



HS330^{Q&As}

Fundamentals of Estate Planning test

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QUESTION 1

A person dying without a will loses all the following rights EXCEPT the right to

- A. give property to a charity
- B. take maximum advantage of the marital deduction
- C. name the person to settle the estate
- D. have assets pass to heirs

Correct Answer: D

QUESTION 2

A wife makes outright gifts of \$40,000 to her son this year, and her husband agrees to split the gifts with her. Which of the following correctly states the amount of the taxable gifts?

- A. Wife \$9,000, husband \$9,000
- B. Wife 0, husband \$18,000
- C. Wife \$18,000, husband 0
- D. Wife \$19,000, husband \$19,000

Correct Answer: A

QUESTION 3

A widower dies leaving a net probate estate of \$300,000. At the time of his death, his descendants are as follows:

A son, Joe, who has no children;

A deceased daughter, Mary, whose two children, Irene and Sally, survive; and

A daughter, Anne, who has one child, Harry

Assuming that the widower's will provides for the distribution of his assets in equal shares to his children, per stirpes, which of the following correctly states the amounts each descendant will receive?

- A. \$60,000 to Joe, \$60,000 to Irene, \$60,000 to Sally, \$60,000 to Anne, and \$60,000 to Harry
- B. \$100,000 to Joe, \$50,000 to Irene, \$50,000 to Sally, \$50,000 to Anne, and \$50,000 to Harry
- C. \$75,000 to Joe, \$75,000 to Irene, \$75,000 to Sally, and \$75,000 to Anne
- D. \$100,000 to Joe, \$50,000 to Irene, \$50,000 to Sally, and \$100,000 to Anne

Correct Answer: D



QUESTION 4

A wife makes outright gifts of \$76,000 to her son this year, and her husband agrees to split the gifts with her. Which of the following correctly states the amount of the taxable gifts?

- A. Wife \$27,000, husband \$27,000
- B. Wife \$37,000, husband \$37,000
- C. Wife \$17,000, husband \$37,000
- D. Wife \$54,000, husband 0

Correct Answer: A

QUESTION 5

Which of the following statements concerning property is correct?

- A. A tree growing on land is tangible personal property.
- B. A mortgage on real estate is real property.
- C. Any property that is not real property is personal property.
- D. A bond issue secured solely by a corporation assets is tangible personal property.

Correct Answer: C

QUESTION 6

On the advice of their attorney and accountant, Betsy and John have decided to make substantial transfers. They would like to pass most of their considerable wealth to their grandchildren. Which of the following statements concerning gifts made to their grandchildren is correct?

- A. Betsy and John may elect to split any GSTT transfers to the grandchildren.
- B. The value of Betsy and John's GSTT exemption amounts are slightly increased when used at death rather than during lifetime.
- C. The GSTT annual exclusion may be utilized by Betsy and John for each grandchild during lifetime and at death.
- D. The GSTT annual exclusion is unavailable for years in which Betsy and John make tuition gifts for the grandchildren.

Correct Answer: A

QUESTION 7

A single man with substantial assets and income is supporting his 80-year-old partially senile mother with monthly cash



gifts. He is trying to find a practical way to support his mother while at the same time saving federal gift and income taxes without giving up ultimate control of any assets. Which of the following courses of action will best accomplish these objectives?

- A. Purchase corporate bonds that pay interest in an amount sufficient for her to support herself and assign the interest payments to her
- B. Make her a gift of enough corporate bonds from his portfolio so that she will be able to support herself from the interest payments
- C. Make her annual gifts of enough interest income from the tax free municipal bonds in his portfolio so that she will be able to support herself
- D. Make her an interest free loan with a principal amount large enough to produce sufficient income for her support when invested in corporate bonds

Correct Answer: C

QUESTION 8

A father died leaving his property equally to his wealthy son and his poor daughter. The son wishes to disclaim his share of the inheritance so that it will pass to his sister without his incurring any gift tax liability. In this situation, all the following acts on the part of the son are required EXCEPT:

- A. His refusal to accept the inheritance must be received by the executor of his father's estate within 9 months of his father's death.
- B. His refusal to accept the inheritance must direct specifically that his sister is to receive it instead.
- C. His refusal to accept the inheritance must be in writing.
- D. He must not have received any part of his inheritance or any income from it prior to his refusal to accept it.

