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Course Information

Course Title: *Estate Planning: Tax Strategies #491115*

CFP Board Course ID# 195430

Number of continuing education credit hours recommended for this course:

CFP®: 12 (All States)

CFP Board sponsor number: 1008.

CPA: 20 (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: 002146

Ohio State Board of Accountancy: M0021

Texas State Board of Accountancy: 009349

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

CLU, ChFC/PACE Recertification: 20

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.

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

Course Content

Publication/Revision Date: 4/2/2015.

Author: Danny Santucci, J.D.

Final exam (online): One-hundred twenty questions (multiple-choice).

Instructions for taking this course

In order to receive CPE credit for this course, you must complete the course within one year of the date of purchase. This includes achieving a passing grade of at least 70% on the final exam. The exam may be retaken at no charge if not passed in the first attempt.

Complete the course by following the learning assignments and objectives listed below and studying the review questions after each major section in the text. Once you have completed each learning assignment and you are confident that the learning objectives have been met, answer the final exam questions (online).

Instructions for Taking the Final Exam Online

- Login to your account online at www.bhfe.com.
- Go to "My Account" and view your courses.
- Select "Take Exam" for this course and follow instructions.

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
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Chapter 1	Estate Planning
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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 noting the importance of well-drafted legal documents and specify the key team participants including their roles in 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 noting 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 noting their tax advantages and disadvantages.
4. Determine the value of a decedent's assets using permitted elections, recognize the use of the Form 706 to pay any estate tax due, select the tax basis of estate assets noting how common transactions affect property basis under §1014.
5. Recall the advantages of gift planning including estate reduction noting 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 noting factors to consider when gifting, and recognize the use of the 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 noting 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 the 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 noting 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 noting the differences among these entity formats by:
 - a. Specifying the advantages and disadvantages of holding property individually and through a sole proprietorship or a corporation noting how to avoid associated title pitfalls;
 - b. Selecting primary groups of C corporations noting the estate-planning problems associated with each; and
 - c. Recalling advantages that partnerships can have over corporations.

2. Determine S corporation rules noting 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 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 establish-

ing 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 noting 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 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 noting 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 noting 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 noting 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 noting 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 noting 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 noting the election into or out of qualified payment treatment when appropriate; 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 is 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 noting 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
- * Health care 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 noting 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 noting 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 noting 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 the 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:

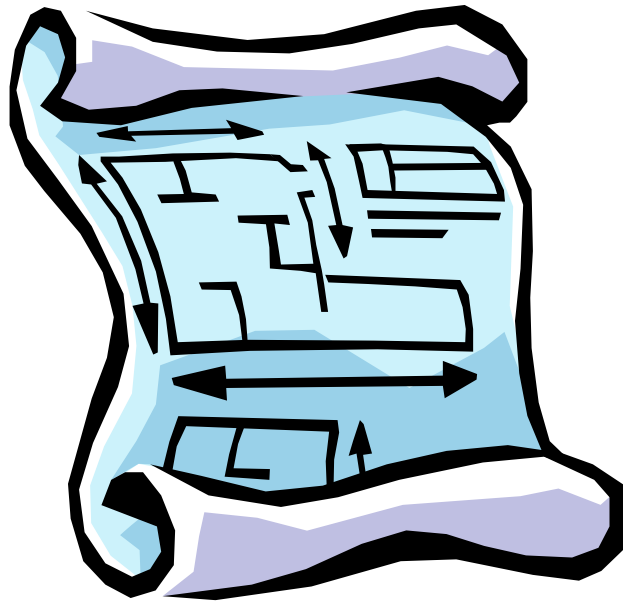
1. Determine post-mortem estate planning action in the face of funeral and administrative expenses using elections and disclaimers.
2. Cite the due dates of post-mortem federal forms, specify the filing requirements of a decedent's estate tax return, and identify exceptions to the general rule of estate tax payment.

3. Determine the processes and procedures necessary in preparation and filing of the 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 noting ways to avoid their tax consequences.

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

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Estate Planning Tax Strategies

By

Danny C. Santucci

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Danny Santucci

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.

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!

