

INHERITANCE TAX REGULATIONS

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REG-17-001 SCOPE, APPLICATION, AND VALUATIONS

001.01 Nebraska inheritance tax applies to bequests, devises, or transfers of property or any other interest in trust or otherwise having characteristics of annuities, life estates, terms for years, remainders, or ~~reversions~~ reversionary interests. Nebraska inheritance tax is computed on the fair market value of ~~such~~ annuities, life estates, terms for years, remainders, and ~~reversions~~ reversionary interests. The fair market value is the present value as determined under the provisions of the Internal Revenue Code of ~~1954~~ 1986, as amended, and its applicable regulations with respect to estate tax.

001.02 The present value of ~~the~~ annuities, life estates, terms for years, remainders, and ~~reversions~~ reversionary interests is determined under 26 C.F.R. 20.2031-7(d) ~~(1983)~~ (2008) ~~or 26 C.F.R. 25.2512-9 (1975)~~ or as subsequently revised using the appropriate interest rate in section 26 U.S.C 7520, and, if applicable, the mortality component for the valuation date of the interest that is being valued.¹

001.03 The value of ~~annuities~~ a contract for the payment of an annuity or an insurance policy on the life of a person other than the decedent, issued by ~~companies~~ a company regularly engaged in their sale, and of insurance policies on the lives of persons other than the decedent, is determined under 26 C.F.R. 20.2031-8 ~~(1975)~~ (2008) or as subsequently revised.

001.02

001.02A ~~The present value of an annuity, life estate, remainder, or reversion which is dependent upon the continuation or termination of the life of one person is computed by the use of Table A—Single Life, Unisex, Ten Percent Showing the Present Worth of an Annuity, of a Life Interest, and of a Remainder Interest, found in 26 C.F.R. 20.2031-7 (1983) or as subsequently revised.~~

001.02B ~~The present value of an annuity, term for years, remainder, or reversion dependent upon a term certain is computed by the use of Table B—Table Showing the Present Worth at Ten Percent of an Annuity for a Term Certain, of an Income Interest For a Term~~

~~Certain, and of a Remainder Interest Postponed For a Term Certain, found in 26 C.F.R. 20.2031-7 (1983) or as subsequently revised. If the interest to be valued is dependent upon more than one life or there is a term certain concurrent with one or more lives, see Reg 17-005.~~

¹ 001.02 (new) This change corrects the current references to IRC tables (in current § 1.02) that are out of date and have been for many years. County attorneys have been using current IRC present value tables for purposes of inheritance taxes for years, regardless of the outdated regulations. Therefore, there is no fiscal impact to counties and no real change made by updating this regulation.

001.04 If the interest to be valued is dependent upon the continuation or the termination of more than one life, or upon a term certain concurrent with one or more lives, a special factor must be used in determining this valuation. This factor should be computed on the basis of interest calculated at the same rate utilized by the Internal Revenue Service, compounded annually, and life contingencies determined as to each person involved.

001.05 If a special factor is required for an actual bequest, devise, or transfer and is furnished by the Commissioner of the Internal Revenue Service in accordance with Internal Revenue Service procedures, that factor may be employed for Nebraska inheritance taxation purposes.²

~~001.02C~~ 001.06 For purposes of the computations described in this ~~section~~ regulation, the age of a person is to be taken as the age of that person at his or her nearest birthday.

(Section 77-2008, R.R.S. 2009. ~~December 4, 1984~~____.)

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² 001.06 (new) This entire calculation from 001.02 through 001.05 is copied from the Code of Federal Regulations 26 C.F.R §20.2031-7A (2008). This would absorb and allow repeal of Reg-17-005.

~~REG-17-005 ACTUARIAL COMPUTATIONS~~³

~~005.01 If the interest to be valued is dependent upon the continuation or the termination of more than one life, or upon a term certain concurrent with one or more lives, a special factor must be used in determining this valuation. This factor should be computed on the basis of interest calculated at the same rate utilized by the Internal Revenue Service, compounded annually, and life contingencies determined as to each person involved. Many such special factors may be found in, or computed with the use of the tables found in United States Life Tables: 1969-71, published by the Department of Health, Education, and Welfare. This publication may be purchased from the Superintendent of Documents, United States Government Printing Office, Washington, D.C. 20404.~~

~~005.02 If a special factor is required for an actual bequest, devise, or transfer and is furnished by the Commissioner of the Internal Revenue Service in accordance with the Internal Revenue Service procedure, that factor may be employed for Nebraska inheritance taxation purposes.~~

~~(Section 77-2008, R.R.S. 1943. December 4, 1984.)~~

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³ This entire regulation would be covered by §17-001.04 & 17-005.05. Currently, these are the only two sections in the regulations, so section 1 would constitute the entire body of regulations governing the inheritance tax, if these changes are ultimately adopted.