Tax Planning
for
Depreciation, Divorce and Estates

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Divorce in 2019

By: Sidney Kess, CPA, J.D., LL.M.

When couples split up, it's still common for one party to make support payments to the other. Sometimes this continues until the death of the party receiving support; sometimes it ends after a set term of years. Whatever the alimony arrangement, the tax treatment of the payments from the view of both parties becomes important. IRS statistics (https://www.irs.gov/pub/irs-soi/soi-a-inpd-id1802.pdf) show that deductions for alimony payments by taxpayers in 2016 (the most recent year for statistics) totaled more than $12 billion. But as a result of the Tax Cuts and Jobs Act of 2017 (TCJA), new tax rules apply to divorce instructions executed after 2018 and may change planning for divorcing couples going forward.

Tax treatment for pre-2019 divorces

Spouses who divorced prior to 2019 do not have any new tax treatment for alimony payments that continue to be made. Assuming that payments meet the Tax Code definition of alimony (Code Sec. 71), they are fully deductible by the payer-spouse as an adjustment to gross income (no itemizing is required) and fully taxable to the recipient-spouse. This is so even if a pre-2019 divorce instrument is modified after 2018, as long as it does not specifically say that TCJA rules explained below apply.

Payments of child support are not deductible by the payer-spouse or taxable to the recipient-spouse on behalf of the couple's child.

Tax treatment for post-2018 divorces

Alimony payments made pursuant to any divorce or separation instrument executed after December 31, 2019, are not deductible by the payer-spouse or taxable to the recipient-spouse. In effect, the payments are treated the same as child support payments have always been treated (i.e., not deductible and not taxable).

Due to the change in the tax treatment of alimony for post-2018 divorces, some couples may seek alternative arrangements to satisfy the need of one party for support. For example, one spouse may consider transferring some or all of a traditional IRA account to the spouse in need of support. As long as the transfer is made pursuant to a decree of divorce or separate maintenance, the spouse transferring the IRA is not taxable on the amount transferred; the recipient-spouse pay taxes when and to the extent distributions are taken from the account.

Alimony trusts

Some divorcing couples have used "alimony trusts" to provide for the support of one of the spouses. The spouse who is being supported is taxable on the income from the trust to the extent he or she is entitled to receive it (Code Sec. 682). This rule has been repealed by the Tax Cuts and Jobs Act, effective December 22, 2017.

The IRS has made it clear (Notice 2018-37), however, that pre-TCJA tax treatment continues to apply to trust income payable to a former spouse who was divorced or legally separated under a divorce or separation instrument executed on or before December 31, 2018. If the instrument is

modified after this date, the old tax treatment continues to apply unless the modification provides that the changes made by TCJA apply.

Beneficiary designations

Usually, spouses who have been designated as beneficiaries for various financial assets, such as life insurance, continue to be beneficiaries unless new designations are made. However, because there is a belief that new designations are unintentionally overlooked after divorce, more than half of the states have enacted so-called "revocation on divorce" of existing beneficiary designations. These laws, which vary somewhat in certain states, are based on a 1990 amendment to the Uniform Probate Code (https://repository.law.umich.edu/cgi/viewcontent.cgi?article=2053&context=articles). The effect of the law is to pass assets to a contingent beneficiary if there is one named or to the person who would inherit the asset under state law.

There had been a question of whether such a law violates Article 1, Section 10 of the U.S. Constitution, which says states shall pass no laws impairing the obligation of contracts. However, the U.S. Supreme Court, in an 8-1 decision, has upheld Minnesota's law (*Sveen v. Melin,* S.Ct., 6/11/18). The case involved a spouse who was named the beneficiary of her former spouse's life insurance policy. The couple divorced and he died nine years later without having changed the beneficiary designation on the policy. State law provided for revocation on divorce, so his two children claimed to be beneficiaries of the proceeds.

Justice Kagan, writing the opinion for the majority, said that the law does not substantially impair the relationship created by the contract and, in fact, effectively reflects the policyholder's intent. As such, the policyholder's two children were entitled to the proceeds of the life insurance policy even though the former spouse was designated as the beneficiary of the policy. Under state law, if a policyholder wants to retain the former spouse as beneficiary, he or she need only notify the insurance company of this intent.