TABLE OF CONTENTS

CHAPTER 1 ESTATE PLANNING.....1-1

Build, Preserve & Distribute	1-2
Legal Documents.....	1-3
Estate Planning Team.....	1-4
Attorney	1-5
Accountant.....	1-5
Insurance Agents	1-6
Financial Planner	1-6
Estate Administration.....	1-6
Probate Court.....	1-6
Executor.....	1-7
Internal Revenue Service (IRS).....	1-9
Trustee	1-9
Family Members.....	1-9
Things to Be Done When Death Occurs.....	1-9
Estate Planning Techniques & Devices.....	1-10
Transfers within Probate.....	1-10
Disposition of Property without a Will.....	1-10
Disposition of Property with a Will.....	1-11
Transfers Outside Probate.....	1-11
Joint Tenancy with Right of Survivorship.....	1-12
Tenancy in Common	1-12
Retirement Plan & Individual Retirement Accounts	1-12
Life Insurance.....	1-12
Gifts	1-12
Payable on Death Accounts (POD)	1-13
Transfers Using a Trust	1-13
Special Planning Tools	1-13
Spending.....	1-14
Annual Gift Tax Exclusion.....	1-14
Applicable Exclusion Amount.....	1-16
Spousal Portability of Unused Exemption Amount.....	1-16
2010 Special Election	1-17
Unlimited Marital Deduction.....	1-17
Family Business Deduction - Expired.....	1-17
Installment Payment of Estate Taxes - §6166	1-18
Private Annuities	1-18
Regs Restrict Private Annuity Tax Benefits	1-18
Installment Sale to Family Member	1-18
Self-Canceling Installment Notes	1-19
Irrevocable Life Insurance Trust	1-19
Special Valuation of Farms and Businesses - §2032A.....	1-21
Crummey Trusts.....	1-21
Charitable Remainder Trusts.....	1-21
Minor Trusts	1-22

Family Limited Partnerships	1-22
Grantor Retained Income Trusts.....	1-22
Qualified Personal Residence Trusts (QPRTs).....	1-23
Grantor Retained Annuity Trusts (GRATs).....	1-23
Grantor Retained Unitrusts (GRUTs)	1-23
Buy-Sell Agreements.....	1-23
Estate Planning Facts	1-23
Family.....	1-24
Property	1-24
Domicile	1-24
Objectives.....	1-24
Existing Estate Plan.....	1-25
CHAPTER 2 ESTATE & GIFT TAXES	2-1
Federal Estate Tax.....	2-2
Changing Legislative Landscape.....	2-2
Spousal Portability - §2010(c)(2)	2-3
Persons Subject to Federal Estate Tax.....	2-4
Applicable Exclusion Amount, Basic Computation & Rates	2-4
Progressive or Flat Rate.....	2-4
2010 Special Election.....	2-7
State Inheritance Tax	2-7
State Death Tax Credit Turns into Deduction – §2011 & 2058	2-7
Taxable Estate - §2051	2-9
Gross Estate - §2031.....	2-9
Owned Property - §2033.....	2-11
Interests Terminating At Death - Life Estates & Joint Tenancies	2-11
Interests Created After Death	2-12
Remainder Interests.....	2-12
Dower & Curtsey - §2034.....	2-13
Community Property Comparison.....	2-13
Gifts within Three Years of Death - §2035.....	2-13
Transfers from Revocable Trusts	2-14
Retained Life Interest - §2036	2-14
Retained Voting Rights	2-15
Lifetime Transfers With Reversionary Interests - §2037.....	2-15
Revocable Transfers - §2038	2-16
Annuities - §2039	2-17
Joint Interests - §2040.....	2-18
Qualified Joint Interests Between Spouses - §2040(b).....	2-18
Powers of Appointment - §2041	2-19
Ascertainable Standard - The Safe Harbor Limitation	2-19
5/5 Power.....	2-20
Life Insurance - §2042.....	2-21
Incidents of Ownership.....	2-23
Community Property Issue	2-23
Deductions from Gross Estate	2-25
Estate Expenses & Claims - §2053.....	2-27
Inclusion of Administrative Expenses on Non Probate Assets.....	2-27
Casualty & Theft Losses during Administration - §2054	2-27
Charitable Transfers - §2055 (§170 & §2522).....	2-27

