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COURSE INFORMATION

Course Title: *Estate Planning: Tax Strategies #491121-2*

Number of continuing education credit hours recommended for this course:

CFP®: **12.5** (All States)
CFP Board sponsor number: 1008.

CPA: **20** (Accepted in all States)
In accordance with the standards of the CFP Board, the National Registry of CPE Sponsors, and the IRS, CPE credits have been granted based on a 50-minute hour.

National Registry of CPE Sponsors ID Number: 107615.

Sponsor numbers for states requiring sponsor registration:
- Florida Division of Certified Public Accountancy: 4761 (Ethics #11467)
- Hawaii Board of Public Accountancy: 14003
- New York State Board of Accountancy (for ethics): 002146
- Ohio State Board of Accountancy: M0021
- Pennsylvania Board of Accountancy: PX 178025
- Texas State Board of Accountancy: 009349

EA/OTRP: 20 (All States) IRS: Qualified Sponsor number: *FWKKO*.

CLU, ChFC: 12.5 (Professional Recertification)

Course Description

This exceptional course surveys wills, living trusts, gifts, marital property, and probate avoidance. Will and trust forms are explored along with living wills, durable powers of attorney, and nominations of conservator. Designed to eliminate estate problems and death taxes, the emphasis is on practical solutions that are cost-effective.

Course Content

Publication/Revision Date: 7/6/2021.
Author: Danny Santucci, J.D.
Final exam (online): One-hundred twenty questions (multiple-choice).

See page XV for the Table of Contents for the course.

Program Delivery Method: Self-Study (NASBA QAS Self-Study/Interactive)

Subject Codes/Field of Study:

CPA, CFP Board of Standards, Inc.; "D" Taxes.
EA, OTRP: Federal Tax Law.
NAPFA: Taxes

Course Level, Prerequisites, and Advance Preparation Requirements:

Program Level: CFP Board: Intermediate; NASBA/CPA, IRS: Overview.
This program is appropriate for professionals at all organizational levels.
Prerequisites: Basic familiarity with federal taxation
Advance Preparation: None

Instructions for Taking This Course

- **Log in to your secure account at www.bhfe.com. Go to "My Account."**
- **You must complete this course within one year** of purchase (If the course is "Expired," contact us and we will add the latest edition of the course to your account (no charge).
- **To retain the course-PDF after completion (for future reference) and to enable enhanced navigation:** From "My Account," Download and save the course-PDF to your computer. This will enable the search function (Menu: Edit>Find) and bookmarks (icon on left side of document window).
- **Complete the course by** following the learning objectives listed for the course, studying the text, and, if included, studying the review questions at the end of each major section (or at the end of the course).
- **Once you have completed studying the course** and you are confident that the learning objectives have been met, answer the final exam questions (online).

Instructions for Taking the Online Exam

- **Log in to your secure account at www.bhfe.com. Go to "My Account."**
- A passing grade of at least **70%** is required on the exam for this course.
- You will have three attempts to pass the exam (call or email us after three unsuccessful attempts for instructions).
- The exam is not timed, and it does not need to be completed in one session.
- For a printed copy of the exam questions, open the exam and press "Print Exam."
- Once you pass the exam, the results (correct/incorrect answers) and certificate of completion appear in "My Account." A confirmation email is also sent.
- CFP Board and IRS credit hours, if applicable, are reported on Tuesdays and at the end of the month.

Have a question? Call us at 800-588-7039 or email us at contact@bhfe.com.

LEARNING ASSIGNMENTS & OBJECTIVES

As a result of studying each assignment, you should be able to meet the objectives listed below each assignment.

ASSIGNMENT	SUBJECT
Chapter 1	**Estate Planning**

At the start of Chapter 1, participants should identify the following topics for study:

* Build, preserve, & distribute
* Legal documents
* Estate planning team
* Estate administration
* Transfers within probate
* Transfers outside probate
* Transfers using a trust
* Special planning tools
* Facts

Learning Objectives

After reading Chapter 1, participants will be able to:

1. Identify basic estate planning elements recognizing the importance of well-drafted legal documents and specify the key team participants including their roles in the estate planning process.

