

Internal Revenue Service

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Department of the Treasury

Washington, DC 20224

Third Party Communication: None

Date of Communication: Not Applicable

Person To Contact:

Telephone Number:

Refer Reply To:

CC:PSI:B04

PLR-109107-17

Date:

July 26, 2017

Legend

Decedent

Daughter

Grandson

Granddaughter

Property

Date 1

Date 2

Date 3

Dear :

This letter responds to your authorized representative's letter dated February 13, 2017, and subsequent correspondence, requesting a ruling that the proposed sale of an interest in a farm, that was specially valued under § 2032A of the Internal Revenue Code, is not a disposition of the property under § 2032A(c)(1)(A) that will result in imposition of the additional estate tax under that section.

The facts and representations submitted are summarized as follows:

Decedent died on Date 1. Provision 4.A. of Decedent's will provides that upon the death of Decedent's wife, or in the event that she predeceases him, Decedent devised Property to Decedent's daughter, Daughter, for her life. Upon Daughter's death, the remainder interest is to become the property of her two children, Granddaughter and Grandson. On Date 2, Decedent's wife disclaimed her interest in Property and Property was devised as though Decedent's wife predeceased him. The

federal estate tax return was timely filed, with extension, on Date 3 and the executors elected special use valuation under § 2032A to treat Property as a farm.

Grandson proposes to sell his remainder interest in half of Property to Daughter. Grandson proposes that the sale be completed before the date that is 10 years after Decedent's death.

You have asked us to rule that the transfer of Grandson's interest in Property to Daughter will not trigger the tax consequences of § 2032A(c).

Section 2032A generally provides that if certain conditions are met, the executor may elect to value qualified real property on the basis of such property's value at its current use as a farm, rather than at its fair market value based on its highest and best use.

Section 2032A(c)(1)(A) provides that if, within 10 years after the decedent's death and before the death of the qualified heir, the qualified heir disposes of any interest in qualified real property (other than by a disposition to a member of the qualified heir's family), then an additional estate tax is imposed. See Rev. Rul. 89-22, 1989-1 C.B. 276.

Section 2032A(e)(1) defines "qualified heir" with respect to any property, a member of the decedent's family who acquired such property (or to whom such property passed) from the decedent. If a qualified heir disposes of any interest in qualified real property to any member of his family, such member shall thereafter be treated as the qualified heir with respect to such interest.

Section 2032A(e)(2) defines "member of the family" with respect to any individual as only—

- (A) an ancestor of such individual
- (B) the spouse of such individual
- (C) a lineal descendant of such individual, of such individual's spouse, or of a parent of such individual, or
- (D) the spouse of any lineal descendant described in subparagraph (C).

In this situation, under § 2032A(e)(1) and § 2032A(e)(2) both Grandson and Daughter are qualified heirs of Decedent because they are lineal descendants of Decedent. Additionally, under § 2032A(e)(2), Daughter is a member of Grandson's family because Daughter is an ancestor of Grandson. Therefore, Grandson's sale of his interest in Property to Daughter, within 10 years after Decedent's death, will not be a disposition to a member of his family for purposes of § 2032A(c)(1)(A). Consequently, the sale will not be a disposition upon which an additional tax is imposed under § 2032A(c)(1)(A). See Rev. Rul. 85-66, 1985-1 C.B. 324. However, Daughter must sign and execute an amended written agreement consenting to personal liability for

additional estate tax under § 2032A(c) reflecting the changed ownership of the property. See Rev. Rul. 85-66.

We express no opinion regarding whether the property qualified for special use valuation under § 2032A.

In accordance with the Power of Attorney on file with this office, we have sent a copy of this letter to your authorized representatives.

Except as expressly provided herein, we neither express nor imply any opinion concerning the tax consequences of any aspect of any transaction or item discussed or referenced in this letter.

The rulings contained in this letter are based upon information and representations submitted by the taxpayer and accompanied by a penalty of perjury statement executed by an appropriate party. While this office has not verified any of the material submitted in support of the request for rulings, it is subject to verification on examination.

This ruling is directed only to the taxpayer requesting it. Section 6110(k)(3) provides that it may not be used or cited as precedent.

Sincerely,

Lorraine E. Gardner

Lorraine E. Gardner
Senior Counsel, Branch 4
Office of the Associate Chief Counsel
(Passthroughs and Special Industries)

Enclosures

Copy for § 6110 purposes
Copy of this letter

cc: