretary to issue tables not later than December 31, 1989, utilizing the then most recent mortality experience. Thereafter, the Secretary is directed 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.

These proposed regulations contain Table 2010CM that is based on data compiled from the 2010 census. For transfers for which the valuation date is on or after the applicability date of the Treasury decision adopting these regulations as final regulations (published as the final rule in the *Federal Register*), the appropriate actuarial factors based on Table 2010CM may be computed by taxpayers. However, for the convenience of taxpayers, actuarial factors may be found on IRS websites and publications referenced in these proposed regulations. These proposed regulations also make conforming amendments to various sections of the existing regulations to provide the references to these revised actuarial factors. The updated actuarial tables will be available beginning May 5, 2022, at no charge, electronically via the IRS website at *https://www.irs.gov/retirement-plans/actuarial-tables*. IRS Publications 1457 "Actuarial Valuations Version 4A" (forthcoming 2022), 1458 "Actuarial Valuations Version 4B" (forthcoming 2022), and 1459 "Actuarial Valuations Version 4C" (forthcoming 2022) will provide additional references and explanations to the actuarial tables that are published on the IRS website. These publications will be available after the applicability date of the Treasury decision adopting these regulations as final regulations. Table S (Single Life Remainder Factors) and Table U(1) (Unitrust Single Life Remainder Factors), which are referenced and explained in Publications 1457 and 1458, respectively, will no longer be published in these regulations. Furthermore, the current Table S and Table U(1), effective for transfers for which the valuation date is after April 30, 2009, and before the applicability date of the Treasury decision adopting these regulations as final regulations is published in the **Federal Register**, will be moved to sections containing actuarial material for historical reference. Table B, Table D, Tables F(0.2) through F(20.0), Table J, and Table K, which are not based on mortality experience, are not changed.

The following chart summarizes the applicable interest rates and the citations to textual materials and tables for the various periods covered under the current regulations. For purposes of this chart, "DPAD" is the day prior to the applicability date of the Treasury decision adopting these regulations as final regulations and "AD" is the applicability date of the Treasury decision adopting these regulations as final regulations.

Cross Reference to Regulation Sections

Valuation Period	*Interest Rate*	*Regulation Section*	*Table*
Section 642:			
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 (5/1/89 - 4/30/99)
05/01/99 - 04/30/09	7520	1.642(c)-6A(f)	Table S (5/1/99 - 4/30/09)
05/01/09 – DPAD	7520	1.642(c)-6A(g)	Table S (5/1/09- DPAD)
on or after AD	7520	1.642(c)-6(e)	Table S (on or after AD)
Section 664:			
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) (5/1/89 - 4/30/99)
05/01/99 - 04/30/09	7520	1.664-4A(f)	Table U(1) (5/1/99 - 4/30/09)
05/01/09 - DPAD	7520	1.664-4A(g)	Table U(1) (5/1/09-DPAD)
on or after AD	7520	1.664-4(e)	Table U(1) (on or after AD), Table D, and Table F See Pub. 1458, ver. 4A
Section 2031:			
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)	Table A, Table B, Table LN
05/01/89 - 04/30/99	7520	20.2031-7A(e)	Table S (5/1/89 - 4/30/99) Table 80CNSMT
05/01/99 - 04/30/09	7520	20.2031-7A(f)	Table S (5/1/99 - 4/30/09) Table 90CM
05/01/09 - DPAD	7520	20.2031-7A(g)	Table S (5/1/09 - DPAD) Table 2000CM
on or after AD	7520	20.2031-7(d)	Table S (on or after AD) Table 2010CM Table B, Table J, Table K see Pub. 1457, ver. 4A

Section 2512:		
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 - DPAD	7520	25.2512-5A(g)
on or after AD	7520	25.2512-5(d)

Applicability Dates

These regulations are proposed to be applicable in the case of annuities, interests for life or a term of years, and remainder or reversionary interests that are valued as of a date on or after the first day of the month following the date on which the Treasury decision adopting these regulations as final regulations is published in the **Federal Register**.

Transitional Rules

The regulations provide certain rules to facilitate the transition to the new actuarial tables. For gift tax purposes, if the date of a transfer is on or after January 1, 2021, and before the applicability date of the Treasury decision adopting these regulations as final regulations, the donor may choose to determine the value of the gift (and/or any applicable charitable deduction) under tables based on either Table 2000CM or Table 2010CM. Similarly, for estate tax purposes, if the decedent dies on or after January 1, 2021, and before the applicability date of the Treasury decision adopting these regulations as final regulations, the value of any interest (and/or any applicable charitable deduction) may be determined in the discretion of the decedent's executor under tables based on either Table 2000CM or Table 2010CM, provided that the decedent's executor must use the same mortality table to value all interests in the same property. However, the section 7520 interest rate to be utilized is the appropriate rate for the month in which the valuation date occurs, subject to the following special rule for certain charitable transfers. Specifically, in accordance with this transitional rule and the rules contained in §§1.7520-2(a)(2), 20.7520-2(a)(2), and 25.7520-2(a)(2), in cases involving a charitable deduction, if the valuation date occurs on or after January 1, 2021, but before the applicability date of the Treasury decision adopting these regulations as final regulations, and the executor or donor elects under section 7520(a) to use the section 7520 interest rate for a month that is prior to January 1, 2021, then the mortality experience contained in Table 2000CM must be used. If the executor or donor uses the section 7520 interest rate for a month that is on or after January 1, 2021, but before the applicability date of the Treasury decision adopting these regulations as final regulations, then the tables based on either Table 2000CM or Table 2010CM may be used. However, if the valuation date occurs on or after the applicability date of the Treasury decision adopting these regulations as final regulations, the executor or donor must use the new mortality experience contained in Table 2010CM even if the use of a prior month's interest rate is elected under section 7520(a).

In addition, the regulations no longer will provide that the estate of a decedent who was under a mental disability that prevented a change in the disposition of the decedent's property may elect to value the property interest included in the gross estate either under the mortality table and interest rate in effect at the time the decedent first became subject to the mental disability or under the mortality table and interest rate in effect on the decedent's date of death. The taxpayer decedent, during life and before the advent of the mental disability, would not know, beforehand, what the market interest rate would be at his or her future date of death, but can reasonably be expected to have understood that the property interest would be valued at the then-applicable market rate, whatever it might be. Becoming incapacitated should not alter the effect of that understanding. Therefore, a special rule permitting an election to use the interest rate in effect at the time the decedent first became subject to the mental disability is not necessary. The same is true with respect to mortality rates. Accordingly, estates of decedents with a mental disability who die after the applicability date of the Treasury decision adopting these regulations as final regulations will be required to use the mortality table and interest rate in effect on the decedent's date of death or the alternate valuation date under section 2032, if elected.

