

Part I. Rulings and Decisions Under the Internal Revenue Code of 1986

Section 170.—Charitable, etc., Contributions and Gifts

26 CFR 1.170A-6: Charitable contributions in trust.

During calendar year 1996, if a taxpayer transfers property to a new pooled income fund that has been in existence for less than 3 taxable years, what deemed rate of return is used to value the remainder interest? See Rev. Rul. 96-1, below.

Section 642.—Special Rules for Credits and Deductions

26 CFR 1.642(c)-6: Valuation of a remainder interest in property transferred to a pooled income fund. (Also §§ 170, 2055, 2522, 7520; 1.170A-6, 20.2055-2, 25.2522(c)-3, 1.7520-1, 20.7520-1, 25.7520-1.)

Valuation of a remainder interest in property transferred to a new pooled income fund under section 642(c)(5). The deemed rate of return computed under section 7520 of the Code is provided for transfers in calendar year 1996 to new pooled income funds that have been in existence for less than 3 taxable years.

Rev. Rul. 96-1

This revenue ruling lists the calendar year 1996 deemed rate of return computed under § 7520 of the Internal Revenue Code for pooled income funds (PIFs) described in § 642(c)(5) that have been in existence for less than 3 years immediately preceding the 1996 taxable year in which a transfer is made to the PIF.

Under § 7520, the value of annuities, interests for life or terms of years, and remainder or reversionary interests created after April 30, 1989, are determined by using (1) the interest rate (rounded to the nearest 2/10ths of 1 percent) equal to 120 percent of the applicable federal midterm rate under § 1274(d)(1) for the month in which the valuation date falls, and (2) life contingencies in mortality tables prescribed in the regulations.

Section 1.642(c)-6(e)(2) of the Income Tax Regulations provides that the present value of an income interest in property transferred to a PIF is computed on the basis of life contingencies

prescribed under § 20.2031-7(d)(6) of the Estate Tax Regulations and an interest rate equal to the highest yearly rate of return of the PIF for the 3 taxable years immediately preceding the taxable year in which the transfer to the PIF is made. A deemed rate of return must be used for any transfer to a new PIF until the PIF has been in existence for 3 taxable years and can compute its highest rate of return for the 3 taxable years immediately preceding the taxable year in which the transfer to the PIF is made. See § 1.642(c)-6(e)(2)(ii).

If a transfer is made to a new PIF after April 30, 1989, the deemed rate of return is the interest rate (rounded to the nearest 2/10ths of 1 percent) that is 1 percent less than the highest annual average of the monthly § 7520 rates for the 3 calendar years immediately preceding the calendar year in which the transfer to the PIF is made. See § 1.642(c)-6(e)(3).

The deemed rate of return for transfers to a new PIF during taxable year 1996 is 7.2 percent.

The following Table lists the rate for transfers to new PIFs in 1996 and the rates for transfers to new PIFs in each of the past 7 calendar years.

Rev. Rul. 96-1 Table	
Deemed Rates of Return for Transfers to New Pooled Income Funds	
<i>Time of Transfer</i>	<i>Deemed Rate of Return</i>
1989 (Jan.-Apr.)	9.0
1989 (May-Dec.)	9.4
1990	9.8
1991	9.8
1992	9.8
1993	9.4
1994	8.4
1995	6.8
1996	7.2

DRAFTING INFORMATION

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Section 2055.—Transfers for Public, Charitable, and Religious Uses

26 CFR 20.2055-2: Transfers not exclusively for charitable purposes.

During calendar year 1996, if a taxpayer transfers property to a new pooled income fund that has been in existence for less than 3 taxable years, what deemed rate of return is used to value the remainder interest? See Rev. Rul. 96-1, this page.

Section 2522.—Charitable and Similar Gifts

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

During calendar year 1996, if a taxpayer transfers property to a new pooled income fund that has been in existence for less than 3 taxable years, what deemed rate of return is used to value the remainder interest? See Rev. Rul. 96-1, this page.

Section 7520.—Valuation Tables

26 CFR 1.7520-1: Valuation of annuities, unitrust interests, interests for life or terms of years, and remainder or reversionary interests.

During calendar year 1996, if a taxpayer transfers property to a new pooled income fund that has been in existence for less than 3 taxable years, what deemed rate of return is used to value the remainder interest? See Rev. Rul. 96-1, this page.

26 CFR 20.7520-1: Valuation of annuities, unitrust interests, interests for life or term of years, and remainder or reversionary interests.

During calendar year 1996, if a taxpayer transfers property to a new pooled income fund that has been in existence for less than 3 taxable years, what deemed rate of return is used to value the remainder interest? See Rev. Rul. 96-1, this page.

26 CFR 25.7520-1: Valuation of annuities, unitrust interests, interests for life or term of years, and remainder or reversionary interests.

During calendar year 1996, if a taxpayer transfers property to a new pooled income fund that has been in existence for less than 3 taxable years, what deemed rate of return is used to value the remainder interest? See Rev. Rul. 96-1, this page.