



## **HS330**

(Fundamentals of Estate Planning Test)

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Question: 1

**Which of the following is an example of a taxable gift for federal gift tax purposes?**

- A- A father gives his 19-year-old daughter a note promising to give her his Rolls Royce when she reaches the age of 21.
- B- Instead of parents paying an outside executive \$60,000, a son runs their business for 8 months without charging a fee.
- C- The parents of a married son permit their son and his family to use a summer cottage that rents for \$3,000 per month on a rent-free basis.
- D- A father cancels a \$50,000 note his daughter gave him when he made a loan to her 2 years ago.

Answer: D

Question: 2

**The following are facts concerning a decedent's estate:**

<b>Taxable estate</b>	<b>\$1,700, 000</b>
<b>Pre-1977 Taxable gifts</b>	<b>\$200, 000</b>
<b>Post-1976 adjusted taxable gifts</b>	<b>\$50, 000</b>
<b>Post-1976 gifts made to a qualified charity</b>	<b>\$100, 000</b>

**The tentative tax base of this estate is**

- A- \$1,700,000
- B- \$1,750,000
- C- \$1,850,000
- D- \$1,900,000

Answer: B

Question: 3

**An executor elects to value the assets of the estate at the alternative valuation date 6 months after death. Which of the following statements concerning the estate tax value of assets included in this estate is correct?**

- A- An annuity included in the gross estate that diminishes with the mere passage of time is includible at the date of death value.
- B- Property sold before the alternate valuation date is valued at the alternate valuation date.
- C- Property that has increased in value since the date of death may be valued at the date of death if the executor so elects.
- D- Property distributed under the will before the alternate valuation date is valued at the date of death.

Answer: A

Question: 4

A father and son have owned a piece of property for at least 12 years. Just prior to his death, the father transferred the property to the son for use as a shopping center. The property is currently valued at \$1,000,000 and if it can be included in his father's estate, the estate tax credit for tax paid on the property are:

1. Average annual value of \$56,000.
2. Average annual value of \$6,000.
3. The interest on the property.

For federal estate tax purposes, the value of the property should result in a current use value for the estate of:

- A- \$500,000
- B- \$600,000
- C- \$700,000
- D- \$820,000

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1. Average annual value of \$56,000.
2. Average annual value of \$6,000.
3. The interest on the property.

For federal estate tax purposes, the value of the property should result in a

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Answer: B

Question: 5

Which of the following is most commonly used to be a tenancy in common?

- A- Two brothers own a piece of property which is real property.
- B- Two brothers own a piece of property which is real property and being able to divide the property.
- C- Two brothers own a piece of property which is real property and used in the partnership.

Which of the following is most commonly used to be a tenancy in

- on, the only asset of the estate is a piece of real property with each brother owning an equal share of the property.
- with each brother owning an equal share of the property.
- of real property.

Answer: B

Question: 6

Which of the following statements is true regarding community property ownership by a married couple residing in a community-property state?

- A- All property owned by the couple is community property.
- B- Community property loses its identity when a couple moves from a community-property state to a common-law state.

- C- Property inherited by one spouse during a marriage becomes community property
- D- Income earned by one spouse becomes community property.

Answer: D

Question: 7

Which of the follow

- A- Income and pri
- B- It receives a spe
- C- Income is accur
- D- It limits the nur

ies.

Answer: B

Question: 8

On the advice of the  
 substantial transfer  
 grandchildren. Which  
 grandchildren is cor

decided to make  
 the wealth to their  
 e to their

- A- The GSTT annu
- B- The value of Be
- C- The GSTT annu
- D- Betsy and John

grandchild during life  
 ased when used at  
 can make tuition gifts  
 n.

