HS-330 Q&As

Fundamentals of Estate Planning Test

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QUESTION 1

Which of the following statements concerning the taxation of estates and trusts is (are) correct?

1.

They are taxed similarly to partnership entities.

2.

They are taxed on distributable net income (DNI) that is retained.

A. 1 only

B. Both 1 and 2

C. Neither 1 nor 2

D. 2 only

Correct Answer: D

QUESTION 2

Which of the following statements concerning marital transfers to a non-U.S. citizen spouse is (are) correct?

1.

A marital deduction is automatically available as long as property is transferred outright to the non-citizen spouse.

2.

A marital deduction is automatically available if the transferor-decedent spouse is a U. S. citizen.

A. 2 only

B. 1 only

C. Neither 1 nor 2

D. Both 1 and 2

Correct Answer: C

QUESTION 3

Ignoring the annual per-donee exclusion, which of the following transfers is a gift for federal gift tax purposes?

A. A creditor cancels the promissory note of a recently unemployed friend as a charitable gesture.

B. A father promises to buy his daughter a condominium when she finishes college.

C. A grandmother pays her grandson\\'s $30,000 tuition at an Ivy League university.

D. An individual gratuitously performs valuable services for the benefit of a close friend.

Correct Answer: A

QUESTION 4

On the advice of their attorney and accountant, Betsy and John have decided to make substantial transfers. They would like to pass most of their considerable wealth to their grandchildren. Which of the following statements concerning gifts made to their grandchildren is correct?

A. Betsy and John may elect to split any GSTT transfers to the grandchildren.

B. The value of Betsy and John\\'s GSTT exemption amounts are slightly increased when used at death rather than during lifetime.

C. The GSTT annual exclusion may be utilized by Betsy and John for each grandchild during lifetime and at death.

D. The GSTT annual exclusion is unavailable for years in which Betsy and John make tuition gifts for the grandchildren.

Correct Answer: A

QUESTION 5

If a grantor establishes an irrevocable trust, the income of the trust will be taxed to the grantor if it is used to pay premiums for life insurance on the life of

A. the father of the grantor

B. a child of the grantor

C. the spouse of the grantor

D. a grandchild of the grantor

Correct Answer: C