Immediate Contributions	2-28
Split Interest Contributions.....	2-28
Charitable Remainder Trusts.....	2-30
Charitable Lead Trusts	2-38
Insurance Related Contributions	2-38
Unlimited Marital Deduction - §2056.....	2-38
Requirements.....	2-38
Net Value Rule	2-39
Non-Citizen Spouse.....	2-39
Qualified Domestic Trust.....	2-41
Gifts to Non-Citizen Spouses.....	2-43
Valuation	2-45
IRS Valuation Explanation - §7517.....	2-45
Alternative Valuation - §2032	2-46
Special Valuation - §2032A	2-46
Estate Tax Return & Payment - §6018	2-46
Installment Payment of Federal Estate Taxes - §6166.....	2-47
Computation	2-47
Eligibility & Court Supervision.....	2-47
Closely Held Business	2-48
Acceleration of Payment.....	2-48
Flower Bonds	2-49
Tax Basis for Estate Assets - §1014	2-49
Community Property Cost Basis	2-49
Basis of Property Under the 2010 Special Election.....	2-50
Property to Which the Modified Carryover Basis Rules Apply.....	2-50
Limited Basis Increase for Certain Property.....	2-51
GST Tax - §2601	2-52
Predeceased Parent Exception	2-53
Exemption	2-54
Allocation	2-54
Retroactive Allocation.....	2-56
Gift Taxes - §2501 to §2524.....	2-58
Gift Tax Computation.....	2-58
Calculation Steps	2-59
Applicable Exclusion.....	2-59
Application	2-59
Entity Rule.....	2-60
Valuation	2-60
Real Property	2-60
Stocks & Bonds	2-60
Annuities, Life Estates, Terms for Years, Remainders, & Reversions	2-61
Split Gifts - §2513	2-61
Community Property States.....	2-61
Annual Exclusion	2-61
Per Donee/Per Year	2-62
Gifts in Excess of the Annual Exclusion	2-63
No Gift Tax	2-63
Gifts within 3 Years of Death.....	2-63
Uniform Gifts to Minors Act.....	2-63
Exception for Minor's Trusts - §2503(b) & (c).....	2-64

Medical & Tuition Exclusion - §2503(e).....	2-67
Qualifying Transfers.....	2-67
Interest-Free or Below-Market Loans.....	2-67
Gift Tax Marital Deduction	2-67
Nondeductible Terminable Interests.....	2-68
Gift Tax Charitable Deduction	2-68
Partial Interests	2-69
Selecting Gift Property	2-70
Gift Advantages.....	2-71
Gift Disadvantages	2-71
Gift Tax Returns	2-72
Includibility of Gifts in the Estate.....	2-72
Shifting Income & Gain	2-74
Gifts before Sale	2-74
Transfers into Trust Prior to Sale.....	2-74
Installment Obligations	2-74
Transfer to Obligor at Death.....	2-75
Income in Respect of a Decedent.....	2-76
Reporting of Foreign Gifts - §6039(f)	2-76

CHAPTER 3 WILLS & PROBATE.....3-1

What Is A Will?.....	3-1
Provisions & Requirements	3-1
Specific & General Bequests.....	3-2
Residual Bequests.....	3-2
Conditional Bequests.....	3-2
Executor	3-3
Guardian	3-3
Types of Wills	3-3
Title Implications.....	3-4
Individual	3-5
Joint Tenancy	3-5
Tenants in Common	3-7
Tenants by the Entirety.....	3-8
Community Property	3-8
Tax Basis Advantage	3-8
Untitled Assets	3-9
Changes to a Will	3-9
Advantages of a Will.....	3-10
Intestate Succession.....	3-10
Periodic Review.....	3-11
Continuing Business Operations.....	3-12
Simple Will	3-12
Probate.....	3-13
Advantages	3-15
Disadvantages.....	3-15
Probate Avoidance.....	3-16
Joint Tenancy	3-16
Community Property	3-16
Totten Trust Accounts	3-18
Life Insurance & Employee Benefits	3-18