2. Determine the major steps in the probate process, identify ways to make transfers outside the probate system including the use of a trust, specify estate tax techniques that save death taxes while retaining maximum control, and identify estate-planning facts.

After studying the materials in this chapter, answer the exam questions 1 to 6.

ASSIGNMENT	SUBJECT
Chapter 2	**Estate & Gift Taxes**

At the start of Chapter 2, participants should identify the following topics for study:

* Taxable estate
* IRS valuation
* Estate tax return & payment
* Tax basis for estate assets
* Generation-skipping transfer tax
* Application of gift taxes and valuation

* Gift tax annual exclusion
* Gift tax marital and charitable deductions
* Gift tax advantages and disadvantages
* Shifting income & gain

Learning Objectives

After reading Chapter 2, participants will be able to:

1. Identify potential death taxes including federal estate tax as it applies to various size estates, specify the principal taxes that impact death taxation, and determine the expiration of the death tax credit.

2. Determine what constitutes a taxable estate under §2501 specifying what assets are included in a gross estate using basic categories of property and transfers.

3. Specify estate deductions allowed under federal estate tax law stating their tax advantages and disadvantages.

4. Determine the value of a decedent's assets using permitted elections, recognize the use of Form 706 to pay any estate tax due, select the tax basis of estate assets stating how common transactions affect property basis under §1014.

5. Recall the advantages of gift planning including estate reduction recognizing the impact of the GST, specify the steps to compute gift tax identifying the gift tax exclusion amount, and determine the value of gifts including those that are split.

6. Identify the various gift tax exclusions, specify the tax treatment of below-market loans, recall the gift tax marital deduction requirements, determine the tax consequences of giving various assets specifying factors to consider when gifting, and recognize the use of Form 709 to compute and pay federal gift tax.

After studying the materials in this chapter, answer the exam questions 7 to 26.

ASSIGNMENT	**SUBJECT**
Chapter 3	**Wills & Probate**

At the start of Chapter 3, participants should identify the following topics for study:

* Provisions of wills
* Requirements of wills
* Executors and guardians
* Types of wills
* Title implications
* Changes to a will
* Advantages of a will
* Simple will
* Probate pros and cons

* Probate avoidance

Learning Objectives

After reading Chapter 3, participants will be able to:

1. Specify types of wills citing the functions a will can perform, identify types of bequests, determine the duties of executors and guardians, and recall ways to hold title and their tax ramifications.

2. Identify advantages of a properly drafted will, determine the distribution flow of simple wills, and specify the pros and cons of probate proceedings.

After studying the materials in this chapter, answer exam questions 27 to 32.

ASSIGNMENT	**SUBJECT**
Chapter 4	**Trusts**

At the start of Chapter 4, participants should identify the following topics for study:

* Purpose of trusts
* Common elements of trusts
* Types of trusts
* Living trusts
* Income tax & trusts
* Gift tax & trusts
* Estate tax & trusts
* Identification, recital, & property transfer clauses
* Income and principal & revocation and amendment clauses
* Trustee & trust termination clauses

Learning Objectives

After reading Chapter 4, participants will be able to:

1. Identify the relationship of parties in a trust, reasons to establish a trust, and types of trusts specifying their estate planning function.

2. Specify recommended living trust provisions, identify the application of gift and income tax including the use of a grantor trust and an unlimited marital deduction, and determine what constitutes an "A-B" and "A-B-C" trust format.

After studying the materials in this chapter, answer the exam questions 33 to 42.

ASSIGNMENT	**SUBJECT**
Chapter 5	**Entities & Title**

At the start of Chapter 5, participants should identify the following topics for study:

* Individual ownership & sole proprietorships
* Corporations
* Trusts & co-tenancies

* Co-tenancy taxation, percentage interests, & partition
* Partnership taxation & recapitalization
* Family partnerships
* Limited liability companies
* Retirement plans
* Custodianship
* Estate

Learning Objectives

After reading Chapter 5, participants will be able to:

1. Identify tax and legal title formats naming differences among these entity formats by:

a. Specifying the advantages and disadvantages of holding property individually and through a sole proprietorship or a corporation stating how to avoid associated title pitfalls;

b. Selecting primary groups of C corporations specifying the estate-planning problems associated with each; and

c. Recalling advantages that partnerships can have over corporations.