Special Analyses

These proposed 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.

Pursuant to the Regulatory Flexibility Act (5 U.S.C. chapter 6), it is hereby certified that this proposed rule will not have a significant economic impact on a substantial number of small entities. This document proposes to implement statutorily required periodic updates to actuarial tables used in valuing various interests in property that are affected by a person's life expectancy. The updates would not impose any direct compliance requirements on any entities other than the time to read and understand the proposed updates. Notwithstanding this certification, the Treasury Department and the IRS invite comment on the impact this proposed rule would have on small entities.

The Treasury Department and the IRS have assessed that the proposed regulations do not establish a new collection of information nor modify an existing collection that requires the approval of the Office of Management and Budget under the Paperwork Reduction Act (44 U.S.C. chapter 35). The Treasury Department and the IRS seek comments on this assessment.

Pursuant to section 7805(f), this notice of proposed rulemaking has been submitted to the Chief Counsel for the Office of Advocacy of the Small Business Administration for comment on its impact on small business.

Statement of Availability of IRS Documents

IRS Revenue Procedures, Revenue Rulings, Notices, and other guidance cited in this preamble are published in the Internal Revenue Bulletin (or Cumulative Bulletin) and are available from the Superintendent of Documents, U.S. Government Publishing Office, Washington, DC 20402, or by visiting the IRS website at https://www.irs.gov.

Comments and Requests for Public Hearing

The Treasury Department and the IRS request comments on all aspects of the proposed rules.

Before these proposed amendments to the regulations are adopted as final regulations, consideration will be given to comments that are submitted timely to the IRS as prescribed in the preamble under the **ADDRESSES** section. Any electronic comments submitted, and to the extent practicable any paper comments submitted, will be made available at *www.regulations.gov* or upon request.

A public hearing will be scheduled if requested in writing by any person who timely submits electronic or written comments. Requests for a public hearing also are encouraged to be made electronically. If a public hearing is scheduled, notice of the date and time for the public hearing will be published in the **Federal Register**. Announcement 2020-4, 2020-17 I.R.B 1, provides that, until further notice, public hearings conducted by the IRS will be held telephonically. Any telephonic hearing will be made accessible to people with disabilities.

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 IRS and Treasury Department 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.

Proposed Amendments to the Regulations

Accordingly, 26 CFR parts 1, 20, and 25 are proposed to be 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 [applicability date of the Treasury decision adopting these regulations as final regulations], §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 [applicability date of the Treasury decision adopting these regulations as final regulations], 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 will be available beginning May 5, 2022, 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" (2022), references and explains Table C and provides examples describing the computation. This publication will be available after [date of publication of the final rule in the **Federal Register**]. For transfers for which the valuation date is on or after May 1, 2009, and before [applicability date of the Treasury decision adopting these regulations as final regulations], 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 is currently 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 [applicability date of the Treasury decision adopting these regulations as final regulations], 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 [applicability date of the Treasury decision adopting these regulations as final regulations] 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

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

where:

n = the estimated number of years of useful life;

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

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

$${}_{t}q_x = 1 - \frac{l_{x+t}}{l_x} \quad ;$$

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 factors from the appropriate mortality table. For the convenience of taxpayers, actuarial factors have been computed by 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)

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

(4) *Example*. After [applicability date of the Treasury decision adopting these regulations as final regulations], 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)). At the time of the gift, the interest rate prescribed under section 7520 is 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 [applicability date of the Treasury decision adopting these regulations as final regulations], 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 [applicability date of the Treasury decision adopting these regulations as final regulations] are referenced by prior versions of IRS Publication 1459.

Figure 2 to paragraph (e)(2)(i) – Formula for determining two-life remainder interest in depreciable property

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

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) ;

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

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 [applicability date of the Treasury decision adopting these regulations as final regulations].

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. 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 [applicability date of the Treasury decision adopting these regulations as final regulations].) 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. 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 [applicability date of the Treasury decision adopting these regulations as final regulations].

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 [applicability date of the Treasury decision adopting these regulations as final regulations], 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 [applicability date of the Treasury decision adopting these regulations as final regulations] is determined 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	AD	1.642(c)-6A(g)

AD = [applicability date of the Treasury decision adopting these regulations as final regulations].

(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 [applicability date of the Treasury decision adopting these regulations as final regulations]*--(1) *In general*. In the case of transfers to pooled income funds for which the valuation date is on or after [applicability date of the Treasury decision adopting these regulations as final regulations], 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 factors from the appropriate mortality table. For the convenience of taxpayers, actuarial factors have been computed by IRS and appear in Table S. Table S will be available beginning May 5, 2022, 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 after [date of publication of the final rule in the **Federal Register**]. 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 on or after January 1, 2021, and before [applicability date of the Treasury decision adopting these regulations as final regulations], 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. For the convenience of taxpayers, actuarial factors based on Table 2010CM appear in the proposed version of Table S, and actuarial factors based on Table 2000CM appear in the current version of Table S, which will be available beginning May 5, 2022, 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 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 factors from the appropriate mortality table. For the convenience of taxpayers, actuarial factors have been computed by IRS and appear in Table S. Table S will be available beginning May 5, 2022, 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 after [date of publication of the final rule in the **Federal Register**]. 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. 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)

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

(iii) *Example of interpolation*. After [applicability date of the Treasury decision adopting these regulations as final regulations], 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 [applicability date of the Treasury decision adopting these regulations as final regulations], 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 factors from the appropriate mortality table. For the convenience of taxpayers, actuarial factors have been computed by IRS and appear in Table S. Table S will be available beginning May 5, 2022, 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 after [date of publication of the final rule in the **Federal Register**].

(f) *Applicability date*. This section applies on and after [applicability date of the Treasury decision adopting these regulations as final regulations].

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 [Applicability Date of the Treasury Decision Adopting These Regulations as Final Regulations]

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 [applicability date of the Treasury decision adopting these regulations as final regulations].