Living Trusts	3-18
CHAPTER 4 TRUSTS	4-1
What is a Trust?.....	4-1
Why a Trust?	4-1
Types of Trusts.....	4-3
Common Elements	4-3
Revocable Trust.....	4-3
Irrevocable Trusts.....	4-4
Testamentary Trust.....	4-4
Foreign Trusts - §679	4-5
Family Trusts.....	4-5
Medicaid Trust.....	4-5
Living Trust	4-5
Reversion.....	4-6
Advantages of a Living Trust	4-6
Disadvantages.....	4-6
Priority.....	4-6
Pour-Over Will	4-7
Trust Taxation	4-7
Income Tax	4-7
Grantor Trusts - §671 to §678	4-7
Grantor Retained Income Trust	4-9
Revocable Trusts Included in Estate - §646 & §2652(b)(1).....	4-10
Election for Income Tax Purposes.....	4-10
Irrevocable Trust Taxation	4-11
Throwback Rules	4-12
Capital Gains	4-12
Deduction of Estate Planning Expenses	4-12
Deductibility of Death Expenses	4-13
Gift Tax	4-13
Estate Tax	4-13
Unlimited Marital Deduction.....	4-14
Outright to Spouse	4-14
Marital Deduction Trust.....	4-14
Qualified Terminable Interest Property (QTIP) Trust	4-14
“A-B” Format	4-16
“A-B-C” (QTIP) Format.....	4-19
Valuation & Tax Basis	4-19
Alternate Valuation	4-21
Fundamental Provisions - Revocable Living Trust	4-23
Identification Clause.....	4-23
Recital Clause.....	4-23
Property Transfer Clause	4-23
Income & Principal Clause.....	4-24
Revocation & Amendment Clause	4-24
Trustee Clause	4-24
Trustee’s Acceptance.....	4-24
Choice of a Trustee.....	4-24
Factors for Corporate Trustees	4-25
Factors for Individual Trustees.....	4-25

Trust Termination Clause	4-26
CHAPTER 5 ENTITIES & TITLE	5-1
Basic Entity Formats	5-1
Individual & Sole Proprietorship	5-2
Marital Property	5-3
Timing & Domicile.....	5-3
Corporate	5-3
Categories of C Corporations	5-4
Personal Holding Company - §541.....	5-4
Attribution Rules	5-4
Penalty Tax.....	5-4
Regular C Corporation.....	5-5
No Pass Through	5-5
Getting Money Out of the C Corporation.....	5-6
Passive Loss Restrictions	5-8
Partnership vs. Corporation.....	5-10
Personal Service Corporation - §269A	5-11
S Corporation - §1361	5-11
Minors as Shareholders.....	5-12
Bequests & Estate Ownership.....	5-12
Trusts as Shareholders	5-13
S Corporation Assets	5-16
Built-In Gains Tax - §1374.....	5-16
Incorporation of a Farm.....	5-17
Land Partnership Advantage.....	5-18
Leasebacks.....	5-19
Trusts	5-19
Title Holding	5-20
Business Trusts.....	5-20
Co-Tenancy	5-20
Taxation.....	5-21
Percentage Interests	5-21
Partition	5-22
Partnership	5-24
Partnership Taxation.....	5-24
Allocation of Income & Deduction.....	5-24
Partnership Recapitalization	5-25
Two Class Format.....	5-25
Valuation	5-25
Guaranteed Payment	5-25
Control & Management.....	5-26
Estate Issues	5-26
Family Partnerships	5-27
Estate Savings.....	5-27
Income Tax Savings	5-27
Family Partnership Requirements.....	5-27
Recognizing a Partner.....	5-28
Control	5-28
Transferability.....	5-29
Donee as a Partner	5-29

