

# VILLANOVA UNIVERSITY GRADUATE TAX PROGRAM

## Post Mortem Estate Planning, Fall 2005

### Take-Home Exercise for Unit 1

(Due Wednesday 6:00 pm October 12, 2005)

*Note: You must deliver the exam to the Graduate Tax Office by the above date and time and prior to the due date please get your examination number from the Graduate Tax Office and use that on this exam.*

**DO NOT USE YOUR NAME.**

You have been retained to represent the estate of Thomas Jones. A Form 706 Estate Tax Return has already been filed and the relevant information from the return is listed below. Do not recalculate any federal estate or state inheritance tax liability; simply use the numbers given below. Please answer the following questions concerning the estate. Assume for purposes of these questions that Thomas Jones died on January 8, 2005 and that he owned 75% of the outstanding stock in ABC, Inc.

Gross Estate:

Interest in ABC, Inc.	\$5,000,000
All Remaining Assets	3,500,000

Debts of the Estate	1,000,000
Funeral Expenses	20,000
Admin Expenses	200,000
State Death Taxes	300,000
Federal Estate Taxes	2,565,000

**Question 1.** Assume that the estate does not elect Section 6166, how much stock can be redeemed under Section 303?

**Question 2.** For parts A through E, assume that the estate does not elect Section 303, but does elect Section 6166.

**Part A.** What is the amount of the estate tax that is eligible for installment treatment under Section 6166?

**Part B.** What is the maximum amount of tax that is eligible for a 2 percent rate under Section 6601(j)? (For this question, ignore any effect of Section 6166(b)(7)).

**Part C.** What interest rate is applicable to the deferred tax in excess of the amount eligible for the 2 percent rate (if any)?

**Part D.** What is the date of the first interest payment? What is the latest date possible for the first principal payment?

**Part E.** What is the interest expense for the estate for the first interest payment? (Remember to use daily compounding).

**Question 3.** Tom owned a bank account with his daughter, Sally, as joint tenants with right of survivorship. At Tom's death, the bank account is worth \$500,000 and \$30,000 was contributed by Sally, how much of the account can Sally disclaim?

**Question 4.** How would your answer to Question 3 change (if at all) if the asset was a tract of land owned jointly with rights of survivorship?

**Question 5.** Betty, Tom's wife, is the beneficiary of a trust under Tom's will. According to the trust's terms, Betty is entitled to all of the income for life, payable at least annually. Betty is the sole trustee. The trust contains a provision allowing the trustee to distribute principal for the health of Betty and Betty's children. Does the trust qualify as qualified terminable interest property?