



HS-330^{Q&As}

Fundamentals of Estate Planning Test

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QUESTION 1

When the owner of a closely held business dies, the payment of a portion of the federal estate tax may be deferred for a period of several years if the estate otherwise qualifies under the provisions of IRC Section 6166. Which of the following statements concerning this deferral of federal estate tax is correct?

- A. To qualify for the tax deferral, the closely held business must represent more than 50 percent of the value of the decedent's adjusted gross estate.
- B. Under certain circumstances, the estate will forfeit its right to tax deferral, and all the remaining unpaid estate tax will become due and payable immediately.
- C. The interest on the unpaid estate tax is payable over the first 10 years, after which the tax plus interest on the balance is payable in equal installments for the last 5 years.
- D. The interest rate on the deferred tax is determined by the prime rate in effect on the date of death.

Correct Answer: B

QUESTION 2

Which of the following statements concerning the gift or estate tax charitable deduction is (are) correct?

1.

A donor is denied a charitable deduction for property that passes to a qualified charity as the result of a qualified disclaimer if the donor original transfer was to a noncharitable donee.

2.

A decedent-spouse estate may obtain both marital and charitable deductions for interests contributed to a charitable remainder trust when the surviving spouse is the only noncharitable income beneficiary for life.

- A. Both 1 and 2
- B. 1 only
- C. 2 only
- D. Neither 1 nor 2

Correct Answer: C

QUESTION 3

Harry, Barry, and Carrie incorporated their business, HBC and received 150 shares of stock each. They entered into a cross-purchase buy-sell agreement at this time. The agreement binds their estates to sell their shares of stock to the surviving shareholders. Each shareholder also agrees to purchase one-half of the shares held by the estate of the deceased shareholder. Assume Barry dies sometime later. Which of the following statements concerning this arrangement is (are) correct?



1.

When the agreement is carried out, HBC will have 300 shares of stock outstanding.

2.

Barry's estate will have additional liquidity to meet expenses and distribution requirements.

A. 2 only

B. Both 1 and 2

C. 1 only

D. Neither 1 nor 2

Correct Answer: A

QUESTION 4

All the following statements concerning a federal estate tax deduction for a bequest or gift to a qualified charity are correct EXCEPT:

A. A life insurance policy that was assigned to a charity as a gift less than 3 years prior to the insured's death qualifies for a charitable deduction.

B. The amount of a charitable deduction is reduced by any taxes and administrative expenses chargeable against the bequest.

C. The amount of a charitable deduction may not exceed 50 percent of a decedent's adjusted gross estate.

D. An estate may deduct the value of the remainder interest in a charitable remainder trust.

Correct Answer: C

QUESTION 5

All the following transfers are subject to the generation-skipping transfer tax (GSTT) EXCEPT:

A. A direct cash payment of \$28,000 from a grandparent to a private prep school to cover the tuition costs for her grandchild.

B. A distribution to a grandchild from a sprinkle trust created by a grandparent to benefit both skip and non-skip beneficiaries.

C. A termination of a trust at the death of the nonskip life income beneficiary with the remainder distributed solely to skip persons.

D. A direct cash gift of \$50,000 from a grandparent to his grandchild if such grandchild's parents are still alive.

Correct Answer: A



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