Trusts as Partners.....	5-30
Minor as a Partner	5-30
Purchased Interests	5-31
Capital Interest in the Partnership	5-31
Capital as a Material Income-Producing Item	5-32
Source of Capital.....	5-32
Family Partnerships Not Within §704(e).....	5-32
Real Estate Family Partnerships	5-32
Business Family Partnerships	5-33
Structuring the Family Partnership.....	5-33
Limited Liability Company	5-34
Outside Basis & Debt Share Advantage	5-35
Substantial Economic Effect Rules.....	5-35
Discharge of Indebtedness Income	5-36
Suggested Uses.....	5-36
Professional Firms	5-36
Joint Ventures	5-36
Substitute for Family Limited Partnership.....	5-36
Retirement Plan	5-37
Employer Costs	5-37
Profit Sharing Plan	5-40
Money Purchase Pension Plan.....	5-40
Defined Benefit Pension Plan.....	5-40
Custodianship	5-40
Estate	5-41

CHAPTER 6 LIFE INSURANCE, ANNUITIES & BUY-SELL

AGREEMENTS.....6-1

Purpose.....	6-1
Tax Overview.....	6-3
Income Tax.....	6-3
Transfer for Value Rule.....	6-3
Employee Death Benefit - §101(b) (Repealed)	6-4
Premiums.....	6-4
Lifetime Benefits	6-4
Section 72	6-5
Estate Taxes - §2042 & §2035(a)	6-6
Ownership	6-6
Gift Taxes	6-7
Community Property Gift Danger	6-7
Types of Life Insurance.....	6-9
Term Insurance	6-9
Whole Life (Permanent) Insurance.....	6-10
Straight Life v. Limited Payment	6-10
Modified v. Preferred	6-10
Endowment Insurance	6-10
Universal Life	6-10
Charges.....	6-11
Premium Payment	6-11
Variable life	6-11
Investment Accounts	6-11

Taxation.....	6-12
Survivor Life	6-12
Single Premium Whole Life	6-12
Dividends.....	6-12
Life Insurance Trust	6-13
Considerations	6-13
Annuities	6-16
Deferred Annuity.....	6-16
Private Annuity.....	6-16
Unsecured Promise.....	6-17
Regulations Restrict Private Annuity Income	6-18
Buy-Sell Agreements	6-20
Definition.....	6-20
Contractual Format.....	6-22
Funding.....	6-22
Life Insurance Funding.....	6-22
Term vs. Whole Life.....	6-23
Policy Ownership & Premium Payment.....	6-23
Entity & Cross Purchase Agreements.....	6-23
Tax Consequences - Cross Purchase Agreements	6-23
Non-Deductible Premiums	6-24
No Dividend Danger	6-24
Tax Consequences - Entity Purchase Agreements	6-24
Non-Deductible Premiums	6-24
Dividend Danger - §302	6-24
Exception to Dividend Treatment.....	6-25
Constructive Ownership (Attribution) Rules.....	6-26
“Estate/Beneficiary” Rule	6-26
“Family/Trust/Corporation” Rule	6-26
No Gain on Sale	6-28
Estate Tax Valuation	6-28
Using the Buy-Sell Agreement to Set Value	6-28
Enforcement of Contract Price	6-29
Purchase Price & Terms	6-29
Valuation	6-29
Community Property	6-29
Professional Corporations.....	6-30
Marketability Problems	6-30
Controlled Disposition.....	6-30
S Corporations.....	6-30
Sole Shareholder Planning.....	6-31
Complete Liquidations	6-31
Alternative Dispositions	6-31
Use of Life Insurance.....	6-31
Estate Valuation.....	6-31
One-Way Buy-Outs	6-32
CHAPTER 7 SPECIAL BUSINESS ISSUES	7-1
Business Valuation.....	7-2
Relevant Facts	7-2
Revenue Ruling 59-60	7-3