2. Determine S corporation rules stating tax advantages and disadvantages and also specify disadvantages and advantages of incorporating a farm.

3. Identify title holding benefits of trusts, co-tenancy, partnerships, and limited liability companies and the tax characteristics of each.

4. Specify types of retirement plans used to provide lifetime benefits to a business owner and to employees, identify how title can be held on behalf of minors and the tax treatment of custodianships, and recall the tax treatment of a probate estate.

After studying the materials in this chapter, answer the exam questions 43 to 50.

ASSIGNMENT	**SUBJECT**
Chapter 6	**Life Insurance, Annuities & Buy-sell Agreements**

At the start of Chapter 6, participants should identify the following topics for study:

* Types of life insurance
* Life insurance trusts
* Deferred annuities
* Private annuities
* Buy-sell agreements
* Purchase price & terms
* Community property
* Professional corporations
* S corporations

* Sole shareholder planning

Learning Objectives

After reading Chapter 6, participants will be able to:

1. Specify persons in which rights are placed by life insurance and reasons to purchase life insurance.

2. Identify the tax treatment of life insurance proceeds by:

a. Determining the treatment of premiums for personally owned life insurance and related benefits and specifying exceptions to this treatment including the transfer for value rule;

b. Select variables that influence whether life insurance is taxable for federal estate tax purposes; and

c. Recalling the gift tax associated with the transfer of life insurance policies.

3. Specify the pros and cons of various types of life insurance policies to guide clients in choosing a suitable policy.

4. Identify reasons for establishing an irrevocable life insurance trust to achieve estate tax planning advantage, specify considerations in establishing life insurance trusts, and determine the differences between deferred and private annuities.

5. Determine what constitutes an entity purchase agreement and a cross-purchase agreement recognizing tax and legal advantages.

After studying the materials in this chapter, answer the exam questions 51 to 64.

ASSIGNMENT	**SUBJECT**
Chapter 7	**Special Business Issues**

At the start of Chapter 7, participants should identify the following topics for study:

* Business valuation of tangible & intangible assets & goodwill
* Business valuation of qualified family-owned businesses
* Business valuation of land subject to a conservation easement
* Business valuation discounts
* Redemptions
* Buy-sell agreements
* Death of spouse
* Stock redemptions
* Stock recapitalization
* Deferred compensation agreements

Learning Objectives

After reading Chapter 7, participants will be able to:

1. Identify reasons why a business interest must be valued in an estate that is subject to federal estate tax, specify factors used to determine the net value of a business under the regulations, and recall the valuation factors in R.R. 59-60 specifying their impact.

2. Determine how tangible assets are normally valued identifying those assets whose valuation is based on values other than book value, and specify the steps in R.R. 68-609's valuation formula for intangible assets specifying the effect such amount can have on the total value of a business.

3. Identify special business valuation issues including redemptions under §303 by:

a. Determining what constituted the now repealed qualified family-owned business estate tax deduction;

b. Recalling the terms of the election that allows clients to exclude from their taxable estate 40% of the value of land subject to a qualified conservation easement;

c. Determining the value of a minority stock interest and fractional interests in order to obtain applicable valuation discounts, and

d. Citing the §303 exception to the dividend treatment of redemptions stating qualifications.

4. Determine the tax consequences in leaving an estate to a surviving spouse, specify the elements of buy-sell agreements, stock redemptions, and stock recapitalizations in order to dispose of business interests before death, and identify deferred compensation agreements recognizing their estate planning impact.

After studying the materials in this chapter, answer the exam questions 65 to 73.

