



**Commonwealth of Massachusetts**  
**Executive Office of Health and Human Services**  
**Office of Medicaid**  
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Boston, MA 02111  
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Eligibility Operations Memo 07-18  
December 1, 2007

TO: MassHealth Eligibility Operations Staff

FROM: Russ Kulp, Director, MassHealth Operations

RE: **Calculating the Value of a Life Estate or Remainder Interest in Real Estate**

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**Introduction**

When a MassHealth applicant or member owns or transfers a life estate or remainder interest in real estate, MassHealth must calculate the value of the life estate or remainder interest in order to determine the applicant's or member's eligibility for MassHealth.

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**Revised Procedure  
To Determine  
Value**

Effective December 1, 2007, MassHealth has revised the procedure to be used to determine the life estate or remainder interest. This procedure applies to transfers subject to penalty periods, sales of a remainder interest or life estate, and the value of the interest for asset determinations. Central Processing Unit (CPU) and MassHealth Enrollment Center (MEC) staff should use the revised process for all applications and redeterminations.

MassHealth will be using the Internal Revenue Service (IRS) Table S, "Single Life Factors Based on Life Table 90 SM," in accordance with the interest rates under IRS code 7520 as of the date of the transfer or sale.

**Revised Procedure**

1. Determine the interest rate that is applicable for the month and year the real estate was transferred or sold. The interest rate can be found in Tiger Tables (an actuarial rate Web site) for IRS code 7520 at [www.tigertables.com/7520.htm](http://www.tigertables.com/7520.htm).
2. Once you have determined the interest rate, go to [www.unclefed.com/IRS-Forms/2001/p1457.pdf](http://www.unclefed.com/IRS-Forms/2001/p1457.pdf). You must have Adobe Acrobat to read this 880-page document. Scroll through the introductory pages until you reach page 1, which is the beginning of Table S.

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**Revised Procedure  
To Determine  
Value  
(cont.)**

3. The heading on page 1 is "Table S (2.2)." The number in parentheses represents the interest rate. Scroll through the pages until you reach the page of Table S for the interest rate you determined in step 1.
  4. Once you are at the correct Table S page, find the applicant's age at the time of transfer or sale. Look across for the factor for the life estate or remainder interest, depending upon what you are valuing.
  5. When the applicant 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 transfer. This is the figure to be used to determine the period of ineligibility.
  6. When real estate in which the applicant or member holds a life estate is being sold, multiply the appropriate life estate factor by the sale price. This figure is the value of the applicant's life estate, and the amount he or she should receive from the proceeds of the sale or the amount that will be attributed to the applicant or member.
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**Examples**

The following examples are for illustrative purposes only.

**Example A**

In June of 2005, an applicant transferred his real estate to his children and retained a life estate. The tax-assessed value of the property in June 2005 was \$250,000.00 and the applicant was 75 years old at that time.

The Tiger Tables Web site shows the interest rate in June 2005 was 4.8%, and Table S (4.8), on page 14, shows that the factor for a remainder interest for a 75-year-old person is .62575.

The calculation is as follows.

$$\begin{array}{r} \$250,000.00 \\ \times \quad .62575 \\ \hline \$156,437.50 \end{array}$$

\$156, 437.50 is the value of the transferred real estate and the figure that should be used to calculate the period of ineligibility (penalty period).

**Example B**

A MassHealth member owns a life estate in real estate and, in August 2007, the real estate is sold for \$300,000.00. The member is 80 years old.

The Tiger Tables Web site shows the interest rate in August 2007 was 6.2%. Table S (6.2), on page 21, shows the life estate factor for an 80-year-old person is .36418.

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**Examples**  
(cont.)

The calculation is as follows.

$$\begin{array}{r} \$300,000.00 \\ \times \quad .36418 \\ \hline \$109,254.00 \end{array}$$

\$109,254.00 is the portion of the sales proceeds to which the member is entitled.

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**Questions**

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

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