

made before Jan. 1, 1977, see section 2001(d)(1) of Pub. L. 94-455, set out as a note under section 2001 of this title.

EFFECTIVE DATE OF 1962 AMENDMENT

Amendment by Pub. L. 87-834 applicable to estates of decedents dying after Oct. 16, 1962, except as otherwise provided, see section 18(b) of Pub. L. 87-834, set out as a note under section 2031 of this title.

TRANSFERS MADE BY DECEDENT DURING 1977; ELECTION AVAILABLE TO EXECUTOR ON OR BEFORE DUE DATE FOR FILING ESTATE TAX RETURN

Pub. L. 96-222, title I, §107(a)(2)(F), Apr. 1, 1980, 94 Stat. 223, as amended by Pub. L. 99-514, §2, Oct. 22, 1986, 100 Stat. 2095, provided that:

“(i) If the executor elects the benefits of this subparagraph with respect to any estate, section 2035(b) of the Internal Revenue Code of 1986 [formerly I.R.C. 1954] (relating to adjustments for gifts made within 3 years of decedent’s death) shall be applied with respect to transfers made by the decedent during 1977 as if paragraph (2) of such section 2035(b) read as follows:

“(2) to any gift to a donee made during 1977 to the extent of the amount of such gift which was excludable in computing taxable gifts by reason of section 2503(b) (relating to \$3,000 annual exclusion for purposes of the gift tax) determined without regard to section 2513(a).”

“(ii) The election under clause (i) with respect to any estate shall be made on or before the later of—

“(I) the due date for filing the estate tax return,

or

“(II) the day which is 120 days after the date of the enactment of this Act [Apr. 1, 1980].”

§ 2036. Transfers with retained life estate

(a) General rule

The value of the gross estate shall include the value of all property to the extent of any interest therein of which the decedent has at any time made a transfer (except in case of a bona fide sale for an adequate and full consideration in money or money’s worth), by trust or otherwise, under which he has retained for his life or for any period not ascertainable without reference to his death or for any period which does not in fact end before his death—

(1) the possession or enjoyment of, or the right to the income from, the property, or

(2) the right, either alone or in conjunction with any person, to designate the persons who shall possess or enjoy the property or the income therefrom.

(b) Voting rights

(1) In general

For purposes of subsection (a)(1), the retention of the right to vote (directly or indirectly) shares of stock of a controlled corporation shall be considered to be a retention of the enjoyment of transferred property.

(2) Controlled corporation

For purposes of paragraph (1), a corporation shall be treated as a controlled corporation if, at any time after the transfer of the property and during the 3-year period ending on the date of the decedent’s death, the decedent owned (with the application of section 318), or had the right (either alone or in conjunction with any person) to vote, stock possessing at least 20 percent of the total combined voting power of all classes of stock.

(3) Coordination with section 2035

For purposes of applying section 2035 with respect to paragraph (1), the relinquishment or

cessation of voting rights shall be treated as a transfer of property made by the decedent.

(c) Limitation on application of general rule

This section shall not apply to a transfer made before March 4, 1931; nor to a transfer made after March 3, 1931, and before June 7, 1932, unless the property transferred would have been includable in the decedent’s gross estate by reason of the amendatory language of the joint resolution of March 3, 1931 (46 Stat. 1516).

(Aug. 16, 1954, ch. 736, 68A Stat. 382; Pub. L. 87-834, §18(a)(2)(D), Oct. 16, 1962, 76 Stat. 1052; Pub. L. 94-455, title XX, §2009(a), Oct. 4, 1976, 90 Stat. 1893; Pub. L. 95-600, title VII, §702(i)(1), (2), Nov. 6, 1978, 92 Stat. 2931; Pub. L. 100-203, title X, §10402(a), Dec. 22, 1987, 101 Stat. 1330-431; Pub. L. 100-647, title III, §3031(a)(1), (b)-(e), (g), Nov. 10, 1988, 102 Stat. 3634-3638; Pub. L. 101-508, title XI, §11601(a), Nov. 5, 1990, 104 Stat. 1388-490.)