* * * * *

(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 [applicability date of the Treasury decision adopting these regulations as final regulations]*--(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 [applicability date of the Treasury decision adopting these regulations as final regulations], 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 [applicability date of the Treasury decision adopting these regulations as final regulations] 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 [applicability date of the Treasury decision adopting these regulations as final regulations], 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 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 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 factors from the appropriate mortality table. For the convenience of taxpayers, actuarial factors have been computed by 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. 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 [applicability date of the Treasury decision adopting these regulations as final regulations], 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 [applicability date of the Treasury decision adopting these regulations as final regulations].

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 [applicability date of the Treasury decision adopting these regulations as final regulations], or under §20.2031-7A(a) through (g) of this chapter, whichever is applicable, for transfers for which the valuation date is before [applicability date of the Treasury decision adopting these regulations as final regulations]. See, however, §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 [applicability date of the Treasury decision adopting these regulations as final regulations].

Par. 8. Section 1.664-4 is amended by:

1. Revising paragraphs (a)(1) and (d).

2. In paragraph (e):

i. Redesignating the paragraph heading as the heading for §1.664-4A(g) and paragraphs (e)(1), (2), (5), and (7) as §1.664-4A(g)(1), (2), (5), and (6), respectively.

ii. Adding a new paragraph 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), preceding Table D.

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 [applicability date of the Treasury decision adopting these regulations as final regulations]; 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 [applicability date of the Treasury decision adopting these regulations as final regulations]. 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 [applicability date of the Treasury decision adopting these regulations as final regulations], 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 [applicability date of the Treasury decision adopting these regulations as final regulations], 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	AD	1.664-4A(g)

AD = [applicability date of the Treasury decision adopting these regulations as final regulations].

(e) *Valuation of charitable remainder unitrusts having certain payout sequences for transfers for which the valuation date is on or after [applicability date of the Treasury decision adopting these regulations as final regulations]*--(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 [applicability date of the Treasury decision adopting these regulations as final regulations], 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 shall 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 on or after January 1, 2021, and before [applicability date of the Treasury decision adopting these regulations as final regulations], 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. For the convenience of taxpayers, actuarial factors based on Table 2010CM appear in the proposed version of Table U(1), and actuarial factors based on Table 2000CM appear in the current version of Table U(1), which will be available beginning May 5, 2022, 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 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 [insert the applicability date of the Treasury decision adopting these regulations as final regulations] is the factor obtained through the use of the formula in Figure 1 to this paragraph (e)(5)(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 [applicability date of the Treasury decision adopting these regulations as final regulations], 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 [applicability date of the Treasury decision adopting these regulations as final regulations] 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) will be available beginning May 5, 2022, 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 after [date of publication of the final rule in the **Federal Register**]. 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 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. 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

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

where:

r = the adjusted payout rate;

v = 1 - r;

i = r / (1 – r)

$${}_{t}q_x = 1 - \frac{l_{x+t}}{l_x} \quad ;$$

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 [applicability date of the Treasury decision adopting these regulations as final regulations], 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 4.8834% (5% × 0.976683). Based on interpolating between the remainder factors in Table U(1), the present value of the remainder interest is $61,012, 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:

$$\frac{4.8834\% - 4.80\%}{5.0\% - 4.80\%} = \frac{z}{0.01148}$$

E.

$$\frac{4.8834\% - 4.80\%}{5.0\% - 4.80\%} \cdot 0.01148 = z = 0.00479$$

F.	Table U(1) Factor at 4.8 percent for age 77		0.61491
G.	Less: Interpolation Adjustment z	-	0.00479
H.	Interpolated Factor: F - G		0.61012
I.	Amount Transferred	$	100,000
J.	Present Value of Remainder Interest: H x I	$	61,012

(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). For the convenience of taxpayers, actuarial factors have been computed by 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 after [date of publication of the final rule in the **Federal Register**]. 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 [applicability date of the Treasury decision adopting these regulations as final regulations], 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). For the convenience of taxpayers, actuarial factors have been computed by 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 after [date of publication of the final rule in the **Federal Register**]. 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

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

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 [applicability date of the Treasury decision adopting these regulations as final regulations]*. 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 factors from the appropriate mortality table. For the convenience of taxpayers, actuarial factors have been computed by IRS and appear in Table U(1). For transfers for which the valuation date is on or after [applicability date of the Treasury decision adopting these regulations as final regulations], the actuarial tables will be available beginning May 5, 2022, 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" (2022). This publication will be available after [date of publication of the final rule in the **Federal Register**]. 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 [applicability date of the Treasury decision adopting these regulations as final regulations].

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

Unitrust Actuarial Tables Applicable Before [Applicability Date of the Treasury Decision Adopting These Regulations as Final Regulations]

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 [applicability date of the Treasury decision adopting these regulations as final regulations].

* * * * *

(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 [applicability date of the Treasury decision adopting these regulations as final regulations]*--(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 [applicability date of the Treasury decision adopting these regulations as final regulations], 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 sections 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 [applicability date of the Treasury decision adopting these regulations as final regulations], 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 [applicability date of the Treasury decision adopting these regulations as final regulations], 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 sections 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 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) *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. For the convenience of taxpayers, actuarial factors have been computed by 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. For the convenience of taxpayers, actuarial factors have been computed by 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 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. 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 sections 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 [applicability date of the Treasury decision adopting these regulations as final regulations], may be computed directly by using the formula in §1.664-4(e)(5)(i) to derive factors from the appropriate mortality table. For the convenience of taxpayers, actuarial factors have been computed by 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. 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 [applicability date of the Treasury decision adopting these regulations as final regulations]*. For transfers for which the valuation date is on or after May 1, 2009, and before [applicability date of the Treasury decision adopting these regulations as final regulations], 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 factors from the appropriate mortality table. For the convenience of taxpayers, actuarial factors have been computed by 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 [applicability date of the Treasury decision adopting these regulations as final regulations].

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 [applicability date of the Treasury decision adopting these regulations as final regulations], §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 [applicability date of the Treasury decision adopting these regulations as final regulations], §1.642(c)-6A) 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 new mortality data becomes available after each decennial census, the mortality component described in this section will be revised and the revised mortality component tables will be published in the IRS publications at that time. For transactions with valuation dates on or after [applicability date of the Treasury decision adopting these regulations as final regulations], 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 [applicability date of the Treasury decision adopting these regulations as final regulations].

