decedent's death is $56,000 ($58,000, fair market value of the property immediately after the decedent's death, reduced by $2,000, deductions for depreciation allowed prior to the decedent's death).

Example 2. The decedent creates a trust to pay the income to A for life, remainder to B or his estate. The trust instrument provides that if the decedent should survive A, the income shall be paid to the decedent for life. The decedent predeceases A and the present value of the remainder interest is included in the decedent's gross estate for estate tax purposes. The property transferred consists of an apartment building with a basis of $110,000 at the time of the transfer. Following the creation of the trust and during the balance of the decedent's life, deductions for depreciation were allowed on the property in the amount of $10,000. At the time of decedent's death the value of the entire property is $150,000, and the value of the remainder interest is $100,000. Accordingly, the uniform basis of the property in the hands of the trustee, the life tenant, and the remainderman, as adjusted under section 1014(b)(9), is $126,666, computed as follows:

Uniform basis prior to decedent's death	$100,000
plus	
Increase in uniform basis—before reduction (determined by the following formula)	33,333
[Increase in uniform basis (to be determined)/ $50,000 (total appreciation of property since time of transfer)]=	
[$100,000 (value of property included in gross estate)/$150,000 (value of entire property)]	
less	133,333
Deductions allowed prior to decedent's death— taken into account under section 1014(b)(9) (determined by the following formula)	6,667
[Prior deductions taken into account (to be determined) $10,000 (total deductions allowed prior to decedent's death)]=	
[$100,000 (value of property included in gross estate) $150,000 (value of entire property)]	
Uniform basis under section 1014	126,666

[T.D. 6500, 25 FR 11910, Nov. 26, 1960, as amended by T.D. 6712, 29 FR 3656, Mar. 24, 1964; T.D. 7142, 36 FR 18952, Sept. 24, 1971]

§ 1.1014–7 Example applying rules of §§ 1.1014–4 through 1.1014–6 to case involving multiple interests.

(a) On January 1, 1950, the decedent creates a trust to pay the income to A for life, remainder to B or his estate. The trust instrument provides that if the decedent should survive A, the income shall be paid to the decedent for life. The decedent, who died on January 1, 1955, predeceases A, so that, due to the operation of the estate tax, only the present value of the remainder interest is included in the decedent's gross estate. The trust consists of an apartment building with a basis of $30,000 at the time of transfer. Under the trust instrument the trustee is required to maintain a reserve for depreciation. During the decedent's lifetime depreciation is allowed in the amount of $800 annually. At the time of the decedent's death the value of the apartment building is $45,000. A, the life tenant, is 43 years of age at the time of the decedent's death. Immediately after the decedent's death, the uniform basis of the entire property under section 1014(a) is $32,027; A's basis for the life interest is $15,553; and B's basis for the remainder interest is $16,474, computed as follows:

Step 1. Uniform basis (adjusted) immediately prior to decedent's death:		
Basis at time of transfer	$30,000	
less		
Depreciation allowed under section 1016 before decedent's death ($800 × 5)	4,000	
		26,000
Step 2. Value of property included in decedent's gross estate:		
0.40180 (remainder factor, age 43) ×$45,000 (value of entire property)		$18,081
Step 3. Uniform basis of property under section 1014(a), before reduction required by section 1014(b)(9):		
Uniform basis (adjusted) prior to decedent's death		26,000
Increase in uniform basis (determined by the following formula)		7,634
Increase in uniform basis (to be determined) $19,000 (total appreciation, $45,000 − $26,000]=		
$18,081 (value of property included in gross estate) $45,000 (value of entire property)]		
		33,634
Step 4. Uniform basis reduced as required by section 1014(b)(9) for deductions allowed prior to death:		
Uniform basis before reduction		$33,634
less		
Deductions allowed prior to decedent's death—taken into account under section 1014(b)(9) (determined by the following formula)		1,607
Prior deductions taken into account (to be determined) $4,000 (total deductions allowed prior to decedent's death)]=		
$18,081 (value of property included in gross estate) $45,000 (value of entire property)		
		32,027
Step 5. A's basis for the life interest at the time of the decedent's death, determined under section 1015: 0.59820 (life factor, age 43) × $26,000		15,553
Step 6. B's basis for the remainder interest, determined under section 1014(a): Basis prior to the decedent's death:		
0.40180 (remainder factor, age 43) × $26,000		10,447
plus		
Increase in uniform basis owing to decedent's death:		
Increase in uniform basis	$7,634	