ASSIGNMENT	**SUBJECT**
Chapter 8	**Estate Tax Freeze Rules**

At the start of Chapter 8, participants should identify the following topics for study:

* Application of estate tax freeze rules
* Corporations, partnerships & exceptions
* Qualified payment exception to zero value rule
* Minimum valuation of a junior interest
* Capital contributions, redemptions, & recapitalizations
* Attribution rules
* Transfers of interests in trust
* Term interests & joint purchases
* Buy-sell agreements & options
* Lapsing rights & restrictions

Learning Objectives

After reading Chapter 8, participants will be able to:

1. Determine the benefits of an estate freeze and its ability to reduce the value of a business interest, identify transactions to which Chapter 14 rules apply and terminology used in the Chapter 14 valuation rule that applies to corporations and partnerships, and specify exceptions to §2701.

2. Identify the "zero value" rule under §2701 by:

a. Recalling the qualified payment exception and the consequence of being excepted;

b. Specifying variables that impact the application of §2701 stating how to avoid taxable events when valuing a distribution right;

c. Determining the transfer tax when a taxpayer fails to make a qualified payment on time identifying the appropriate election into or out of qualified payment treatment; and

d. Specifying a junior equity interest according to §2701 rules and determining the value of other rights held together with an extraordinary payment right.

3. Determine the application of §2701 provisions by:

a. Recalling the treatment of a capital contribution, a redemption, or a recapitalization under §2701;

b. Identifying when an individual is deemed the owner of an interest that is held indirectly through a corporation, partnership, trust, or other entity based on the §2701 attribution rules;

c. Specifying when transfer tax adjustments will be made to transfers or inclusions in the gross estate;

d. Identifying the split of an applicable retained interest allowing value to be given to a participating feature of a participating preferred interest; and

e. Specifying the stepped computation under the subtraction method to determine an amount of a gift resulting from a transfer to which §2701 applies.

4. Recall the terms used in §2702 concerning transfers of interests in trust, identify the application of the zero value rule to a transfer of interest in trust, and specify exceptions to §2702, determine the transfer of an interest in property when there are one or more term interests as a transfer of an interest in a trust, and specify the treatment of joint purchases.

5. Recognize the requirements and exceptions of §2703 to ensure property is valued appropriately, identify lapses as a transfer by gift or as includible in the decedent's gross estate under §2704, recall the key terminology of §2704 under the evaluation rules, specify the amount of the transfer stating which lapses or restrictions qualify as an applicable restriction.

After studying the materials in this chapter, answer the exam questions 74 to 91.

ASSIGNMENT **SUBJECT**

Chapter 9 **Elderly & Disabled Planning**

At the start of Chapter 9, participants should identify the following topics for study:

* Managing the estate
* Medicare
* Medicaid & countable assets
* Medicaid & non-countable assets
* Medicaid & inaccessible assets
* Private insurance
* Healthcare decisions
* Supplemental security income
* Income & assets
* Disability benefits

Learning Objectives

After reading Chapter 9, participants will be able to:

1. Recall estate management techniques for the elderly and disabled by:

a. Identifying joint tenancy and the benefits and drawbacks of using such a method for asset management;

b. Specifying levels of conservatorship that can influence management and protection of an estate and/or personal care and disadvantages of this tool; and

c. Determining what constitutes a durable power recognizing advantages of establishing a revocable living trust as a way to manage assets in an estate.

2. Cite the eldercare benefits of Medicare, Medicaid, and Supplemental Security Income, identify disadvantages of the Medicaid program stating how to divide income into asset groups, specify the dangers and benefits of gifting to family members, including how individuals might use private insurance for catastrophic illness.

3. Identify tools that can allow patients to refuse treatment even when incompetent, determine Supplemental Security Income specifying how it relates to elderly and disability planning, and specify the requirements that must be met in order to receive disability benefits.

After studying the materials in this chapter, answer the exam questions 92 to 101.

ASSIGNMENT **SUBJECT**

Chapter 10 **Post-mortem Planning & Tax Return Requirements**

At the start of Chapter 10, participants should identify the following topics for study:

* After death planning
* Federal returns

* Decedent's estate tax
* Preparation of Form 706
* Estate income tax return
* Filing requirements of decedent's final income tax return
* Included income
* Exemptions & deductions
* Filing the gift tax return
* Special applications & traps of the gift tax return

Learning Objectives

After reading Chapter 10, participants will be able to:

1. Determine post-mortem estate planning action in the face of funeral and administrative expenses using elections and disclaimers.

