

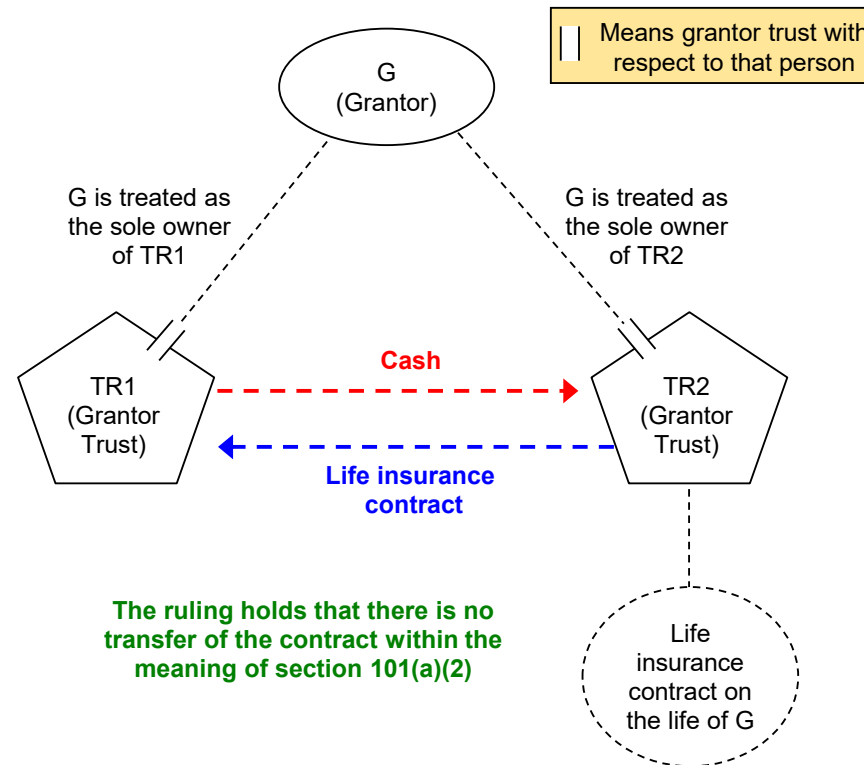
Rev. Rul. 2007-13,  
Situation 1

**Sale of Life Insurance Contract  
Between Two Grantor Trusts**

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TR1 and TR2 are grantor trusts, both of which are treated as wholly owned by G under subpart E of Part I of subchapter J of the Internal Revenue Code. TR2 owns a life insurance contract upon the life of G. TR2 transfers the life insurance contract to TR1 in exchange for cash.

Section 101(a)(2) provides, generally, that if a life insurance contract, or any interest therein, is transferred for a valuable consideration, the exclusion from gross income provided by section 101(a)(1) shall not exceed an amount equal to the sum of the actual value of the consideration and the premiums and other amounts subsequently paid by the transferee.



In Situation 1, because G is treated as the owner of both TR1 and TR2 for federal income tax purposes, G is treated as the owner of all the assets of both trusts, including both the life insurance contract and the cash received for it, both before and after the exchange. Accordingly, there has been no transfer of the contract within the meaning of section 101(a)(2).