(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 special factor is required in order to value an interest, the special 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. 2021-1, 2021-1 I.R.B. 1, and subsequent updates, 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 [applicability date of the Treasury decision adopting these regulations as final regulations]*. The publications listed in paragraphs (d)(1) through (3) of this section will be available after [date of publication of the final rule in the **Federal Register**]. The underlying actuarial tables referenced and explained by these publications will be available beginning May 5, 2022, 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" (2022). 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 [applicability date of the Treasury decision adopting these regulations as final regulations]. Earlier versions of the publication also contain earlier versions of Table R(2). Table B, Table J, and Table 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" (2022). 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 [applicability date of the Treasury decision adopting these regulations as final regulations]. Earlier versions of the publication also contain earlier versions of Table U(2). 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" (2022). 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. 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 must be used if more exact methods are not available.

(f) *Applicability date*. This section applies on and after [applicability date of the Treasury decision adopting these regulations as final regulations].

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 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 [applicability date of the Treasury decision adopting these regulations as final regulations], 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 [applicability date of the Treasury decision adopting these regulations as final regulations], is determined 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	AD	20.2031-7A(g)

AD = [applicability date of the Treasury decision adopting these regulations as final regulations].

(d) *Actuarial valuations on or after [applicability date of the Treasury decision adopting these regulations as final regulations]*--(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 [applicability date of the Treasury decision adopting these regulations as final regulations], 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. These 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; the approximation method provided in this part must be used if more exact methods are not available. See §§20.7520-1 through 20.7520-4.

(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). The fair market value of a remainder interest in a charitable remainder annuity trust, as defined in §1.664-2(a), is the present value determined under §1.664-2(c). The fair market value of a remainder interest in a charitable remainder unitrust, as defined in §1.664-3, is its present value determined under §1.664-4(e). 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).

(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). For the convenience of taxpayers, actuarial factors have been computed by 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 after [date of publication of the final rule in the **Federal Register**]. 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

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

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). The prescribed mortality table is Table 2010CM as set forth in paragraph (d)(7)(ii) of this section, or for periods before [applicability date of the Treasury decision adopting these regulations as final regulations], the appropriate table found in §20.2031-7A. For the convenience of taxpayers, actuarial factors have been computed by IRS and appear in Table S. Table S will be available beginning May 5, 2022, 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 after [date of publication of the final rule in the Federal Register]. 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

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

where:

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

v = 1 / (1 + i) ;

$${}_{t}q_x = 1 - \frac{l_{x+t}}{l_x} \quad ;$$

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 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 paragraph (d)(2)(ii)(A) of this section. For the convenience of taxpayers, actuarial factors have been computed by 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 IRS and appear in the "Life Estate" column of Table S. Table S (applicable when the valuation date is on or after [applicability date of the Treasury decision adopting these regulations as final regulations]) can be found on the IRS website at *https://www.irs.gov/retirement-plans/actuarial-tables*. Table B and Table 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 [applicability date of the Treasury decision adopting these regulations as final regulations]. 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 as a number with at least four decimal places. For the convenience of taxpayers, actuarial factors have been computed by 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 as a number with four decimal places. For the convenience of taxpayers, actuarial factors have been computed by IRS and appear in the "Annuity" column of Table S. Table S (applicable when the valuation date is on or after [applicability date of the Treasury decision adopting these regulations as final regulations]) can be found on the IRS website at *https://www.irs.gov/retirement-plans/actuarial-tables*. Table B and Table 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 [applicability date of the Treasury decision adopting these regulations as final regulations]. 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). For the convenience of taxpayers, actuarial factors have been computed by 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 Table S and Table K*. For purposes of the example in paragraph (d)(2)(iv)(B)(*2*) of this section, the following factors from Table S and Table K will be used:

Table 2 to paragraph (d)(2)(iv)(B)(1)

Factors from Table S - Based on Table 2010CM			
Interest at 3.2 Percent			
Age	Annuity	Life Estate	Remainder
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). For the convenience of taxpayers, actuarial factors have been computed by 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 specific number of years or the death of an individual.

(3) *Transitional rule*. If a decedent dies on or after January 1, 2021, and before [applicability date of the Treasury decision adopting these regulations as final regulations], 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. For the convenience of taxpayers, actuarial factors based on Table 2010CM appear in the proposed version of Table S, and actuarial factors based on Table 2000CM appear in the current version of Table S, which 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 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 factors from the appropriate mortality table. For the convenience of taxpayers, actuarial factors have been computed by 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 paragraph (d)(2)(ii)(A) of this section. For the convenience of taxpayers, actuarial factors have been computed by 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. For the convenience of taxpayers, actuarial factors have been computed by 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. For the convenience of taxpayers, actuarial factors have been computed by IRS and appear in Table K. These tables will be available beginning May 5, 2022, 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" (2022), 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 after [date the Treasury decision adopting these regulations as final regulations is published in the **Federal Register**]. Table B, Table J, and Table 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 Table S, Table B, and Table K will be used:

Table 3 to paragraph (d)(5)

Factors from Table S - Based on Table 2010CM			
Interest at 3.2 Percent			
Age	Annuity	Life Estate	Remainder
31	23.8334	0.76267	0.23733
46	20.0146	0.64047	0.35953
Interest at 4.6 Percent			
Age	Annuity	Life Estate	Remainder
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
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 [applicability date of the Treasury decision adopting these regulations as final regulations]*--(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 [applicability date of the Treasury decision adopting these regulations as final regulations], actuarial factors computed 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 IRS and can be found in Table S. Table S will be available beginning May 5, 2022, 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 after [date the Treasury decision adopting these regulations as final regulations is published in the **Federal Register**].

(ii) *Table 2010CM*.

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
14	99,170.64	**51**	93,828.33	**88**	30,700.82

Age x	l_x	Age x	l_x	Age x	l_x
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 [applicability date of the Treasury decision adopting these regulations as final regulations].

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

Actuarial Tables Applicable Before [Applicability Date of the Treasury Decision Adopting These Regulations as Final Regulations]

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), the heading and introductory text are revised.

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 [applicability date of the Treasury decision adopting these regulations as final regulations].

* * * * *

(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 [applicability date of the Treasury decision adopting these regulations as final regulations]*--(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 [applicability date of the Treasury decision adopting these regulations as final regulations], 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 before [applicability date of the Treasury decision adopting these regulations as final regulations] 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 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) *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 factors from the appropriate mortality table. For the convenience of taxpayers, actuarial factors have been computed by 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). For the convenience of taxpayers, actuarial factors have been computed by 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). For the convenience of taxpayers, actuarial factors have been computed by 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). For the convenience of taxpayers, actuarial factors have been computed by 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. Table B, Table J, and Table 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 factors from the appropriate mortality table. 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 IRS and appear in Table S (applicable on and after May 1, 2009, and before [applicability date of the Treasury decision adopting these regulations as final regulations]). 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 [applicability date of the Treasury decision adopting these regulations as final regulations].