The revocation-on-divorce laws generally apply unless a governing instrument, divorce (including a legal separation), and annulment of a marriage expressly provides otherwise. For example, in New York, under EPTL 5-1.4, revocation-on-divorce applies to:

1. "disposition or appointment of property made by a divorced individual to, or for the benefit of, the former spouse, including, but not limited to, a disposition or appointment by will, by security registration in beneficiary form (TOD), by beneficiary designation in a life insurance policy or (to the extent permitted by law) in a pension or retirement benefits plan, or by revocable trust, including a bank account in trust form,

2. provision conferring a power or power of disposition on the former spouse, and

3. nomination of the former spouse to serve in any fiduciary or representative capacity, including as a personal representative, executor, trustee, conservator, guardian, agent, or attorney-in-fact."

Revocation-on-divorce laws do not apply to ERISA-protected assets (see *Egelhoff v. Egelhoff,* S.Ct., 532 US 141 (2001)); ERISA preempts state law. Assets within ERISA's purview include 401(k) plans and other qualified retirement plans as well as employer-provided group-term life insurance. A former spouse who has been a designated beneficiary remains as such unless this is changed. Of course, because retirement plans are marital assets, the disposition of them usually occurs in the course of a marital settlement. For example, a divorce decree may include a qualified domestic relations order (QDRO) directing the trustee of the retirement plan to transfer some or all of the employee's account to the former spouse. The employee-spouse is not taxable on benefits transferred to the spouse pursuant to a QDRO.

It appears that the revocation-on-divorce laws apply to IRAs because these accounts are treated like other financial accounts; they are not ERISA-protected accounts. In Florida, for example, the revocation-on-divorce law specifically applies to IRAs (F.S. §732.703).

Conclusion

Divorce planning in 2019 is certainly more complicated than prior to TCJA. Not only does the new tax treatment for alimony come into play, but also changes in income tax rates, tax breaks for a couple's child, and various state laws.

Executive Editor Sidney Kess is CPA-attorney, speaker and author of hundreds of tax books. The AICPA established the Sidney Kess Award for Excellence in Continuing Education in his honor, best-known for lecturing to over 700,000 practitioners on tax. Kess is senior consultant for Citrin Cooperman, consulting editor to CCH and Of Counsel to Kostelanetz & Fink.

Due Diligence: An Area Demanding Caution

By: Kathleen M. Lach

It is critical for tax professionals to periodically pause and review the stringent guidelines tax return preparers must adhere to in order to avoid any IRS scrutiny on their return preparation. In particular, the due diligence standard has the IRS' attention, most often in the context of the child tax and earned income credits, and now, eligibility to file as head of household.[1]

Penalties for failure to exercise due diligence in these areas may be harsh, running $500 for each failure to comply with the requirements.[2] Preparers must complete Form 8867, the due diligence check list, each year, no matter if they have had the same client for years, to claim the Earned Income Credit, American Opportunity Tax Credit, the Child Tax Credit, the Credit for Other Dependents, and for Head of Household filing status. The checklist must be completed with current information provided by each client if they are going to claim the credit, and it is generally submitted electronically with the return. A preparer should keep a copy of the form (with client documents) and any supporting documentation in the client file in the event return is selected for audit, and the preparer has to defend the information on the return.

Since this is an area of renewed IRS focus, it is in the best interest of the preparer to take the time to fully complete the checklist, and ask questions when the information provided is not consistent, or does not seem accurate. The form specifically asks if the preparer has interviewed the client, and if any information provided seems inconsistent. A key requirement is contained in number four of the form [3] :

- Did any information provided by the taxpayer or a third party for use in preparing the return, or information reasonably known to you, appear to be incorrect, incomplete, or inconsistent?

- Did you make reasonable inquiries to determine the correct, complete, and consistent information?

- Did you document your inquiries? (Documentation should include the questions you asked, whom you asked, when you asked, the information that was provided, and the impact the information had on your preparation of the return.)

The preparer must ask questions. If he knows his client has recently divorced, he should confirm where the children reside, the time spent in each household, and confirm the address for each child. It may be helpful to have school records in the file. If a client is reluctant to provide clarifying information or documentation, it may be a signal that there is an issue on the return. A preparer should take clear and concise notes on each file, ask for paperwork from the client, and keep it in the file. Taking these few extra steps, although time consuming, may prove well worthwhile if the IRS comes back to the preparer to defend the return.

In addition, penalties are applicable under Internal Revenue Code section 6695 for:

- Failure to furnish a copy of the return to the taxpayer
- Failure to sign the return

• Failure to furnish an identifying number
• Failure to retain a copy of the return or list
• Failure to file correct information returns
• Negotiating a check [4]

The IRS is actively auditing returns which claim these credits, and in many instances reviewing the practices of the preparers, opening new preparer investigation cases. These cases can lead to multiple return audits within a tax preparation firm, with auditors asking for complete files and notes, and detailed questions on client contact and interviews.

