Does gift taxation of a life insurance policy that insures more than one life differ from taxation of a policy that insures a single life?

Basically, no. However, application of the rules may depend on when proceeds are payable. With a “first-to-die” or “joint life” policy, proceeds are payable at the death of the first insured to die. With a “second-to-die,” “survivorship,” or “joint and survivor” policy, proceeds are payable at the death of the last survivor.

Thus, with a “first-to-die” policy, a policy owner who is not the insured may be treated as making a gift to beneficiaries when an insured dies. Also, with a “second-to-die” policy, at the second death, a policy owner who is not the insured may be treated as making a gift to beneficiaries.

**Planning Point: Second-to-die policies generally are viewed as providing low-cost premiums for gift tax purposes; conversely, first-to-die premiums generally appear high compared to premiums to insure one life.**