

GIFT OF A PERSONAL RESIDENCE TO A QUALIFIED PERSONAL RESIDENCE TRUST (QPRT) FOR THE BENEFIT OF THE OWNER'S CHILDREN, FOR A TERM OF YEARS: ESTATE TAX STRATEGY, RULES AND RECOMMENDATIONS

The Qualified Personal Residence Trust (“QPRT”) is a valuable estate tax planning strategy, briefly summarized below. This method enables the Grantor to gift the owner’s personal residence (“Home”), to an Irrevocable Nongrantor Trust (“Trust”), established by the Grantor for the benefit of the Grantor’s children, and thereby lawfully avoid paying the applicable estate tax upon the Grantor’s subsequent death. The gift is made to the Trust at a substantially discounted value, retaining a “term interest” in the Home (“Term”) for the Grantor to live in the Home for a specified number of years (IRC § 2702). The Grantor gifts the Home to their Trust at a fraction of the cost, reserving the right to live in the Home, rent-free, for a specified Term. There are substantial technical requirements to make the QPRT fully compliant with the Internal Revenue Code and a detailed analysis is beyond the scope of this discussion (see Treasury Regulation 25.2702.5(c).)

For more information, please contact:

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