Along with heightened scrutiny in the due diligence arena, preparers may be subject to penalties for taking "unreasonable" positions on a return. A preparer may be subject to a penalty of $1,000 or 50% of the income derived by preparation of the return for taking an "unreasonable" position, causing an understatement of tax.[5] If the IRS determines that any understatement on a return was due to willful or reckless conduct by the preparer, the fine goes to $5000, or 50% of the income derived from the engagement.[6] In addition, under the willful and reckless standard, a preparer will in most cases be referred to the IRS Office of Professional Responsibility for review of his or her ability to represent taxpayers before the IRS.

When interviewing your client, all factors must be considered before making a recommendation on positions to take on the return. For example, if your client has rental property, you would not assume he is a real estate professional, even though he may hold himself out to be one. This is a hot area for IRS audit, particularly if there are losses associated with the rental, taken against ordinary income. Hobby losses are another area of heightened scrutiny. If a client is entitled to these deductions, there should be no issue if the return is selected for audit. The preparer, however, should be ready to defend any position on the return, and have back-up in the file for support.

Although the cautionary approach to return preparation may take more time when time is of a premium during filing season, in audit situations, the extra time and due diligence exercised by a preparer may be invaluable in the long run.

1. IRC §6695(g)
2. IRC §6695(g)
3. IRS, Form 8867
4. IRC §6695(a)-(f)
5. IRC §6694(a)
6. IRC §6694(b)

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The Service Issues New Administrative Authority Governing the Tax Treatment of Depreciation and Expensing Rules

By: Peter J. Scalise

On December 21st of 2018, the Internal Revenue Service (hereinafter the "Service") issued new administrative guidance in the form of Rev. Proc. 2019-08 governing expense deductions and depreciation measures in connection to real property as enacted by the 2017 Tax Cuts and Jobs Act, Pub. L. No. 115-97, (TCJA). It should be duly recalled, the TCJA enacted the subsequent tax law amendments including, but not limited to:

• I.R.C. § Sec. 179 by modifying the definition of "Qualified Real Property" that may be eligible as I.R.C. § Sec. 179 property pursuant to I.R.C. § Sec. 179(d)(1);

• I.R.C. § Sec. 168 by requiring certain property held by an electing real property trade or business and reducing the recovery period under the Alternative Depreciation System (ADS) from 40 years to 30 years for commercial residential real estate property; and

• I.R.C. § Sec. 168 by requiring certain property held by an electing farming business to be depreciated under the ADS.

Rev. Proc. 2019-08 is effective December 21st of 2018 and encompasses modifications to both Rev. Proc. 87-57 and Rev. Proc. 2018-31 while providing administrative guidance to the aforementioned tax law changes under the TCJA. More specifically, the Service's statement of procedure under Rev. Proc. 2019-08 provides administrative guidance on deducting expenses pursuant to I.R.C. § Sec. 179(a) and on deducting depreciation under I.R.C. § Sec. 168(g) for tax years beginning after December 31st of 2017 including, but not limited to;

• I.R.C. § Sec. 179 allowing taxpayers to deduct the cost of certain property as an expense when the property is placed in service. For tax years beginning after 2017, the maximum amount of the expense deduction under I.R.C. § Sec. 179 was increased from $500,000 to $1 million. In addition, the phase-out limitation was increased from $2 million to $2.5 million. These amounts are indexed for inflation for tax years beginning after 2018;

• The category of businesses that must use the ADS under I.R.C. § Sec. 168(g) has been modified and expanded. A qualified farming business as defined under I.R.C. § Sec. 163(j)(7)(C) can elect out of the interest deduction limit of I.R.C. § Sec. 163(j). However, a qualified farming business that does elect out must now use the ADS for property with a recovery period of 10 years or more. A real property trade or business can also elect out of the I.R.C. § Sec. 163(j) limit. If it does, the business must use the ADS for nonresidential real property, residential rental property, and qualified improvement property;

• The ADS recovery period for commercial residential real estate property has been modified to require a recovery period of 30 years; and

• The Service's statement of procedure also provides an optional depreciation table for commercial residential real estate property depreciated under the ADS with a 30-year recovery period.

