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A life income interest is the present value of the future income stream promised to a life income gift beneficiary, such as the income beneficiary of a gift annuity or charitable remainder unitrust.

A charity's remainder value in a planned gift that provides income to individuals is determined by computing the present value of the life income interest of the individuals and then subtracting the result from the funding amount of the gift. This difference equals the charity's remainder interest in the gift and therefore becomes the deduction available to the donor, subject to certain reduction rules and limitations.

The life income interest also determines: 1) the gift tax implications of a gift, and 2) the charitable deduction available to an income beneficiary who reassigns his or her income interest in a gift to charity. For example, if a father funds a charitable remainder unitrust that makes payments to himself first and then to his children after he dies, the life income interest of the children represents a taxable gift from the father to the children. Likewise, if his daughter decides she does not need the income and reassigns to the charity her right to the income, she earns a charitable deduction equal to her life income interest in the unitrust.

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