Tangible Assets	7-4
Special Real Estate Election - §2032A.....	7-4
Limitations.....	7-7
Related Party Cash Lease	7-7
Intangible Assets & Goodwill	7-7
R.R. 68-609	7-8
Qualified Family-Owned Businesses - §2057 (Repealed).....	7-8
Deduction Amount	7-9
Definitions.....	7-9
Requirements.....	7-10
Material Participation.....	7-10
Determining 50+% of AGE.....	7-11
Interests Acquired From the Decedent	7-11
Recapture.....	7-11
Trade or Business Requirement.....	7-11
Sunset Provision	7-12
Land Subject To Conservation Easement - §2032A(c)(8).....	7-15
Family Member	7-16
Indirect Ownership of Land.....	7-16
Qualified Conservation Easement	7-16
Qualified Real Property Interest	7-16
Qualified Organization	7-16
Conservation Purpose	7-17
No Additional Income Tax Deduction	7-17
Valuation Discounts	7-17
Minority Interests	7-18
Special Valuation Plus Minority Discount	7-19
Fractional Interests	7-19
Lack of Marketability.....	7-20
Swing Vote Premium	7-21
Buy-Sell Agreements.....	7-21
Redemptions Under §303.....	7-22
Requirements.....	7-23
Corporate Accumulation For §303 Redemption.....	7-23
Accumulation in Anticipation of Shareholder's Death.....	7-24
Death of a Spouse.....	7-24
Bypass Trust	7-25
Lifetime Dispositions	7-25
Stock Redemptions Under §302.....	7-25
Substantially Disproportionate Redemption - 80/50 Rule.....	7-26
Redemptions Not Essentially Equivalent to a Dividend.....	7-26
Complete Redemptions	7-26
Constructive Ownership - §318.....	7-26
Double Attribution.....	7-27
Stock Attribution in Complete Redemptions	7-27
Stock Recapitalization	7-28
Section 306 Taint.....	7-29
Deferred Compensation Agreements.....	7-29
CHAPTER 8 ESTATE FREEZE RULES.....	8-33
Application.....	8-35

Corporations & Partnerships - §2701	8-35
Definitions	8-35
Member of the Family	8-35
Applicable Family Member.....	8-35
Applicable Retained Interest	8-37
Control.....	8-40
Exceptions To §2701	8-40
Zero Value Rule.....	8-43
Qualified Payment Exception to Zero Value Rule	8-43
Valuation of Qualified Payments - Lowest Value Rule.....	8-43
Cumulative but Unpaid Distributions - Compounding Rules	8-44
Taxable Events	8-44
Amount of Increase	8-45
Limitation	8-46
Applicable Percentage.....	8-46
Transfer Tax Adjustment.....	8-46
Election into Qualified Payment Treatment.....	8-46
Election Out of Qualified Payment Treatment	8-47
Minimum Valuation of a Junior Interest	8-47
Definitions	8-48
Junior Equity Interest	8-48
Equity Interest	8-48
Value of Other Rights.....	8-48
Capital Contributions, Redemptions, & Recapitalizations	8-51
Attribution Rules	8-52
Corporation.....	8-52
Partnership.....	8-53
Estate & Trust.....	8-53
Siblings & Lineal Descendants.....	8-54
Transfer Tax Adjustments	8-54
Splitting Retained Interests.....	8-55
Subtraction Method	8-56
Three Step Computation.....	8-56
Valuation Adjustment.....	8-57
Transfers of Interests in Trust - §2702	8-60
Definitions	8-60
Applicable Family Member.....	8-60
Member of the Family	8-60
Transfer in Trust	8-60
Term Interest	8-60
Retained.....	8-61
Zero Value Rule.....	8-61
Qualified Interest	8-62
Exceptions to §2702	8-62
Incompleted Gift.....	8-62
Term Interests	8-62
Successive v. Concurrent.....	8-63
Leasehold.....	8-63
Joint Purchases	8-63
Term Interests in Tangible Property	8-64
Transfers of Interest in Portion of Trust	8-65

Buy-Sell Agreements & Options - §2703.....	8-65
Exceptions to §2703	8-66
Arm’s Length Bargain	8-66
Substantial Modifications	8-66
Exceptions	8-67
Lapsing Rights & Restrictions - §2704	8-67
Definitions	8-68
Member of the Family	8-68
Lapse	8-68
Voting Right	8-68
Liquidation Right	8-68
Control.....	8-68
Amount of Transfer	8-69
Restrictions on Liquidations Disregarded.....	8-69
Attribution Rules	8-70