To properly ascertain the complete scope and application of Rev. Proc. 2019-08 and its impact on tax return filing positions (e.g., obtaining a "Substantial Authority" standard; obtaining a "More-Likely-Than-Not" standard; obtaining a "Should" standard) this statement of procedure should be methodically reviewed and can be accessed at https://www.irs.gov/pub/irs-drop/rp-19-08.pdf

It should be duly recalled that when ascertaining tax return filing positions per Circular 230 and the Internal Revenue Code (hereinafter the "Code"), a Revenue Procedure is defined as a statement of procedure that affects the rights or duties of taxpayers or other members of the public under the Code. Similarly to Revenue Rulings, Revenue Procedures are less authoritative than Temporary or Final Treasury Regulations which have the force and effect of law. However, Revenue Procedures should be binding on the Service and may be relied upon by taxpayers and cited as valid legal precedent in determining a tax return filing position.

Peter J. Scalise serves as the Federal Tax Credits & Incentives Practice Leader for the Americas at Prager Metis CPAs, LLC a member of The Prager Metis International Group. Peter is a highly distinguished BIG 4 Alumni Tax Practice Leader and has over twenty years of progressive CPA Firm experience developing, managing and leading multi-million-dollar tax advisory practices on a regional, national, and global level. Peter serves on both the Board of Directors and Board of Editors for The American Society of Tax Professionals (ASTP) and is the Founding President and Chairman of both The Northeastern Region Tax Roundtable and The Washington National Tax Roundtable, operating divisions of ASTP.

Basis Planning and Other Tips for Practitioners

By: Martin M. Shenkman, CPA, MBA, PFS, AEP, JD

Many practitioners have tuned out estate planning because of the high current temporary estate tax exemptions. That's a mistake because many clients might benefit from getting income tax basis step-ups on assets with planning in the current environment. This is not just planning for super-wealthy clients, but for clients at even lower income and wealth levels. The following checklist reviews several ideas to help maximize basis step-up for clients.

• Current large estate tax exemptions of $11.4 million create significant planning opportunities for practitioners to help clients maximize or increase tax basis that are relevant for most clients especially those with smaller estates below the exemption.

• Getting an adjustment of basis on death of not only the client, but of another elderly family member, can provide significant income tax benefit.

• Client wills need to be planned so that assets for clients under the estate tax threshold are included in the estate and get a basis step-up. Even though practitioners don't draft wills they should ask clients about this and, if comfortable, look at the client's will to see what was done.

• Most wills that are more than a few years old likely do not have this type of approach. Many older wills were structured with so-called A-B trusts or a credit shelter trust to use exemption that was outside the client's estate and a marital trust for any excess to avoid estate tax on the first death.

• So how should a common client estate plan or will be structured to maximize income tax basis in this new tax environment? The simplest approach, which is really no plan and not advisable, is for the client to have a simple will to leave all outright to the surviving spouse. But this leaves all the asset exposed to creditors, etc. Another approach which was common for smaller estates in the past was to leave all assets to a surviving spouse with the right to disclaim into a credit shelter trust for which the surviving spouse is a beneficiary (or the only beneficiary). That is an improvement but there is no basis ste- up on the second death. Another approach is to leave all to a QTIP or marital trust but that does not provide sufficient flexibility but under current law it does provide the benefit of a second basis step-up on the death of the surviving spouse. But perhaps a better approach might be useful as a default for many plans.

• State estate tax still must be considered for many clients and might require a change in the default approach for practitioners in those states.

• Portability provides another option to plan the overall estate.

• Flexibility in planning is critical given the seemingly constant changes in planning. Ideally, if a will could be created to give the option to have the assets included in the estate when the surviving spouse dies, or not depending on the law at that point of time.

• There are a number of ways to create flexibility to cause estate inclusion. Give an independent trustee the right to bust the trust. Give a general power of appointment over the assets. That power can be made contingent on specified factors. Another option is to give an independent party, e.g. a surviving spouse, a general power of appointment over assets. Who will be given this role? Will the CPA be named? What is the risk of making this decision? When will or should this be done? The difficulty is knowing when a client is passing away. What happens if the person to whom the property is distributed to or who is given a general power gives it to a new spouse? What if the person given the property for basis step-up enters a nursing home and the costs deplete all of the assets? Can the general power of appointment be limited only to appreciated assets? Another approach, which is quite complex, is to permit the violation of the Delaware Tax Trap. For this to work you have to be able to extend the rule against perpetuities. If the state law has an unlimited rule against perpetuities this cannot be done unless the situs of the trust is changed to a different state that has a finite rule of perpetuities.

