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The valuation rate is the interest rate used to determine the charitable deduction available for gifts to a pooled income fund in a particular year.

Pooled income funds that are three or more taxable years old

A pooled income fund with three or more taxable years of experience looks to its own investment results to determine its valuation rate. Its valuation rate equals the fund's highest yearly rate of return during the three calendar years prior to the year of the gift. If the fund's yearly rates of return for the prior three years were 3.5%, 4.2%, and 4.0%, for example, the fund's valuation rate for the current year would be 4.2%. The higher the valuation rate, the lower the available deduction will be.

The computation of a pooled income fund's yearly rate of return for purposes of determining the fund's valuation rate is complicated, but amounts to an adjusted annual yield rate.

Pooled income funds that are less than three taxable years old

The IRS mandates the valuation rate for a fund with less than three taxable years of experience, a so-called "young" fund. The valuation rate for young funds equals the highest of the average monthly discount rates over the previous three calendar years, minus 1.0% and rounded to the nearest 0.2%.

The average monthly discount rates for 1996-1998, for example, were 7.50%, 7.70%, and 6.55%, respectively. The highest of these average rates was 7.70%, so the valuation rate for gifts made to young funds in 1999 is 7.70% - 1.0% rounded to the nearest 0.2%, or 6.8%.

The latest mandated rate for young funds is printed at the bottom of the IRS discount rate postcard PG Calc sends each month to each registered user.

Valuation Rates for Funds Less Than Three Years Old

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