Correct Answer: B

QUESTION 9

All the following statements concerning property ownership by a married couple residing in a community-property state are correct EXCEPT:

- A. Income earned by one spouse becomes community property.
- B. Property inherited during the marriage is the separate property of the spouse who inherited it.
- C. All property that is not separate property is community property.
- D. Community property loses its identity when a community-property couple moves to a common-law state.

Correct Answer: D

QUESTION 10



All the following statements concerning the ownership of real property as joint tenants with right of survivorship are correct EXCEPT:

- A. If the joint tenants are husband and wife, because this is a qualified joint interest, one half the value of the property will be in the estate of the first spouse to die regardless of which spouse contributed to the purchase price.
- B. If three sisters inherited property as joint tenants with right of survivorship, the entire value of the property will be in the estate of the first sister to die.
- C. If the joint tenants are brother and sister, no portion of the value of the property will be in the sister's estate if she dies first provided her executor proves that the brother contributed all the funds.
- D. If the joint tenants are two brothers and each contributed one half the property's purchase price, only one half the property's value will be in the estate of the first brother to die if his executor proves that the other brother contributed half of the purchase price.

Correct Answer: B

QUESTION 11

Important factors in assessing liquidity needs in estate planning include which of the following?

- 1.
The types of assets that comprise the estate
- 2.
The date of drafting the will

- A. Neither 1 nor 2
- B. 2 only
- C. Both 1 and 2
- D. 1 only

Correct Answer: D

QUESTION 12

A father and son have been farming land owned by the father for the past 12 years. Just prior to his death, the father was offered \$900,000 for his farm because of its possible use as a shopping center. The son would like to continue to farm the land if it can be included in his father's estate at its current use value. Additional facts are:

- 1. Average annual gross rentals from nearby farms of similar acreage are \$36,000.
- 2. Average annual state and local real estate taxes on the farm are \$4,000.
- 3. The interest rate for loans from the Federal Land Bank is 8 percent. For federal estate tax purposes, the farm method valuation formula would result in a current use value for the farm of



- A. \$600,000
- B. \$300,000
- C. \$500,000
- D. \$400,000

Correct Answer: D

QUESTION 13

All the following statements concerning real property ownership by married couples as joint tenants with right of survivorship are correct EXCEPT:

- A. In common-law states the total value of the property receives a stepped-up tax basis in the estate of the first spouse to die.
- B. The deceased spouse's interest in the property qualifies for the marital deduction since it passes outright to the surviving spouse.
- C. Jointly held property between spouses does not pass through the probate estate of the first spouse to die.
- D. All benefits of ownership remain available to the surviving spouse without interruption during the administration of the deceased spouse's estate.

Correct Answer: A

QUESTION 14

Which of the following statements concerning the inclusion in a decedent-employee's gross estate of a lump-sum distribution from a qualified retirement plan to a beneficiary other than the employee's estate is (are) correct?

1.
Lump-sum distributions of payments attributable to the employer's contributions are excluded from the gross estate.
 2.
Lump-sum distributions of payments attributable to the decedent-employee's contributions are excluded from the gross estate.
- A. Neither 1 nor 2
 - B. Both 1 and 2
 - C. 1 only
 - D. 2 only

Correct Answer: A



QUESTION 15

To qualify the seller of property for installment sale tax treatment, the transaction must meet which of the following conditions?

- A. There must be no more than ten installments.
- B. All installments must be in equal amounts of principal.
- C. At least 30 percent of the purchase price must be paid in the year of sale.
- D. The entire purchase price must not be paid in the taxable year of sale.

Correct Answer: D

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