• You could use a QTIP trust and the surviving spouse can benefit. The QTIP could be structured as a so-called “Clayton QTIP” in which case an election to have some or all of the trust is treated as a martial trust which is included in the surviving spouse’s estate for a second basis step-up. If the marital QTIP trust election is not made over all of the trust assets those assets pass to a credit shelter or family trust. The latter will not be included in the surviving spouse’s estate which might be beneficial for a number of reasons. It can benefit people other than the surviving spouse, avoid inclusion in the surviving spouse’s estate if the law changes.

• Practitioners should consider that the law may change in the current environment where Democratic Presidential hopefuls have almost uniformly suggested that wealthy taxpayers are not paying their fair share of tax.

• All advisers should inform the surviving spouse, and to be more cautious, document on the death of a client that they advised the surviving spouse, to file an estate tax return for portability to preserve the Deceased Spouse Unused Exemption (“DSUE”). There might be a remedy for those clients that failed to file. Regulatory relief is available under Code Section 9100. The surviving spouse can request of the IRS a private letter ruling saying that they neglected to file for portability. This is a costly option but may be worthwhile. Rev. Proc. 2017-34 provides relief options for estates under the estate tax exemption, and within two years of death. Must file a return to obtain this relief.

• Some irrevocable trusts give a beneficiary the right to withdraw the greater of 5% of the value of the trust or $5,000. If the value of the trust has appreciated that 5% right can be used to draw out appreciated assets out of a trust into someone’s estate for a basis step-up. This can provide a simple mechanism to pull assets back into the estate. For example, if a practitioner is preparing a Form 1041 for an irrevocable trust, be alert to highly appreciated assets on the trust’s account statement. If there is significant appreciated assets recommend that the client meet their estate planner to determine if there is a so-called 5 and 5 power that might be used to pull those appreciated assets into the estate of an elderly beneficiary who is below the now very high estate tax exemption amount. Code Section 2041(b)(2).

• A client may have made transfers to a trust to benefit family members. If the portfolio assets in the trust have appreciated substantially, can anything be done to increase income tax basis and eliminate the capital gains on those appreciated securities? It may be difficult with the older trust. But if a new trust is being planned, can something be done differently to possibly make it easier to get a basis step-up? Consider adding a parent or other senior family member that has a small estate as a beneficiary and also grant that parent a general power of appointment (GPOA) so that the assets in the trust will be included in her estate. Thus, even if for example, husband created a trust for wife and descendants, the inclusion of an elder parent can eliminate the entirety of the appreciation of the assets in the trust saving substantial capital gains. Key is that this is a basis step-up on the death of the elderly parent, not one that waits until the death of the client or the client's spouse. Whoever the GPOA holder is should also be a beneficiary of the trust created to avoid an issue analogous to naked Crummey power holders that the courts have ruled against. in Cristofani v. Comm'r, 97 T.C. 74 (1991), acq. in result only 1992-1 C.B. 1.

• Consider planning if a spouse is terminally ill. But be mindful of the rules under Code Section 1014(e). If a transfer is made and the spouse dies in less than one year, there is no basis step-up if the assets are transferred back to the transferor spouse. That will not work under 1014(e). But if instead the assets passed to a typical credit shelter trust that can sprinkle or spray assets and income among the surviving spouse and descendants may not be viewed as a transfer back to the transferor surviving spouse.

• There are many ways listed in Code Section 1014 to gain a step-up in income tax basis. Community property can provide a valuable means of getting a step-up in basis, not just on the half of the assets held by spouse that died, but on all of the marital or community assets. See Code Section 1014(b)(6). While a bit more complex and costlier, clients in non-community property states can create trusts under the laws of Alaska, Tennessee, or South Dakota which have special rules. They can opt into a community property treatment for those assets. For clients with substantially appreciated assets, this can be a creative tool to try to get a basis step up on all of the assets transferred to that trust.

• What if a client cannot prove the actual tax basis of an asset? Can anything be done? The actual rule is if you can provide some information you shift the burden back to the IRS for the IRS to have to present a different basis analysis. IRC Sec. 7491 – you can shift burden to the current rule. It is a "close enough is good enough" rule. Practitioners can help clients estimate or approximate income tax basis. IRS. Cohan v. Comr., 39 F.23 540.

• Be certain that you advise clients of the risks and issues attendant to these techniques. You might consider even sending a letter listing some of the issues.

Martin M. Shenkman is the author of 35 books and 700 tax related articles. He has been quoted in The Wall Street Journal, Fortune, and The New York Times. He received his BS from the Wharton School of Pennsylvania, his MBA from the University of Michigan, and his law degree from Fordham University.

