HS-330[Q&As]

Fundamentals of Estate Planning Test

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QUESTION 1

Which of the following statements concerning the valuation of intangible personal property in the gross estate of a decedent is correct?

A. If there were no trades of a listed common stock on the date of the stockholder\\'s death, the stock\\'s value is based on its average daily price for the previous month prior to the shareholder\\'s death.

B. Certain U.S. Treasury bonds that are used to pay federal estate taxes at par are valued at their market price on the date of death of the owner.

C. When a minority stockholder in a closely held corporation dies, his stock is valued on the basis of the "blockage" rule.

D. Valuing closely held stock requires the consideration of several factors outlined by IRS rulings.

Correct Answer: D

QUESTION 2

All the following statements concerning lifetime gifts are correct EXCEPT:

A. The amount of gift tax paid within 3 years of death is included in the gross estate.

B. If a wealthy widower lives more than 3 years after making a taxable gift to his sister, the value of the gift has no effect on his federal estate tax liability.

C. A substantial amount of property may be given away over a period of time without the imposition of the federal gift tax because of the annual exclusion.

D. Gifts of life insurance within 3 years of death are included in the donor-insured\\'s gross estate.

Correct Answer: B

QUESTION 3

A father plans to create a trust for the benefit of his 22-year-old son and wishes to take advantage of the gift tax annual exclusion. He has named a bank as trustee. Which of the following trust provisions would cause the gifts to be ineligible to qualify for the gift tax annual exclusion?

1.

The trust income is to be paid to the son or accumulated at the discretion of the trustee.

2.

The income is to be accumulated until the son reaches age 32 when all accumulated income and principal are to be distributed to him.

A. 2 only

B. 1 only

C. Neither 1 nor 2

D. Both 1 and 2

Correct Answer: D

QUESTION 4

Alan, a widower, is a retired executive with substantial assets. He wishes to provide for the financial security of his two grandchildren since their father, Alan\\'s son, has always managed money poorly. This year Alan would like each grandchild to receive a substantial gift. Which of the following statements concerning the generation-skipping transfer tax (GSTT) on these gifts is (are) correct?

-Federal estate or gift tax will not be imposed if the gift is otherwise subject to the GSTT.

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Assuming no prior gifts, Alan can gift a cumulative total of (not including the annual exclusion) $1.5 million to his grandchildren without the imposition of the GSTT.

A.

2 only

B.

Neither 1 nor 2

C.

Both 1 and 2

D.

1 only

Correct Answer: A

QUESTION 5

All the following are grounds for contesting a will EXCEPT:

A. The testator executed a later valid will.

B. The instrument is a forgery.

C. The widow was bequeathed less than her intestate share.

D. The testator did not have testamentary capacity.

Correct Answer: C