CHAPTER 9 ELDERLY & DISABLED PLANNING9-1

Managing the Estate	9-1
Joint Tenancy.....	9-2
Conservatorship.....	9-2
Durable Power	9-3
Revocable Living Trust	9-3
Catastrophic illness	9-4
Medicare	9-4
Medicaid.....	9-4
Countable Assets	9-6
Non-Countable Assets	9-7
Personal Residence	9-7
Gifting the Residence - General Rule.....	9-8
Exceptions	9-8
Inaccessible Assets	9-9
Gifts	9-9
Spousal Transfers	9-10
Spousal Allowance	9-10
Medicaid Trusts	9-11
Limited Trust Exceptions	9-12
Criminalization of Medicaid Asset Transfers	9-12
Private Insurance	9-13
Health Care Decisions	9-13
Supplemental Security Income.....	9-17
Income	9-17
Unearned Income	9-17
Earned Income.....	9-18
Exempt Income.....	9-18
Assets.....	9-18
Countable Assets	9-18
Non-Countable Assets	9-18
Disability Benefits.....	9-19
Blind	9-20
Kidney Disease	9-20
AIDS.....	9-20

CHAPTER 10 POST-MORTEM PLANNING & TAX RETURN

REQUIREMENTS.....10-1

After Death Planning.....	10-1
Alternate Valuation Election	10-1
Special Use Valuation	10-1
Election to Defer Payment.....	10-2
Final Medical Expenses.....	10-2
Administration Expenses	10-2
QTIP Election.....	10-2
Disclaimers	10-2
Federal Returns	10-3
Form 1040 - Decedent's Income Tax	10-3
Form 1041 - Estate's Income Tax	10-3
Form 706 - Decedent's Estate Tax	10-3
Carryover Basis Election & Information Return For 2010.....	10-3
Decedent's Estate Tax - Form 706.....	10-4
Filing Requirements	10-5
Paying the Estate Tax	10-5
Section 6161	10-6
Section 6166.....	10-6
Section 6163.....	10-6
Overview of the Form 706.....	10-7
Definitions.....	10-9
Preparing the Form 706.....	10-10
Form 706, Part 1, Page 1 - Decedent & Executor.....	10-10
Form 706, Part 3, Page 2 - Elections by the Executor	10-10
Form 706, Part 4, Pages 2 & 3 - General Information.....	10-11
Schedule A, Page 4 - Real Estate	10-11
Schedule A-1, Pages 5 thru 8 - Section 2032A Valuation	10-11
Schedule B, Page 9 - Stocks and Bonds	10-12
Schedule C, Page 10 - Mortgages, Notes, and Cash.....	10-12
Schedule D, Page 11 - Insurance on Decedent's Life.....	10-12
Schedule E, Page 12 - Jointly Owned Property.....	10-13
Schedule F, Page 13 - Other Miscellaneous Property.....	10-13
Schedule G, Page 14 - Transfers During Decedent's Life.....	10-13
Schedule H, Page 14 - Powers of Appointment.....	10-13
Schedule I, Page 15 - Annuities.....	10-14
Schedule J, Page 16 - Funeral and Administration Expenses	10-14
Schedule K, Page 17 - Debts of Decedent, and Mortgages and Liens.....	10-15
Schedule L, Page 18 - Net Losses during Administration and Expenses Incurred in Administering Property Not Subject to Claims	10-15
Schedule M, Page 19 - Bequests to Surviving Spouse	10-15
Schedule O, Page 20 - Charitable Gifts and Bequests	10-15
Schedule P, Page 21 - Credit for Foreign Death Taxes	10-15
Schedule Q, Page 21 - Credit for Tax on Prior Transfers	10-16
Schedules R & R-1, Pages 22 thru 26 - Generation Skipping Transfer Tax.....	10-16
Old Schedule T Gone - Qualified Family-Owned Business Interest.....	10-16
Schedule U, Pages 27 & 28 - Qualified Conservation Easement Exclusion	10-16
Form 706, Part 5, Page 3 - Recapitulation.....	10-16
Form 706, Part 2, Page 1 - Tax Computation	10-16