CPE Quiz

1. Alimony payments made pursuant to any divorce or separation instrument executed after December 31, 2019, are/can:

A. Be written off

B. Be included in the taxpayer's AGI

C. Deductable after the new TCJA rules

D. Not taxable or deductable

2. The TCJA has repealed the tax a taxpayer pays on income from what trust?

A. Revocable Trust

B. Alimony Trust

C. Pooled Trust

D. Qualified Income Trust

3. Spouses designated as beneficiaries for financial assets continue to be beneficiaries unless new designations are made. However, more than half of the states have enacted so-called "revocation on divorce" of existing beneficiary designations. These laws are based on a 1990 amendment to the ___________.

A. Uniform Commercial Code

B. Uniform Probate Code

C. Uniform Code of Evidence

D. Beneficiary Exemption Code

4. Revocation-on-divorce laws do not apply to ______-protected assets.

A. TRA

B. TCJA

C. ERISA

D. None of the above

5. In which of the following contexts has most of the IRS' attention concerning the due diligence standard?

A. Child tax

B. Earned income credits

C. Eligibility to file as head of household

D. All of the above

6. What form must a tax return preparer submit to claim the Earned Income Credit, American Opportunity Tax Credit or Child Tax Credit?

A. Form 1116

B. Form 8867

C. Form 2441

D. Form 4684

7. What is a key aspect of due diligence is covered in section 4 of the Due Diligence Checklist?

A. Checking for complete and consistent client information.

B. Was information completed based on the correct year?

C. Checking for disallowed or reduced tax credits.

D. Asking questions to complete and correct Form 1040, Schedule C.

8. Which of the following is NOT a reason for penalty under Internal Revenue Code section 6695?

A. Failure to sign the return.

B. Failure to furnish an identifying number.

C. Failure to file correct information returns.

D. Failure to negotiate a check.

9. The IRS issued new administrative guidance governing expense deductions and depreciation measures in connection to real property as enacted by the 2017 TCJA. The TCJA enacted the subsequent tax law amendments including requiring certain property held by an electing real property trade or business and changing the recovery period under the Alternative Depreciation System from 40 years to ___ years for commercial residential real estate property.

A. 25

B. 30

C. 35

D. 45

10. The IRS' statement of procedure under Rev. Proc. 2019-08 provides administrative guidance on deducting and on deducting depreciation for tax years beginning after December 31st of 2017 including, but not limited to allowing taxpayers to deduct the cost of certain property as an expense when the property is placed in service. For tax years beginning after 2017, the maximum amount of the expense deduction was changed from $500,000 to ________.

A. $400,000

B. $650,000

C. $750,000

D. $1 million

11. The IRS' statement of procedure under Rev. Proc. 2019-08 provides administrative guidance on deducting and on deducting depreciation for tax years beginning after December 31st of 2017 including, but not limited to allowing taxpayers to deduct the cost of certain property as an expense when the property is placed in service. For tax years beginning after 2017, the category of businesses that must use the ADS has been modified and expanded. A qualified farming business can elect out of the interest deduction limit. However, a qualified farming business that does elect out must now use the ADS for property with a recovery period of _____________.

A. 6 years or more

B. 8 years or more

C. 10 years or more

D. 12 years or more

12. Current large estate tax exemptions of _________ create significant planning opportunities for practitioners to help clients maximize or increase tax basis that are relevant for most clients especially those with smaller estates below the exemption.

A. $11.4 million

B. $7 million

C. $12.2 million

D. $13 million

13. On what basis can an adjustment provide a significant income tax benefit?

A. Starting an A-B Trust.

B. Acquisition of property.

C. Death of a family member.

D. All of the above.

14. To help maximize basis step up for clients, you could use a ____ trust and the surviving spouse can benefit. The ____ could be structured as a so-called “Clayton ____” in which case an election to have some or all of the trust is treated as a martial trust which is included in the surviving spouse’s estate for a second basis step-up.

A. QTIP

B. Alimony

C. Marital

D. QPR

15. Some irrevocable trusts give a beneficiary the right to withdraw the greater of ____ of the value of the trust or $5,000.

A. 10%

B. 5%

C. 3%

D. 8.5%

Question Responses

1. _____
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Tax Planning

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Payment Information

Name: ____

Company/Firm: ____

Street address: ____

City/state/zip: ____

Email (required): ____

Phone: ____

Card:

Visa MasterCard American Express Discover

Card number: ____

Expiration date: ________________________

Signature:____