2. Cite the due dates of post-mortem federal forms, specify the filing requirements of a decedent's estate tax return, and identify exceptions to the general rule of estate tax payment.

3. Determine the processes and procedures necessary in the preparation and filing of Form 706.

4. Identify the filing requirements for estate income tax and decedent's final income tax returns by:

a. Determining the estate income tax under available tax accounting methods and tax years; and

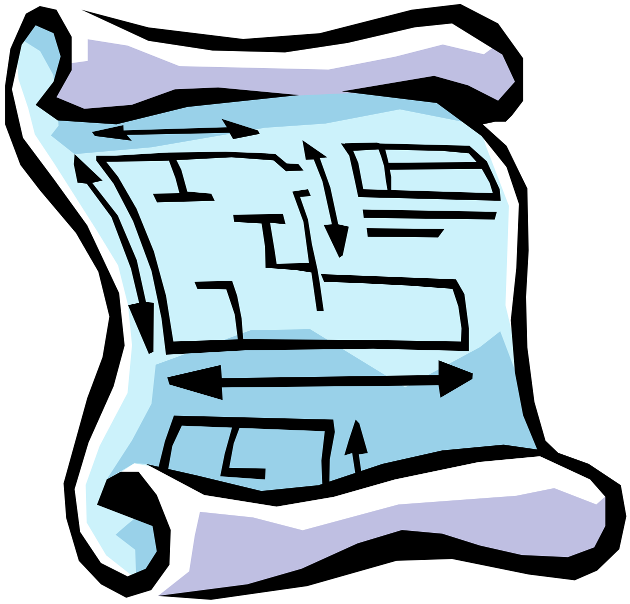
b. Specify the use of Form 1310 for a decedent or a joint return for a decedent and his or her surviving spouse.

5. Determine total income to be included on the decedent's final income tax return using available exemptions or deductions.

6. Identify how to avoid penalties when filing a gift tax return, recognize gift splitting to reduce gift taxes, and recall special gift applications and traps stating ways to avoid their tax consequences.

After studying the materials in this chapter, answer the exam questions 102 to 120.

Notice



Estate Planning: Tax Strategies

By
Danny C. Santucci

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—-From a Declaration of Principles jointly adopted by a committee of the American Bar Association and a Committee of Publishers and Associations.

Preamble

"A Snapshot in Time"

To the amazement of many estate planning professionals, for most of 2010, the United States had no federal estate tax or generation-skipping transfer tax. A "modified carryover basis" regime was implemented to generally deny a step-up in the basis of appreciated assets at death. The federal gift tax remained in place with a $1 million exemption and a 35% maximum rate. However, this situation did not last.

On December 16, 2010, the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 ("TRUIRJCA") was passed by Congress, and later signed by the President on December 17, 2010. TRUIRJCA reinstated the estate and generation-skipping transfer taxes effective for decedents dying and transfers made after December 31, 2009. The estate tax applicable exclusion amount was $5 million in 2011 under TRUIRJCA and was indexed for inflation for decedents dying in calendar years after 2011, and the maximum estate tax rate was 35 percent. For gifts made in 2010, the applicable exclusion amount for gift tax purposes was $1 million, and the gift tax rate was 35%. For gifts made after December 31, 2010, the gift tax was reunified with the estate tax, with the same applicable exclusion amount and the top estate and gift tax rate was 35%. However, in the case of a decedent who died during 2010, TRUIRJCA allowed the executor of such decedent's estate to elect to apply the Internal Revenue Code as if the new estate tax and basis step-up rules had not been enacted.

In 2013, the American Tax Relief Act ("ATRA") permanently increased the top estate, gift, and GST rate from 35% to 40% for transfers over the applicable exemption (or exclusion) amount. ATRA kept the exemption at $5,000,000 as indexed for inflation since 2011. The TCJA doubled the exemption and it was inflation adjusted to $11,700,000 for 2021.

Planning for these and other changes is still unsettled. As a result, the student is warned that my observations, comments, and the following text are preliminary and will undoubtedly be refined later.

Good Luck!

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