

RESOURCES

LIFE ESTATES

of the A/R's Medicaid eligibility. If the A/R sells the life estate interest for less than fair market value, the uncompensated value of the life estate interest is the amount transferred for purposes of the Medicaid transfer-of-assets rule.

If an A/R possessing a life estate rents the property, any net rental income received is counted in determining eligibility. Unless the instrument creating the life estate indicates otherwise, it is assumed the life estate holder pays taxes and maintenance on the property. These costs can be deducted from the rental income. If the life estate holder does not pay any taxes or maintenance, a gross rental figure is used.

When an A/R or the A/R's spouse transfers assets to purchase a life estate interest in property owned by another individual on or after February 8, 2006, the purchase is to be treated as a transfer of assets for less than fair market value unless the purchaser resides in the home for at least a continuous period of one year after the date of purchase. (See **RESOURCES: TRANSFER OF ASSETS: ALL CATEGORIES** for additional information.)