



## WHAT IS A QUALIFIED PERSONAL RESIDENCE TRUST (QPRT)?

A Qualified Personal Residence Trust is a tax-efficient means of transferring a personal residence to your intended beneficiaries. The concept of a QPRT is relatively simple: the owner of the personal residence transfers it to a trust but retains the right to live rent-free in the residence for a specified number of years. In order to be successful, the original owner must survive the specified number of years. If the original owner is alive at the end of that period, ownership of the residence is transferred to the beneficiaries (or a trust for their benefit) and the value of the residence is removed from the estate of the original owner. At that time, the original owner can rent the property from the beneficiaries (or trust) if he or she wishes to continue to use the residence.

The primary tax advantage of the QPRT comes from the way in which the value of the residence is calculated for gift tax purposes. The value of the gift is not the full value of the residence on the date of the gift, but rather the present value of the beneficiaries' right to receive the residence only after the specified number of years. Generally, no matter how a QPRT is structured to reduce the value of the gift, the gift will still be substantial. With the impending sunset of the 2017 Tax Act, QPRTs may be an appropriate vehicle for people who are looking to use their available exemption before it disappears but do not wish to give away other income-producing assets.