Answer: D

Question: 9

in State  
 While on va  
 his will, his entire  
 real property used by

hip.  
 the terms of  
 ce will tax the

- A- State W
- B- State X
- C- State Y
- D- State Z

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Answer: B

Question: 10

A single man with s  
 senile mother with  
 mother while at the  
 ultimate control of  
 accomplish these o

- A- Make her an in
- income for her su
- B- Make her annu
- port folio so that
- C- Make her a gift
- support herself fr
- D- Purchase corpo
- and assign the int

ear-old partially  
 ay to support his  
 without giving up  
 will best

- produce sufficient
- incipal bonds in his
- e will be able to
- er to support herself

Answer: B

Question: 11

A married man has  
 entirely of probate  
 will receive all estat  
 will pass equally to  
 of federal estate tax  
 include which of the

- A- Establish a QTI
- B- Establish a mar
- and place the rer
- C- Establish a byp
- his estate in a QTI

00,000 and consists  
 ases his wife she  
 ning at her death  
 life and sons as free  
 , the man should

- his wife
- for half his estate
- ace the remainder of

Answer: C

Question: 12

Among the assets in a decedent's estate was a closely held corporation that was left to a nephew. The interest in the corporation is required to bear the burden of all estate taxes and expenses. The assets in the estate are:  
 Adjusted gross estate \$1,200,000 Fair market value of stock in the closely held corporation 500,000 Administration and funeral expenses 25,000 State inheritance taxes 40,000 Federal estate taxes 160,000

What amount of closely held corporate stock may be redeemed under IRC Section 303 so that the redemption will be treated as a sale or exchange rather than a dividend distribution?

- A- 0
- B- \$ 65,000
- C- \$225,000
- D- \$500,000

Answer: C

Question: 13

A married man died concerning his estate Administration expenses credit amount (200 credit amount (200 taxes payable 20,40 Under the Unified F which the tentative tentative tax is \$34 the amount is over plus 43 percent of t \$1,500,000 but not excess of such amo payable is

- A- 0
- B- \$103,320
- C- \$123,720
- D- \$128,280

Additional facts

\$1,000,000 Applicable  
 \$1,000,000 State death

Amount with respect to \$1,250,000, the over \$1,000,000. If tax is then \$448,300, amount is over plus 45% of the federal estate tax

Answer: B

Question: 14

Which of the following is not a characteristic of a trust?

- A- Both must be created by a will
- B- Both come into existence at the death of the grantor
- C- Both are monitored by a trustee
- D- Both are required to file an annual tax return

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Answer: D

Question: 15

A widow made the Donee Amount of C Her daughter 15,000 year was

- A- \$23,000
- B- \$45,000
- C- \$52,000
- D- \$95,000

Her sister 5,000  
 ple gifts made this

Answer: A

Question: 16

A man is planning to two sons, aged 19 a From the standpoint following would be

- A- The grantor of
- B- The grantor's 7
- C- The grantor's 2
- D- A bank or trust

the benefit of his  
 kle trust income.  
 savings, which of the

Answer: D

Question: 17

A man died in Febru illness, he immedi Fair Market Value C

W calcula

- A- 0
- B- \$ 90,000
- C- \$280,000
- D- \$320,000

e had a terminal  
 gift tax return:  
 ft of listed bonds to

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Answer: A

Question: 20

All the following statements are true regarding joint tenancy with right of survivorship except:

- A- All joint tenants must be of legal age.
- B- Joint tenants must be of the same blood.
- C- Either real property or personal property can be held in joint tenancy with right of survivorship.
- D- Upon the death of one joint tenant, the property passes to the estate of the decedent.

form of a joint

of ownership.  
is estate or heirs.

Answer: D

Question: 21

All the following statements are true regarding the federal estate tax marital deduction except:

- A- The property is included in the decedent's gross estate.
- B- The property is included in the gross estate if it is not consumed or given away.
- C- The property is included in the gross estate if it is not consumed or given away.
- D- The surviving spouse is the trustee for some of the property.

the federal estate tax

in the decedent's  
at death unless  
st fails to qualify.  
rather than as a

Answer: C

Question: 23

Which of the following is not a characteristic of a trust?

- A- A trust is a legal entity.
- B- A trust is a legal entity.
- C- A trust is a legal entity.
- D- A trust is a legal entity.

Answer: C

Question: 24

Mr. Allen died early this year survived by his wife Mrs. Allen. Among the items of family property are:



Commercial real estate	\$200,000
Furniture and fixtures	100,000
Listed common stock	150,000
Notes receivable	250,000

In addition, Mrs. Barlow has a life interest in Mr. Barlow's estate. What is the amount of property tax marital deduction?

Barlow's life with Mrs. Barlow's life interest. What is the amount of property tax marital deduction?

- A- \$150,000
- B- \$400,000
- C- \$800,000
- D- \$1,100,000

Answer: C

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