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 factors from the appropriate mortality table. For the convenience of taxpayers, actuarial factors have been computed by 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			
Interest at 4.2 Percent			
Age	Annuity	Life Estate	Remainder
65	12.2128	0.51294	0.48706
Interest at 4.6 Percent			
Age	Annuity	Life Estate	Remainder
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, as illustrated in *Example 1* of §20.2031-7(d)(5)(i), be $22,931.00 ($50,000 x 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 X 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 [applicability date of the Treasury decision adopting these regulations as final regulations].

Section 20.2032-1T [Removed]

Par. 18. Section 20.2032-1T is removed.

Par. 19. Section 20.2036-1 is amended:

1. In paragraph (c)(2)(iv) by 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) by 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. By 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 expressed as a number with at least four decimal places. For the convenience of taxpayers, actuarial factors have been computed by 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 as a number with four decimal places. For the convenience of taxpayers, actuarial factors have been computed by IRS and appear in the "Annuity" column of Table S. Table B and 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)(3)(iii)(C) of this section, the following relevant factors from Table B and Table S are used:

Table 1 to paragraph (e)(3)(iii)(B)

Factors from Table B			
Annuity, Income, and Remainder Interests for a Term Certain			
Interest at 3.2 Percent			
Years	Annuity	Income Interest	Remainder
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 [applicability date of the Treasury decision adopting these regulations as final regulations], 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 [applicability date of the Treasury decision adopting these regulations as final regulations], or under §20.2031-7A in the case of decedents where the valuation date of the gross estate is before [applicability date of the Treasury decision adopting these regulations as final regulations].

* * * * *

(6) *Applicability date*. Paragraphs (e)(3)(iii) and (f)(4) of this section apply on and after [applicability date of the Treasury decision adopting these regulations as final regulations].

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), newly designated paragraph (d)(5) heading, 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 as a number with at least four decimal places. For the convenience of taxpayers, actuarial factors have been computed by 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 as a number with four decimal places. For the convenience of taxpayers, actuarial factors have been computed by 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 as a number with at least four decimal places. For

the convenience of taxpayers, actuarial factors have been computed by 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). For the convenience of taxpayers, actuarial factors have been computed by 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 Table S, Table B, and Table K are:

Table 2 to paragraph (d)(4)

Factors from Table S - Based on Table 2010CM			
Interest at 3.6 Percent			
Age	Annuity	Life Estate	Remainder
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 [applicability date of the Treasury decision adopting these regulations as final regulations], 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 x 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.

(5) *Example 5. Transfer to QDOT subject to gift tax*. * * *

* * * * *

(e) *Applicability date*. Paragraphs (c)(4)(ii)(B) and (d)(4) of this section are applicable with respect to decedents dying on or after [applicability date of the Treasury decision adopting these regulations as final regulations].

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 [applicability date of the Treasury decision adopting these regulations as final regulations], §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 [applicability date of the Treasury decision adopting these regulations as final regulations], §1.642(c)-6A) 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 new mortality data becomes available after each decennial census, the mortality component described in this section will be revised and the revised mortality component tables will be published in IRS publications at that time. For decedents' estates with valuation dates on or after [applicability date of the Treasury decision adopting these regulations as final regulations], 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 [applicability date of the Treasury decision adopting these regulations as final regulations].

(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. 2021-1, 2021-1 I.R.B. 1, and subsequent updates, 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 [applicability date of the Treasury decision adopting these regulations as final regulations]*. The publications listed in paragraphs (d)(1) through (3) of this section will be available after [date the Treasury decision adopting these regulations as final regulations is published in the **Federal Register**]. The underlying actuarial tables reference and explained by these publications will be available beginning May 5, 2022, 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" (2022). 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 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 of this chapter, or §20.2031-7A for Table S applicable to valuation dates before [applicability date of the Treasury decision adopting these regulations as final regulations]. See earlier versions of the publication for Table R(2) applicable to valuation dates before [applicability date of the Treasury decision adopting these regulations as final regulations]. Earlier versions of the publication also contain earlier versions of Table R(2). Table B, Table J, and Table 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" (2022). 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 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 of this chapter for Table U(1) applicable to valuation dates before [applicability date of the Treasury decision adopting these regulations as final regulations]. Earlier versions of the publication also contain earlier versions

of Table U(2). 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"

(2022). 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. 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. 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 [applicability date of the Treasury decision adopting these regulations as final regulations].

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 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 [applicability date of the Treasury decision adopting these regulations as final regulations], 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 [applicability date of the Treasury decision adopting these regulations as final regulations], is determined 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	AD	25.2512-5A(g)

AD = [applicability date of the Treasury decision adopting these regulations as final regulations].

(d) *Actuarial valuations on or after [applicability date of the Treasury decision adopting these regulations as final regulations]*--(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 [applicability date of the Treasury decision adopting these regulations as final regulations], 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. 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; 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 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 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 §20.2031-7(d)(2)(ii)(A) of this chapter. For the convenience of taxpayers, actuarial factors have been computed by 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 after [date the Treasury decision adopting these regulations as final regulations is published in the **Federal Register**]. 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 factors from the appropriate mortality table. For the convenience of taxpayers, actuarial factors have been computed by IRS and appear in Table S. Table S will be available beginning **[***DATE OF PUBLICATION IN THE FEDERAL REGISTER***]**, 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 after [date of publication of the final rule in the **Federal Register**]. 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 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 IRS and appear in the "Life Estate" column of Table S. Table S (applicable when the valuation date is on or after [applicability date of the Treasury decision adopting these regulations as final regulations]) can be found on the IRS website at *https://www.irs.gov/retirement-plans/actuarial-tables*. Table B and Table 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 [applicability date of the Treasury decision adopting these regulations as final regulations]. 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 as a number with at least four decimal places. For the convenience of taxpayers, actuarial factors have been computed by 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 as a number with four decimal places. For the convenience of taxpayers, actuarial factors have been computed by IRS and appear in the "Annuity" column of Table S. Table S (applicable when the valuation date is on or after [applicability date of the Treasury decision adopting these regulations as final regulations]) can be found on the IRS website at *https://www.irs.gov/retirement-plans/actuarial-tables*. Table B and Table 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 [applicability date of the Treasury decision adopting these regulations as final regulations]. 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. For the convenience of taxpayers, actuarial factors have been computed by 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 Table S and Table K*. For purposes of the example in paragraph (d)(2)(iv)(B)(*2*) of this section, the relevant factors from Table S and Table K are:

Table 2 to paragraph (d)(2)(iv)(B)(1)

Factors from Table S - Based on Table 2010CM			
Interest at 3.2 Percent			
Age	Annuity	Life Estate	Remainder
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. For the convenience of taxpayers, actuarial factors have been computed by 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 [applicability date of the Treasury decision adopting these regulations as final regulations], the appropriate table found in §20.2031-7A of this chapter. For the convenience of taxpayers, actuarial factors have been computed by IRS and appear in Table H. Table H will be available beginning May 5, 2022, 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 after [date of publication of the final rule in the **Federal Register**].

