HS330 Q&As

Fundamentals of Estate Planning test

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QUESTION 1

All the following powers held by the grantor of an irrevocable trust will cause the trust assets to be brought back into the estate of the grantor EXCEPT the power to

A. designate who shall enjoy the trust income

B. add principal to the trust

C. change the trust remainderpersons

D. terminate the trust

Correct Answer: B

QUESTION 2

All the following statements concerning the generation-skipping transfer tax (GSTT) are correct EXCEPT:

A. All donors have a cumulative $1.5 million exemption against generation-skipping transfers.

B. The tax is imposed according to a graduated rate schedule similar to the federal estate and gift tax rates.

C. The tax may be imposed on direct gifts to grandchildren.

D. The tax may be imposed on gifts in trust to grandchildren.

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?

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

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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.

1 only

B.

Neither 1 nor 2

C.

Both 1 and 2

D.

2 only

Correct Answer: C

QUESTION 4

Which of the following transfers will be successful in removing property from a grantor\\'s gross estate?

1.

A grantor\\'s transfer of property to a revocable trust if the grantor lives three years after the transfer.

2.

A grantor\\'s transfer of a personal residence to a qualified personal residence trust if the grantor survives the retained interest term.

A. Neither 1 nor 2

B. 1 only

C. 2 only

D. Both 1 and 2

Correct Answer: C

QUESTION 5

Income earned but unpaid at the time of a decedent\\'s death is deemed to be income in respect of a decedent (IRD). Which of the following statements concerning IRD is (are) correct?

1.

The income is taxable to the person or entity receiving it.

2.

The present value of the income is includible in the decedent\\'s gross estate.

A. 1 only

B. 2 only

C. Neither 1 nor 2

D. Both 1 and 2

Correct Answer: D