Editorial Notes

AMENDMENTS

1990—Subsecs. (c), (d). Pub. L. 101-508 redesignated subsec. (d) as (c) and struck out former subsec. (c) which enunciated a rule that retention of retained interest would be considered to be a retention of enjoyment of transferred property if a person held a substantial interest in an enterprise, and such person in effect transferred after Dec. 17, 1987, property having a disproportionately large share of the potential appreciation in such person’s interest in the enterprise while retaining an interest in the income of, or rights in, the enterprise.

1988—Subsec. (c)(1)(B). Pub. L. 100-647, §3031(e), substituted “an interest” for “a disproportionately large share” after “whole retaining”.

Subsec. (c)(2). Pub. L. 100-647, §3031(g)(1), substituted “consideration furnished by” for “sales to” in heading, and amended text generally. Prior to amendment, text read as follows: “The exception contained in subsection (a) for a bona fide sale shall not apply to a transfer described in paragraph (1) if such transfer is to a member of the transferor’s family.”

Subsec. (c)(3)(C). Pub. L. 100-647, §3031(d), substituted “Except as provided in regulations, an” for “An”.

Subsec. (c)(4). Pub. L. 100-647, §3031(a)(1), amended par. (4) generally, substituting provisions relating to treatment of certain transfers for provisions relating to coordination with section 2035.

Subsec. (c)(5). Pub. L. 100-647, §3031(g)(2), amended par. (5) generally, substituting provisions relating to the making of appropriate adjustments in amounts included in gross estate for provisions relating to coordination with section 2043.

Subsec. (c)(6). Pub. L. 100-647, §3031(b), added par. (6).
Subsec. (c)(7), (8). Pub. L. 100-647, §3031(b)(c), added pars. (7) and (8).

1987—Subsecs. (c), (d). Pub. L. 100-203 added subsec. (c) and redesignated former subsec. (c) as (d).

1978—Subsec. (a). Pub. L. 95-600, §702(i)(2), struck out provision following par. (2) relating to the retention of voting rights in retained stock.

Subsecs. (b), (c). Pub. L. 95-600, §702(i)(1), added subsec. (b) and redesignated former subsec. (b) as (c).

1976—Subsec. (a). Pub. L. 94-455 provided that, for purposes of par. (1), the retention of voting rights in retained stock be considered to be a retention of the enjoyment of that stock.

1962—Subsec. (a). Pub. L. 87-834 struck out provisions which excepted real property situated outside of the United States.

Statutory Notes and Related Subsidiaries

EFFECTIVE DATE OF 1990 AMENDMENT

Pub. L. 101-508, title XI, §11601(c), Nov. 5, 1990, 104 Stat. 1388-491, provided that: “The amendments made

by this section [amending this section and sections 2207B and 2501 of this title] shall apply in the case of property transferred after December 17, 1987.”

EFFECTIVE DATE OF 1988 AMENDMENT

Pub. L. 100-647, title III, §3031(h), Nov. 10, 1988, 102 Stat. 3639, provided that:

“(1) IN GENERAL.—Except as provided in this subsection, any amendment made by this section [enacting section 2207B of this title and amending this section and section 2501 of this title] shall take effect as if included in the provisions of the Revenue Act of 1987 [Pub. L. 100-203, title X] to which such amendment relates.

“(2) SUBSECTION (a).—The amendments made by subsection (a) [amending this section and section 2501 of this title] shall apply in cases where the transfer referred to in section 2036(c)(1)(B) of the 1986 Code is on or after June 21, 1988.

“(3) SUBSECTION (f).—If an amount is included in the gross estate of a decedent under section 2036 of the 1986 Code other than solely by reason of section 2036(c) of the 1986 Code, the amendments made by subsection (f) [enacting section 2207B of this title] shall apply to such amount only with respect to property transferred after the date of the enactment of this Act [Nov. 10, 1988].

“(4) CORRECTION PERIOD.—If section 2036(c)(1) of the 1986 Code would (but for this paragraph) apply to any interest arising from a transaction entered into during the period beginning after December 17, 1987, and ending before January 1, 1990, such section shall not apply to such interest if—

“(A) during such period, such actions are taken as are necessary to have such section 2036(c)(1) not apply to such transaction (and any such interest), or

“(B) the original transferor and his spouse on January 1, 1990 (or, if earlier, the date of the original transferor’s death), does not hold any interest in the enterprise involved.