Figure 1 to paragraph (d)(2)(v)(A)(1)(i)– Formulas for determining commutation factors

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

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

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

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

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

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. For the convenience of taxpayers, actuarial factors have been computed by 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 Table H(2.8) and Table K are:

Table 3 to paragraph (d)(2)(v)(A)(1)(ii)

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
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	10
C.	Sum (Terminal age)	70
D.	$\mathring{N}_x$ factor, Table H(2.8), age 60	271,994.30
E.	Less: $\mathring{N}_x$ factor, Table H(2.8), age 70	133,677.80
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 a unitrust commutation factor. The adjusted payout rate 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. For the convenience of taxpayers, actuarial factors have been computed by 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 are 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 IRS and appear in Table Z. Table F and Table 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

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

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

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

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

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

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 Table F(3.4), Table Z(4.8), and Table Z(5.0) are:

Table 4 to paragraph (d)(2)(v)(B)(1)(ii)

Factors from Table F(3.4)			
Factors for Computing Adjusted Payout Rates for Unitrusts			
Interest at 3.4 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	0.983422	0.975270

Factors from Table Z(4.8)			
Unitrust Commutation Factors - Based on Table 2010CM			
Adjusted Payout Rate of 4.8 Percent			
Age (x)	$^{U}D_x$	$^{U}N_x$-factor	$^{U}M_x$-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)	${}^{U}D_x$	${}^{U}N_x$-factor	${}^{U}M_x$-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% x 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.	${}^{u}\mathring{N}_x$ factor, Table Z, age 60	58,509.09	50,451.77
G.	Less: ${}^{u}\mathring{N}_x$ 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 on or after January 1, 2021, and before [applicability date of the Treasury decision adopting these regulations as final regulations], 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. For the convenience of taxpayers, actuarial factors based on Table 2010CM appear in the proposed version of Table S, and actuarial factors based on Table 2000CM appear in the current version of Table S, which 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 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 factors from the appropriate mortality table. For the convenience of taxpayers, actuarial factors have been computed by 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. For the convenience of taxpayers, actuarial factors have been computed by 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. For the convenience of taxpayers, actuarial factors have been computed by 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. For the convenience of taxpayers, actuarial factors have been computed by IRS and appear in Table K. These tables will be available beginning May 5, 2022, 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" (2022), 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 after [date of publication of the final rule in the **Federal Register**]. Table B, Table J, and Table 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 special factor is required, the special 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 §§601.201 and 601.601(d)(2)(ii)(*b*) of this chapter and Rev. Proc. 2021-1, 2021-1 I.R.B. 1, and subsequent updates) and must include payment of the required user fee.

(e) *Applicability date*. This section applies on and after [applicability date of the Treasury decision adopting these regulations as final regulations].

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

Actuarial Tables Applicable Before [Applicability Date of the Treasury Decision Adopting These Regulations]

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 [applicability date of the Treasury decision adopting these regulations as final regulations].

* * * * *

(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 [applicability date of the Treasury decision adopting these regulations as final regulations]*--(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 [applicability date of the Treasury decision adopting these regulations as final regulations], 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) 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*. 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. However, with respect to each individual transaction and with respect to all transfers occurring on the valuation date, 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 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) *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 factors from the appropriate mortality table. For the convenience of taxpayers, actuarial factors have been computed by 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. For the convenience of taxpayers, actuarial factors have been computed by 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. For the convenience of taxpayers, actuarial factors have been computed by 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. For the convenience of taxpayers, actuarial factors have been computed by 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. Table B, Table J, and Table 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 special factor is required in the case of a completed gift, the special 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 [applicability date of the Treasury decision adopting these regulations as final regulations].

Par. 28. Section 25.2522(c)-3 is amended by:

1. Designating *Examples 1* through *3* of paragraph (d)(2)(iv) 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 as a number with at least four decimal places. For the convenience of taxpayers, actuarial factors have been computed by 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 IRS and appear in Table H. Table B and Table 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 Table B and Table H are:

Table 1 to paragraph (d)(2)(iv)(C)(1)

Factors from Table B			
Annuity, Income, and Remainder Interests for a Term Certain			
Interest at 2.8 Percent			
Years	Annuity	Income Interest	Remainder
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 2021, 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*) 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	10
C.	Sum (Terminal age)	70
D.	$\mathring{N}_x$ factor, Table H(2.8), age 60	271,994.30
E.	Less: $\mathring{N}_x$ factor, Table H(2.8), age 70	133,677.80
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 rule 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 Table B and 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) of this chapter and then dividing the result by the applicable section 7520 interest rate expressed as a number with at least four decimal places. For the convenience of taxpayers, actuarial factors have been computed by 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 as a number with four decimal places. For the convenience of taxpayers, actuarial factors have been computed by IRS and appear in the “Annuity” column of Table S. Table B and 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 (e)(4) of this section, the relevant factors from Table B and Table S are:

Table 2 to paragraph (e)(3)

Factors from Table B			
Annuity, Income, and Remainder Interests for a Term Certain			
Interest at 2.4 Percent			
Years	Annuity	Income Interest	Remainder
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 [applicability date of the Treasury decision adopting these regulations as final regulations] 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 [applicability date of the Treasury decision adopting these regulations as final regulations], §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 [applicability date of the Treasury decision adopting these regulations as final regulations], see §1.642(c)-6(e) of this chapter (or, for periods prior to [applicability date of the Treasury decision adopting these regulations as final regulations], §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 new mortality data becomes available after each decennial census, the mortality component described in this section will be revised and the revised mortality component tables will be published in the IRS publications at that time. For gifts with valuation dates on or after [applicability date of the Treasury decision adopting these regulations as final regulations], 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 [applicability date of the Treasury decision adopting these regulations as final regulations].

