

Instructions for REV-1514 Schedule K

Life Estate, Annuity & Term Certain

REV-1514 EX (02-15)

GENERAL INFORMATION

PURPOSE OF SCHEDULE

Use REV-1514 Schedule K to report all presently vested life estates, annuities and terms certain created by the decedent for which valuations must be actuarially determined.

FORM INSTRUCTIONS

Estate of

Enter the complete name of the estate as shown on REV-1500, Pennsylvania Inheritance Tax Return.

File Number

Enter the file number of the estate assigned by the Register of Wills as shown on REV-1500, Pennsylvania Inheritance Tax Return.

GENERAL INSTRUCTIONS

Life Estate Interest Calculation

The asset(s) subject to the annuity or life estate calculation must be included in the asset schedules (A through G) at the full date of death value.

The description of the trust, property interest or other arrangement to be valued must include the name, date of birth, and age of each beneficiary to enable the Department of Revenue to readily identify the property interest to be valued with reference to the governing instrument.

Annuity Interest Calculation

If the interest to be valued is the right to receive the income or annuity for a term certain rather than the life of a person, include the number of years. If the decedent, by testamentary

disposition or inter-vivos transfer did not allow for the disposition of assets outright at the time of death but allowed for their limited distribution to a beneficiary for the duration of the beneficiary's life or allowed for disposition over a specific term of years, it is a taxable transfer.

TIP Do not use this schedule if the beneficiary has elected a 5 percent or \$5,000 option or if the surviving spouse plans to invade the principal of the trust.

For decedents dying on or after Dec. 13, 1982, the valuation methods are the same as described in U.S. Treasury Department regulations. The actuarial tables used for dates of death on or after May 1, 1989, can be found in IRS Publication 1457, Actuarial Tables.

The actuarial tables used for dates of death on or after May 1, 2000, can be found in IRS Publication 1457, Actuarial Tables, Aleph and Beth Volumes. The present value of an annuity or life estate which is dependent on the continuation or termination of the life of only one person or the present value of an annuity or income interest which is payable for a term certain will be determined using tables which incorporate an interest rate equal to 120 percent of the federal midterm annual rate in effect for the month in which the date of death occurred. For purposes of the computation, the age of the life tenant used is his or her age on the birthday nearest to the date of death.

The Department of Revenue will provide single life estate factors by telephone free of charge.

For any other type of calculation a fee is applied for private letter valuations that involve an actuarial calculation. This fee is similar to that charged by the Internal Revenue Service for private letter rulings which involve an actuarial calculation, and is a result of the increase in requests due to rate changes in the 1995 amendments to the PA Inheritance and Estate Tax Act. The fee must be paid by a certified form of payment prior to the issuance of the valuation. Acceptable forms of payment are a money order, bank draft, or certified check made payable to the PA Department of Revenue. Personal or business account checks will not be accepted.

The department should be contacted at least three weeks in advance of the date needed to request a written valuation. The calculation and written valuation will be mailed to the estate representative. To speak to a Trust Valuation Specialist call 717-787-8327. Requests should be mailed to:

PA DEPARTMENT OF REVENUE
INHERITANCE TAX DIVISION
SPECIALTY TAX UNIT
PO BOX 280601
HARRISBURG, PA 17128-0601

The request must be accompanied by a statement including the dates of birth of each person, the duration of whose life may affect the value of the interest, and copies of the relevant instruments. For charitable remainder unitrusts and pooled income funds, the factor to calculate the interest of a beneficiary is calculated in accordance with the methods described in U.S. Treasury Department regulations.