<table>
<tr><td>plus
Reduction required by section
1014(b)(9) ....</td><td>1,607</td></tr>
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	6,027
	16,474

(b) Assume the same facts as in paragraph (a) of this section. Assume further, that following the decedent's death depreciation is allowed in the amount of $1,000 annually. As of January 1, 1964, when A's age is 52, the adjusted uniform basis of the entire property is $23,027; A's basis for the life interest is $9,323; and B's basis for the remainder interest is $13,704, computed as follows:

Step 7. Uniform basis (adjusted) as of January 1, 1964:

Uniform basis determined under section 1014(a), reduced as required by section 1014(b)(9)	$32,027
less	
Depreciation allowed since decedent's death ($1,000 × 9)	9,000
	23,027

Step 8. Allocable share of adjustment for depreciation allowable in the nine years since the decedent's death:

A's interest	
0.49587 (life factor, age 52) ×$7,200 ($800, depreciation attributable to uniform basis before increase under section 1014(a), ×9)	3,570
B's interest	
0.50413 (remainder factor, age 52) ×$7,200 ($800, depreciation attributable to uniform basis before increase under section 1014(a), ×9)	3,630
plus	
$200 (annual depreciation attributable to increase in uniform basis under section 1014(a)) ×9	1,800
	5,430

Step 9. Tentative bases of A's and B's interests as of January 1, 1964 (before adjustment for depreciation).

A's interest	
0.49587 (life factor, age 52) ×$26,000 (adjusted uniform basis immediately before decedent's death)	12,893
B's interest	
0.50413 (remainder factor, age 52) ×$26,000 (adjusted uniform basis immediately before decedent's death)	13,107
plus	
Increase in uniform basis owing to inclusion of remainder in decedent's gross estate	6,027
	19,134

Step 10. Bases of A's and B's interests as of January 1, 1964.

A	
Tentative basis (Step 9)	12,893
less	
Allocable depreciation (Step 8)	3,570
	9,323
B	
Tentative basis (Step 9)	19,134

less	
Allocable depreciation (Step 8)	5,430
	13,704

§ 1.1014–8 Bequest, devise, or inheritance of a remainder interest.

(a)(1) Where property is transferred for life, with remainder in fee, and the remainderman dies before the life tenant, no adjustment is made to the uniform basis of the property on the death of the remainderman (see paragraph (a) of §1.1014–4). However, the basis of the remainderman's heir, legatee, or devisee for the remainder interest is determined by adding to (or subtracting from) the part of the adjusted uniform basis assigned to the remainder interest (determined in accordance with the principles set forth in §§1.1014–4 through 1.1014–6) the difference between—

(i) The value of the remainder interest included in the remainderman's estate, and

(ii) The basis of the remainder interest immediately prior to the remainderman's death.

(2) The basis of any property distributed to the heir, legatee, or devisee upon termination of a trust (or legal life estate) or at any other time (unless included in the gross income of the legatee or devisee) shall be determined by adding to (or subtracting from) the adjusted uniform basis of the property thus distributed the difference between—

(i) The value of the remainder interest in the property included in the remainderman's estate, and

(ii) The basis of the remainder interest in the property immediately prior to the remainderman's death.

(b) The provisions of paragraph (a) of this section are illustrated by the following examples:

Example 1. Assume that, under the will of a decedent, property consisting of common stock with a value of $1,000 at the time of the decedent's death is transferred in trust, to pay the income to A for life, remainder to B or to B's estate. B predeceases A and bequeaths the remainder interest to C. Assume that B dies on January 1, 1956, and that the value of the stock originally transferred is $1,600 at B's death. A's age at that time is 37. The value of the remainder interest included in B's estate is $547 (0.34185, remainder factor age 37, ×$1,600), and hence $547 is C's basis for