(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 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) 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. 2021-1, 2021-1 I.R.B. 1, and subsequent updates, 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 [applicability date of the Treasury decision adopting these regulations as final regulations]*. The publications listed in paragraphs (d)(1) through (3) of this section will be available after [date of publication of the final rule in the **Federal Register**]. The underlying actuarial tables referenced and explained by these publications will be available beginning May 5, 2022, 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" (2022). 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 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 of this chapter, or §20.2031-7A of this chapter for Table S applicable to valuation dates before [applicability date of the Treasury decision adopting these regulations as final regulations]. Earlier versions of the publication also contain earlier versions of Table R(2). Table B, Table J, and Table 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" (2022). 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 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 of this chapter for Table U(1) applicable to valuation dates before [applicability date of the Treasury decision adopting these regulations as final regulations]. Earlier versions of the publication also contain earlier versions of Table U(2). 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" (2022). 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. 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. 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 [applicability date of the Treasury decision adopting these regulations as final regulations].

Par. 30. Section 25.7520-3 is amended by:

1. Designating *Examples 1* through *5* of paragraph (b)(2)(v) as paragraphs (b)(2)(v)(A) through (E), respectively.

2. Revising the heading of newly designated paragraphs (b)(2)(v)(A).

3. In newly designated paragraph (b)(2)(v)(B):

i. Revising the heading.

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

4. Revising the heading for newly designated paragraph (b)(2)(v)(C).

5. In newly designated paragraph (b)(2)(v)(D):

i. Revising the heading.

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

6. Revising newly designated paragraph (b)(2)(v)(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) * * *

(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: Eroding corpus in an annuity payable from a trust or other limited fund*. (*1*) The present value of an annuity interest (and any other interest dependent on the present value of an annuity), when the annuity is paid from an eroding and limited fund, is determined by actuarial factors reflecting the term certain period to the exhaustion of the fund, as shown in Table 1 to this paragraph (b)(2)(v)(E)(*1*). The period to exhaustion is determined using annuity factors. The appropriate annuity factors 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 as a number with at least four decimal places. For the convenience of taxpayers, actuarial factors have been computed by IRS and appear in the "Annuity" column of Table B. If the annuity is for life (or for a period depending in part on life) and the period to exhaustion is shorter than the possible life period, 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 factors have been computed by IRS and appear in Table H. Table B and Table 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). After determining the point of exhaustion of funds, the approximation method for determining the present value of annuity payments so limited by exhaustion in the example in Table 1 to this paragraph (b)(2)(v)(E)(*1*) 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. For purposes of this example, the relevant factors from Table B and Table H(4.4) are:

Table 1 to paragraph (b)(2)(v)(E)(1)

Factors from Table B			
Annuity, Income, and Remainder Interests for a Term Certain			
Interest at 4.4 Percent			
Years	Annuity	Income Interest	Remainder
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*) The donor, who is age 60 and in normal health, transfers property worth $1,000,000 to a trust on or after [applicability date of the Treasury decision adopting these regulations as final regulations]. 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 period, and the remainder then will be distributed to the donor's child. The section 7520 rate for the month of the transfer is 4.4 percent. First, it is necessary to determine whether the annuity may exhaust the corpus before all annuity payments are made. Because it is assumed under the prescribed mortality component, Table 2010CM, that any measuring life may survive until age 110, any life annuity could require payments until the measuring life reaches age 110. The determination of whether the annuity may exhaust the corpus before the annuity payments terminate is computed with values from Table B as illustrated in Figure 1 to this paragraph (b)(2)(v)(E)(*2*).

Figure 1 to paragraph (b)(2)(v)(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 when the fund will be exhausted by the annuity payments, 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 and the annuity factor for 14 years at 4.4 percent is 10.2896. Thus, it is determined 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. The present value of an annuity of $100,000 payable at the end of each year for 13 years certain is $100,000 times 9.7423 or $974,230. The remaining amount is $25,770. Of the initial transfer amount, $25,770 is not needed to make payments for 13 years, so this amount, as accumulated for 14 years, will be available for the final payment. The 14-year accumulation factor is 1.8273 ($(1 + 0.044)^{14} = 1.8273$), so the amount available in 14 years is $25,770 times 1.8273 or $47,089.52. Therefore, for purposes of this present value determination, the annuity obligation 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 first annuity component is the exact amount that the trust will have available for the final payment, $47,089.52. The second annuity component then must be $100,000 minus $47,089.52, or $52,910.48. Specifically, the initial corpus will be able to make payments of $52,910.48 per year for 13 years plus payments of $47,089.52 per year for 14 years. The total annuity is valued by adding the present value of the two separate temporary component annuities.

(*5*) The actuarial factor for determining the value of the annuity of $52,910.48 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)(v)(E)(*5*).

Figure 2 to paragraph (b)(2)(v)(E)(5) – Illustration of determining annuity factor for shorter of life or 13 years

G.	Initial age	60
H.	Plus: Term of years	+ 13
I.	Sum (Terminal age)	73
J.	$\mathring{N}_x$ factor, Table H(4.4), age 60	90,259.34
K.	Less: $\mathring{N}_x$ factor, Table H(4.4), age 73	- 29,432.25
L.	Difference	60,827.09
M.	D_x factor, Table H(4.4), age 60	6,694.64
N.	Required Annuity Factor: L / M	9.0859

(*6*) The actuarial factor for determining the value of the annuity $47,089.52 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)(v)(E)(*6*).

Figure 3 to paragraph (b)(2)(v)(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.	$\mathring{N}_x$ factor, Table H(2.8), age 60	90,259.34
S.	Less: $\mathring{N}_x$ factor, Table H(2.8), age 74	- 26,452.50
T.	Difference	63,806.84
U.	D_x factor, Table H(2.8), age 60	6,694.64
V.	Required Annuity Factor: T / U	9.5310

(*7*) Based on the calculations of paragraph (b)(2)(v)(E)(*5*) of this section, the present value of an annuity of $52,910.48 per year payable for 13 years or until the prior death of a person aged 60 is $480,739.33 ($52,910.48 × 9.0859). Based on the calculations of paragraph (b)(2)(v)(E)(*6*) of this section, the present value of an annuity of $47,089.52 per year payable for 14 years or until the prior death of a person aged 60 is $448,810.22 ($47,089.52 × 9.5310). Thus, the present value of the charitable annuity interest is the sum of the two component annuities, $929,549.55 ($480,739.33 + $448,810.22).