Discharge from Personal Liability	10-17
Estate Income Tax Return - Form 1041	10-19
Filing Requirements	10-19
Schedule K-1	10-20
Tax Computation	10-20
Exemption Deduction.....	10-20
Contributions	10-20
Statute of Limitations	10-21
Accounting Methods.....	10-21
Taxable Year	10-21
Double, Split & Solo Deductions	10-21
Decedent's Final Income Tax Return - Form 1040.....	10-23
Preceding Year Return.....	10-23
Filing Requirements	10-23
Refund.....	10-23
Form 1310.....	10-23
Joint Return with Surviving Spouse	10-24
Request for Prompt Assessment.....	10-24
Included Income	10-25
Partnership Income.....	10-25
S Corporation Income.....	10-26
Self-Employment Income.....	10-27
Community Income	10-27
Interest & Dividend Income	10-27
Exemptions & Deductions.....	10-27
Medical Expenses.....	10-28
Election for Decedent's Expenses	10-28
Making the Election	10-28
AGI Limit.....	10-28
Medical Expenses Not Paid By Estate.....	10-29
Insurance Reimbursements.....	10-29
Deduction for Losses.....	10-29
At-Risk Loss Limits.....	10-29
Passive Activity Rules	10-29
Gift Tax Return - Form 709	10-32
Penalties.....	10-32
Filing	10-32
Extension of Time to File	10-33
Extension of Time to Pay	10-33
Split Gifts.....	10-33
Special Applications & Traps.....	10-34
Bargain Sales.....	10-34
Below Market Loans	10-34
Exception.....	10-35
Net Gifts	10-35
Promises to Make a Gift.....	10-36
Checks	10-36
Stock Certificates	10-36
Promissory Notes	10-36
Powers of Appointment.....	10-37
A. RIGHT TO ADD PROPERTY TO TRUST.....	10-81

B. RIGHT TO AMEND OR REVOKE TRUST	10-81
C. RIGHT TO DIRECT TRUSTEE RE INVESTMENTS, ETC	10-82
A. DURING THE JOINT LIFETIMES OF BOTH TRUSTORS.	10-82
B. UPON THE DEATH OF EITHER TRUSTOR SURVIVED BY THE OTHER.....	10-83
C. SIMULTANEOUS DEATH OF BOTH TRUSTORS	10-87
D. TERMINATION OF TRUST	10-87
E. CONTEST OF TRUST	10-87
A. GENERAL POWERS	10-88
B. NO PHYSICAL DIVISION REQUIRED	10-89
C. PAYMENTS TO MINORS OR INCOMPETENTS	10-90
D. ADDITION OF ASSETS TO TRUST	10-90
E. RETENTION OF ASSETS.....	10-90
F. TRANSACTIONS WITH ESTATE OF TRUSTOR	10-90
G. LOANS TO TRUST ESTATE	10-90
H. ENUMERATION OF POWERS NOT LIMITATION	10-90
I. PURCHASE OF TREASURY BONDS	10-91
J. POWERS CONSISTENT WITH MARITAL DEDUCTION	10-91
GUIDELINES AND DIRECTIVE.....	10-112
GUIDELINES FOR SIGNERS	10-112
SUMMARY AND GUIDELINES FOR PHYSICIANS	10-115
INTRODUCTION.....	10-115
SIGNATURE AND WITNESSES	10-115
EFFECT OF A DIRECTIVE.....	10-115
REVOCATION	10-116
OTHER RIGHTS	10-116
PRECAUTIONS	10-116
SUMMARY	10-116
Recording Requested By:	10-117
When Recorded Return To:.....	10-117
RECORDING REQUESTED BY	10-119
AND WHEN RECORDED MAIL TO.....	10-119
WARNING TO PERSON EXECUTING THIS DOCUMENT*	10-119
STATEMENT OF WITNESSES	10-124
REQUIREMENTS	10-125
RECORDING REQUESTED BY	10-126
AND WHEN RECORDED MAIL TO.....	10-126
Glossary	10-129
Index of Keywords & Phrases	10-130

Learning Objectives

After reading Chapter 1, participants will be able to:

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