

MAINE STATE LEGISLATURE

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September 18, 1968

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SUBJECT: Inheritance Tax Status of an Assigned Life Insurance Policy

SYLLABUS:

WHERE A DECEDENT PURCHASED A LIFE INSURANCE POLICY UPON HIS LIFE AND MORE THAN TWO YEARS PRIOR TO HIS DEATH ASSIGNED THE POLICY TO THE NAMED BENEFICIARY, NEITHER THE PROCEEDS OF THE POLICY NOR PREMIUMS PAID BY DECEDENT WITHIN TWO YEARS OF DEATH ARE SUBJECT TO INHERITANCE TAX.

FACTS:

On November 14, 1958, the decedent was issued a life insurance policy on his life. The decedent's son was designated as beneficiary. In 1960 the decedent executed an assignment of the policy to his son. Until his death in 1966 the decedent paid the premiums on the policy annually.

QUESTION:

Are any part of the insurance proceeds or premiums paid on this policy subject to State inheritance tax?

ANSWER:

No.

REASONS:

Proceeds of life insurance policies upon the life of a decedent payable to a named beneficiary are not subject to the State inheritance tax. 36 M.R.S.A. §3461 sub II; 18 M.R.S.A. §853.

The fact that the decedent paid the premiums during the period two years before his death does not change this result nor does it require that a percentage of the premiums be subject to the State inheritance tax. The contemplation of death provisions of 36 M.R.S.A. §3461 sub. I B and 36 M.R.S.A. §3470 were not designed to include this type situation where the assignment was made more than two years before death.

Note is taken of Rev. Rul. 67-463.