* * * * *

(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 as a number with four decimal places. For the convenience of taxpayers, actuarial factors have been computed by 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			
Interest at 4.4 Percent			
Age	Annuity	Life Estate	Remainder
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 [applicability date of the Treasury decision adopting these regulations as final regulations], 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*. Section 25.7520-3(a) is applicable as of May 1, 1989. The provisions of paragraph (b) of this section, except paragraphs (b)(2)(v)(E) and (b)(4) of this section, are applicable to gifts made after December 13, 1995. Paragraphs (b)(2)(v)(E) and (b)(4) of this section are applicable to gifts made on or after [applicability date of the Treasury decision adopting these regulations as final regulations].

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

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Definition of Terms

Revenue rulings and revenue procedures (hereinafter referred to as "rulings") that have an effect on previous rulings use the following defined terms to describe the effect:

Amplified describes a situation where no change is being made in a prior published position, but the prior position is being extended to apply to a variation of the fact situation set forth therein. Thus, if an earlier ruling held that a principle applied to A, and the new ruling holds that the same principle also applies to B, the earlier ruling is amplified. (Compare with *modified*, below).

Clarified is used in those instances where the language in a prior ruling is being made clear because the language has caused, or may cause, some confusion. It is not used where a position in a prior ruling is being changed.

Distinguished describes a situation where a ruling mentions a previously published ruling and points out an essential difference between them.

Modified is used where the substance of a previously published position is being changed. Thus, if a prior ruling held that a principle applied to A but not to B, and the new ruling holds that it applies to both A and B, the prior ruling is modified because it corrects a published position. (Compare with *amplified* and *clarified*, above).

Obsoleted describes a previously published ruling that is not considered determinative with respect to future transactions. This term is most commonly used in a ruling that lists previously published rulings that are obsoleted because of changes in laws or regulations. A ruling may also be obsoleted because the substance has been included in regulations subsequently adopted.

Revoked describes situations where the position in the previously published ruling is not correct and the correct position is being stated in a new ruling.

Superseded describes a situation where the new ruling does nothing more than restate the substance and situation of a previously published ruling (or rulings). Thus, the term is used to republish under the 1986 Code and regulations the same position published under the 1939 Code and regulations. The term is also used when it is desired to republish in a single ruling a series of situations, names, etc., that were previously published over a period of time in separate rulings. If the new ruling does more than restate the substance of a prior ruling, a combination of terms is used. For example, *modified* and *superseded* describes a situation where the substance of a previously published ruling is being changed in part and is continued without change in part and it is desired to restate the valid portion of the previously published ruling in a new ruling that is self contained. In this case, the previously published ruling is first modified and then, as modified, is superseded.

Supplemented is used in situations in which a list, such as a list of the names of countries, is published in a ruling and that list is expanded by adding further names in subsequent rulings. After the original ruling has been supplemented several times, a new ruling may be published that includes the list in the original ruling and the additions, and supersedes all prior rulings in the series.

Suspended is used in rare situations to show that the previous published rulings will not be applied pending some future action such as the issuance of new or amended regulations, the outcome of cases in litigation, or the outcome of a Service study.

Abbreviations

The following abbreviations in current use and formerly used will appear in material published in the Bulletin.

A—Individual.
Acq.—Acquiescence.
B—Individual.
BE—Beneficiary.
BK—Bank.
B.T.A.—Board of Tax Appeals.
C—Individual.
C.B.—Cumulative Bulletin.
CFR—Code of Federal Regulations.
CI—City.
COOP—Cooperative.
Ct.D.—Court Decision.
CY—County.
D—Decedent.
DC—Dummy Corporation.
DE—Donee.
Del. Order—Delegation Order.
DISC—Domestic International Sales Corporation.
DR—Donor.
E—Estate.
EE—Employee.
E.O.—Executive Order.
ER—Employer.
ERISA—Employee Retirement Income Security Act.
EX—Executor.
F—Fiduciary.
FC—Foreign Country.
FICA—Federal Insurance Contributions Act.
FISC—Foreign International Sales Company.
FPH—Foreign Personal Holding Company.
F.R.—Federal Register.
FUTA—Federal Unemployment Tax Act.
FX—Foreign corporation.
G.C.M.—Chief Counsel's Memorandum.
GE—Grantee.
GP—General Partner.
GR—Grantor.
IC—Insurance Company.
I.R.B.—Internal Revenue Bulletin.
LE—Lessee.
LP—Limited Partner.
LR—Lessor.
M—Minor.
Nonacq.—Nonacquiescence.
O—Organization.
P—Parent Corporation.
PHC—Personal Holding Company.
PO—Possession of the U.S.
PR—Partner.
PRS—Partnership.
PTE—Prohibited Transaction Exemption.
Pub. L.—Public Law.
REIT—Real Estate Investment Trust.
Rev. Proc.—Revenue Procedure.
Rev. Rul.—Revenue Ruling.
S—Subsidiary.
S.P.R.—Statement of Procedural Rules.
Stat.—Statutes at Large.
T—Target Corporation.
T.C.—Tax Court.
T.D.—Treasury Decision.
TFE—Transferee.
TFR—Transferor.
T.I.R.—Technical Information Release.
TP—Taxpayer.
TR—Trust.
TT—Trustee.
U.S.C.—United States Code.
X—Corporation.
Y—Corporation.
Z—Corporation.

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[1] A cumulative list of all revenue rulings, revenue procedures, Treasury decisions, etc., published in Internal Revenue Bulletins 2020–27 through 2020–52 is in Internal Revenue Bulletin 2020–52, dated December 27, 2021.

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[1] A cumulative list of all revenue rulings, revenue procedures, Treasury decisions, etc., published in Internal Revenue Bulletins 2020–27 through 2020–52 is in Internal Revenue Bulletin 2020–52, dated December 27, 2021.

INTERNAL REVENUE BULLETIN

The Introduction at the beginning of this issue describes the purpose and content of this publication. The weekly Internal Revenue Bulletins are available at *www.irs.gov/irb/*.

We Welcome Comments About the Internal Revenue Bulletin

If you have comments concerning the format or production of the Internal Revenue Bulletin or suggestions for improving it, we would be pleased to hear from you. You can email us your suggestions or comments through the IRS Internet Home Page *www.irs.gov*) or write to the Internal Revenue Service, Publishing Division, IRB Publishing Program Desk, 1111 Constitution Ave. NW, IR-6230 Washington, DC 20224.