

1970

Estate & Gift Taxation: Final Examination (May 27, 1970)

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FINAL EXAMINATION

ESTATE & GIFT TAXATION

1. State the gift and estate tax consequences under the following situations and use the following code:

- G - Grantor
 - C - Gift is complete
 - I - Gift is incomplete
 - E - Exclusion applies
 - F - Exclusion does not apply (future interest)
 - R - Remainder
 - V - Reversionary interest
 - L - Life estate (or a term of years)
 - P - Entire property
- | | | |
|--------|---|--------|
| 2036 - | The particular interest is caught under | § 2036 |
| 2037 - | " " " " " " | §2037 |
| 2038 - | " " " " " " | § 2038 |
| 2033 - | " " " " " " | § 2033 |

Illustrations:

G gives in trust to pay income to G for life, remainder to X or his estate.

Answer: C as to R, F. P 2036

G gives in trust to pay income to G for 20 years or until his earlier death. Upon such earlier death income to W for balance of the term, remainder to X or his estate. G dies before the term ends.

C as to P less G's L, F. P 2036

- - - - -

- (a) G gives in trust to pay income to W for life, then G for life, remainder to X or his estate. G predeceases W.
- (b) G gives in trust to pay income to W for life, remainder to X or his children; but if X has no children living, then to G or his estate. G predeceases W.

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- (c) G gives in trust to pay income to Mother for life, then to Brother for G's life, remainder to Son, if living, but if not, to G's estate. G predeceases all.
- (d) G gives in trust to pay income to W for 20 years. G retains power to accumulate income and add it to corpus. If W dies before end of 20 years, corpus plus accumulation to X or his estate. G dies before 20 years, W still alive.
- (e) G gives in trust to pay income to S and D equally for their life. Upon death of either, one half of corpus to decedent's estate. G retains power while both S and D are living to invade entire corpus for benefit of either. G predeceases both.
- (f) G gives in trust to pay income to W for life, remainder to S or his estate. Power to accumulate during W's life and add to corpus is exercisable solely by independent trustee under a definite external standard. G dies before W.
- (g) Same as (f) except power is held by G.
- (h) G gives in trust to pay income to Mother for life, remainder to S or his estate. Power in W (G's wife) to accumulate income and add to corpus. G dies before M.
- (i) G gives in trust to pay income to W for life, remainder to S or his estate. G retains power during W's life to invade corpus for benefit of D_1 and D_2 . Power limited by definite external standard. G dies during W's life.
- (j) G gives in trust to pay income to S for 5 years, remainder to G. G dies during the 5 year period.

(3 points each, 30 points in all)

2. G died in 1950, leaving property in trust for W for life, remainder to S, subject to a power in W to appoint the remainder after her life estate to her descendants by a writing delivered to the trustee during her life, and also a power to appoint to whomsoever she saw fit by her will.

What kind of power(s) did she hold? Suppose she does not exercise any of the powers? What estate tax consequence? Suppose she appoints, during her life, to X, a descendant, the remainder after her life. What then? Did the attorney (for G) try to plan too much?

(15 points)

3. G gives property in trust to pay income to W for life, remainder to S, retaining power to change the beneficiaries of the trust (except he cannot make himself beneficiary). G eventually releases his power, and dies within 2 years thereafter. Why would you argue that, had he not released the power, 2036 would have applied rather than 2038?

(10 points)

4. ~~(a) Decedent has insurance on his own life. He dies, and under the terms of the policy an annuity then becomes payable to his wife. What are the estate tax consequences? (20 points)~~

Grandfather leaves an annuity to granddaughter and her husband, thence to survivor. Husband dies. What result?

(5 points)

5. Grandfather wants to assure grandchildren A and B of his love by irrevocably making them beneficiaries of a remainder interest in Blackacre while he retains a life estate. However, he doesn't want to incur a gift tax now (not concerned with estate taxes here). How should he do it? (5 points)

6. In what connection are the terms "property which passes from the decedent" and "terminable interest" used? Explain and illustrate. (5 points)

7. Taxpayer consults you on disposition of his estate, worth \$500,000. He wants to give \$160,000 to charity now, expects \$60,000 debts and administrative expenses, and wants to leave maximum marital deduction to wife. What is your advice to him? Prove your contention. (5 points)

8. In general terms, what are sections 2011, 2012, 2013, all about? (5 points)

(We never discussed 2013 in class, so this is a good time for you to give a quick look at it)