“(5) CLARIFICATION OF EFFECTIVE DATE.—For purposes of section 10402(b) of the Revenue Act of 1987 [Pub. L. 100-203, set out as an Effective Date of 1987 Amendment note below], with respect to property transferred on or before December 17, 1987—

“(A) any failure to exercise a right of conversion,

“(B) any failure to pay dividends, and

“(c) [sic] failures to exercise other rights specified in regulations, shall not be treated as a subsequent transfer.”

EFFECTIVE DATE OF 1987 AMENDMENT

Pub. L. 100-203, title X, §10402(b), Dec. 22, 1987, 101 Stat. 1330-432, provided that: “The amendment made by subsection (a) [amending this section] shall apply with respect to estates of decedents dying after December 31, 1987, but only in the case of property transferred after December 17, 1987.” [For clarification of this note, see section 3031(h)(5) of Pub. L. 100-647, set out as an Effective Date of 1988 Amendment note above.]

EFFECTIVE DATE OF 1978 AMENDMENT

Pub. L. 95-600, title VII, §702(i)(3), Nov. 6, 1978, 92 Stat. 2931, provided that: “The amendments made by this subsection [amending this section] shall apply to transfers made after June 22, 1976.”

EFFECTIVE DATE OF 1976 AMENDMENT

Pub. L. 94-455, title XX, §2009(e)(1), Oct. 4, 1976, 90 Stat. 1896, provided that: “The amendment made by subsection (a) [amending this section] shall apply to transfers made after June 22, 1976.”

EFFECTIVE DATE OF 1962 AMENDMENT

Amendment by Pub. L. 87-834 applicable to estates of decedents dying after Oct. 16, 1962, except as otherwise provided, see section 18(b) of Pub. L. 87-834, set out as a note under section 2031 of this title.

§ 2037. Transfers taking effect at death

(a) General rule

The value of the gross estate shall include the value of all property to the extent of any interest therein of which the decedent has at any time after September 7, 1916, made a transfer (except in case of a bona fide sale for an adequate and full consideration in money or money’s worth), by trust or otherwise, if—

(1) possession or enjoyment of the property can, through ownership of such interest, be obtained only by surviving the decedent, and

(2) the decedent has retained a reversionary interest in the property (but in the case of a transfer made before October 8, 1949, only if such reversionary interest arose by the express terms of the instrument of transfer), and the value of such reversionary interest immediately before the death of the decedent exceeds 5 percent of the value of such property.

(b) Special rules

For purposes of this section, the term “reversionary interest” includes a possibility that property transferred by the decedent—

(1) may return to him or his estate, or

(2) may be subject to a power of disposition by him,

but such term does not include a possibility that the income alone from such property may return to him or become subject to a power of disposition by him. The value of a reversionary interest immediately before the death of the decedent shall be determined (without regard to the fact of the decedent’s death) by usual methods of valuation, including the use of tables of mortality and actuarial principles, under regulations prescribed by the Secretary. In determining the value of a possibility that property may be subject to a power of disposition by the decedent, such possibility shall be valued as if it were a possibility that such property may return to the decedent or his estate. Notwithstanding the foregoing, an interest so transferred shall not be included in the decedent’s gross estate under this section if possession or enjoyment of the property could have been obtained by any beneficiary during the decedent’s life through the exercise of a general power of appointment (as defined in section 2041) which in fact was exercisable immediately before the decedent’s death.

(Aug. 16, 1954, ch. 736, 68A Stat. 382; Pub. L. 87-834, §18(a)(2)(E), Oct. 16, 1962, 76 Stat. 1052; Pub. L. 94-455, title XIX, §1906(b)(13)(A), Oct. 4, 1976, 90 Stat. 1834.)

Editorial Notes

AMENDMENTS

1976—Subsec. (b). Pub. L. 94-455 struck out “or his delegate” after “Secretary”.

1962—Subsec. (a). Pub. L. 87-834 struck out provisions which excepted real property situated outside of the United States.

Statutory Notes and Related Subsidiaries

EFFECTIVE DATE OF 1962 AMENDMENT

Amendment by Pub. L. 87-834 applicable to estates of decedents dying after Oct. 16, 1962, except as otherwise