

# Return to Medicaid page at MassHealthHELP.com



**Commonwealth of Massachusetts**  
**Executive Office of Health and Human Services**  
**Office of Medicaid**  
www.mass.gov/masshealth

## **Eligibility Operations Memo 23-12** **April 2023**

TO: MassHealth Eligibility Operations Staff

FROM: Heather Rossi, Director of Eligibility Policy

RE: **UPDATED: Calculating the Value of Life Estates and Remainder Interests**

### **Introduction**

When a MassHealth applicant, member, or their spouse owns or transfers a life estate, remainder interest or the equivalent in property under a deed, trust, or other instrument, MassHealth must calculate the value of such ownership interests. To align with federal guidelines, MassHealth is updating the methodology for calculating these interests effective immediately. This Eligibility Operations Memo supersedes EOMs [19-12](#) and [20-16](#).

### **Updated Procedure to Determine Life Estate and Remainder Interest Values**

In order to calculate the value of life estates and remainder interests, MassHealth will use the [Section 7520 Interest Rate Tables](#) referenced in the Federal Regulations, [26 CFR 20.2031-7](#). The Tables use actuarial factors to determine present values based on publications by the Internal Revenue Service (IRS). The Social Security Administration (SSA) Life Estate and Remainder Interest Table in Section SI 01140.120 of the Program Operations Manual System (POMS), referenced by the Centers for Medicare & Medicaid Services (CMS) State Medicaid Manual, also cites to the Federal Regulations, [26 CFR 20.2031-7](#).

### **Revised Procedure Steps**

1. Determine the interest rate that is applicable to the month and year the real estate was transferred or sold. The section 7520 interest rates can be found at the following links.
  - For transactions made in the current year, visit [www.irs.gov/businesses/small-businesses-self-employed/section-7520-interest-rates](http://www.irs.gov/businesses/small-businesses-self-employed/section-7520-interest-rates).
  - For transactions made in prior years, visit [www.irs.gov/businesses/small-businesses-self-employed/section-7520-interest-rates-for-prior-years](http://www.irs.gov/businesses/small-businesses-self-employed/section-7520-interest-rates-for-prior-years).
2. Once the interest rate is determined, obtain the life estate and remainder factors from the IRS tables found at [www.irs.gov/retirement-plans/actuarial-tables](http://www.irs.gov/retirement-plans/actuarial-tables). The tables used are titled “Current Tables: Actuarial Values 3A Publication 1457 (Rev.5-2009).” More information about the IRS tables and their use can be found at [www.irs.gov/pub/irs-pdf/p1457.pdf](http://www.irs.gov/pub/irs-pdf/p1457.pdf).
  - a. For single or individual ownership, use *TABLE S: One-life factors for annuities, life estates, and remainders*.

**Eligibility Operations Memo 23-12**  
**April 2023**  
**Page 2**

- i. Find the page with the interest rate for the time of the transaction that was determined in step 1.
  - ii. Find the age of the owner, who may be the applicant, member, or their spouse, on the appropriate table.
  - iii. Find the factor for the life estate or the remainder interest, depending on what value is being calculated.
- b. For ownership by two people, use *TABLE R(2) for two-life factors*. Choose the “two-life remainder factors” table that includes the section 7520 interest rate determined in step 1.
  - i. Find the ages of the two owners to determine the remainder factor.
  - ii. Find the interest rate at the time of the transaction determined in Step 1 to obtain the remainder factor.
  - iii. To calculate the life estate factor, subtract the remainder factor determined above from 1.0.
3. When the applicant, member, or their spouse has transferred an interest in real estate, multiply the appropriate life estate or remainder interest factor by the fair market value as of the date of the transfer. This figure will be used to determine the period of ineligibility if the transfer was for less than fair market value and within the lookback period.
4. When real estate in which the applicant, member, or their spouse holds a life estate is sold, multiply the appropriate life estate factor by the sale price. This figure is the value of the life estate. This is also the amount the applicant, member, or their spouse is entitled to.

### **Examples**

The following examples are for illustrative purposes and are not exhaustive.

#### **Example A**

On November 12, 2018, James transferred the remainder interest in his home to his son John and retained a life estate for himself. At the time of the transfer, James was 80 years old, and the house was valued at \$200,000.

The Section 7520 Interest rate in November 2018 was 3.6%.

Find age 80 on the IRS Actuarial Tables – Table S for one-life factors.

Life estate factor: 0.24382

Remainder factor: 0.75618

Life estate value:  $\$200,000 \times 0.24382 = \$48,764$

Remainder value:  $\$200,000 \times 0.75618 = \$151,236$

The remainder value of \$151,236 is the value of the transferred real estate. This is the figure that MassHealth will use to calculate the period of ineligibility.

**Example B**

On March 21, 2019, Bob and Barbara transferred the remainder interest in their home to Annie for less than fair market value. At the time, Bob was 84 years old and Barbara was 68 years old. At the time of the transfer, the property was valued at \$579,000.

The Section 7520 Interest Rate in March 2019 was 3.2%.

Find ages 84 and 68 on the IRS Actuarial Tables – TABLE R(2) for two-life factors.

Life estate factor: 0.38884

Remainder factor: 0.61116

Life estate calculation:  $\$579,000 \times .38884 = \$225,138.36$

Remainder value calculation:  $\$579,000 \times 0.61116 = \$353,861.64$

The remainder value of \$353,861.64 is the value of the transferred real estate. This is the figure that MassHealth will use to calculate eligibility.

**Example C**

On December 27, 2019, Sam was 72 years old and sold his home in which he held a life estate. The amount due to the seller was \$450,000. This was a fair market value transaction.

The Section 7520 Interest Rate in December 2019 was 2.0%.

Find age 72 on the IRS Actuarial Tables- Table S for one-life factors.

Life Estate Factor: 0.21838

Remainder Factor: 0.78162

Life Estate Calculation:  $\$450,000 \times 0.21838 = \$98,271$

Remainder Value Calculation:  $\$450,000 \times 0.78162 = \$351,729$

The life estate value of \$98,271 is the portion of the sale proceeds to which Sam is entitled.

**Questions**

If you receive an instrument in which the applicant, member, or spouse may hold an interest similar to a life estate such as in a trust, trust-like device, or other document, MassHealth may calculate this interest as a life estate to determine eligibility. In these instances, if necessary, additional guidance should be requested.

If you have any questions about this memo, please have your MEC designee contact the Policy Hotline.

**Return to Medicaid page at [MassHealthHELP.com](https://www.mass.gov/help/help/medicaid)**