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1962

1962 Schedule

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ESTATE PLANNING

A CASE STUDY

PANEL DISCUSSION BY:

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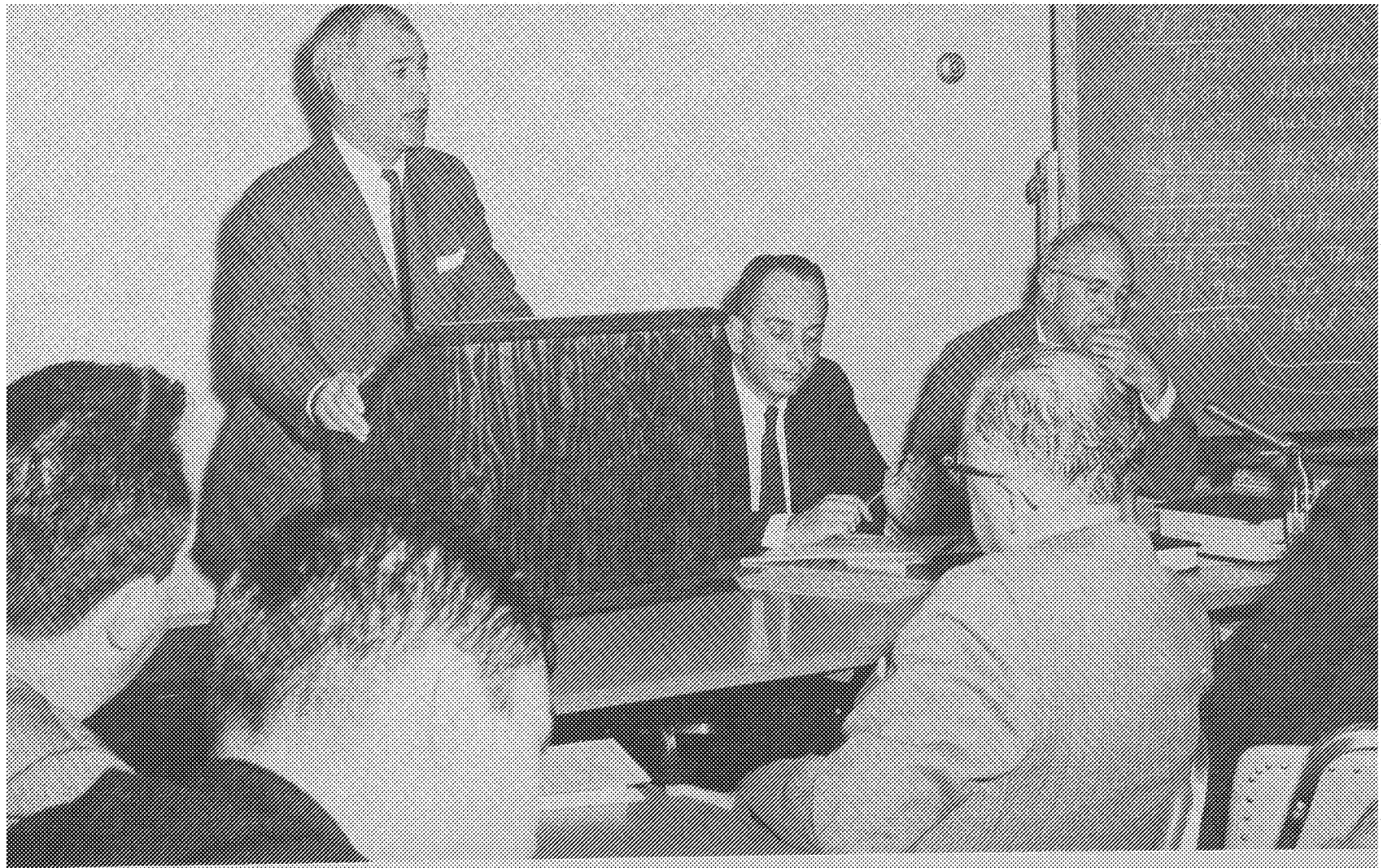
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COLLEGE OF WILLIAM AND MARY IN VIRGINIA

EIGHTH ANNUAL
TIDEWATER TAX CONFERENCE

ESTATE PLANNING SESSION



Foreword

The Eighth Annual Tidewater Tax Conference was held at the College of William and Mary on December 8, 1962.

The following program was presented:

TAX LEGISLATION — ANALYSIS OF PRINCIPAL CHANGES

Samuel R. McClurd

Director, Legislation and Regulations Division, Office of the Chief Counsel for the Internal Revenue Service

DECISIONS AND RULINGS — 1962 — SIGNIFICANT FEATURES

Thomas J. Middleton, Jr.

Bauknight, Prichard, McCandlish and Williams
Fairfax, Virginia

AUDIT NEWS — NEW DIRECTIONS

Dean J. Barron

Regional Commissioner of Internal Revenue, Philadelphia Region

VIRGINIA'S CURRENT PAYMENT SYSTEM — EXPLANATION AND DISCUSSION

C. H. Morrissett

State Tax Commissioner

ESTATE PLANNING PANEL

Joseph Curtis

Acting Dean, Marshall-Wythe School of Law

H. Brice Graves

Hunton, Williams, Gay, Powell and Gibson, Richmond, Va.

W. Gibson Harris

Battle, Neal, Harris, Minor and Williams, Richmond, Va.

Toy D. Savage, Jr.

Wilcox, Cooke, Savage and Lawrence, Norfolk, Va.

DEPRECIATION REFORM — HOW IT IS TO BE APPLIED

Stanley J. Grande

Audit Division, National Office, Internal Revenue Service

As a matter of special interest as reference material to attorneys, a record was made of the ESTATE PLANNING PANEL DISCUSSION. This record is reproduced in the following pages.

Also included is an HISTORICAL NOTE describing the development of the Tax Conference at the College of William and Mary with a listing of all who have kindly contributed to its programs and the subject of their discussions. This begins on page 31.

The panel considers and discusses some of the factors which should be taken into account, particularly the tax aspects, in the drafting of a plan for testamentary disposition of the properties of a husband and wife, whose assets and circumstances may be as indicated on the following page.

FACTS

Husband, H, in mid 60s; Wife, W, in late 50s; both in average good health. Son, S, age 32, married to SW, having 2 children, ages 4 and 1. S is an architect, owning modest home subject to mortgage, annual income about \$8,000 and with excellent increased earning potential. Daughter, D, age 28, married to DH, a doctor with good earning prospects, having one child, age 3.

H's assets, owned solely or jointly with W, comprise:

BUSINESS INTERESTS

#1 — a small but highly successful sole proprietorship manufacturing plant, having realty worth \$50,000, operating assets worth \$75,000, and netting about \$25,000 annually. H's personal services, while important to the business, are not essential to its continued success. Value, inclusive of good will, \$175,000

#2 — an one-half partnership interest in a retail merchandising business in which H's role is that of an inactive investor. H's present capital account is \$30,000. Profits average \$8,000 annually after deducting \$5,000 salary for H's active partner. Value of H's interest, including good will, 50,000

OTHER PROPERTIES

#3 — residence owned jointly with W with right of survivorship worth \$60,000, subject to mortgage with balance outstanding of \$15,000 amortizable at \$2,500 per year. 4% interest rate has induced H not to accelerate discharge. Both H and W are principals on the mortgage note, but H has made all payments. Value of equity, 45,000

#4 — furnishings, auto, boat, other tangible personalty, value 10,000

#5 — checking bank account jointly with W, average balance 2,000

#6 — savings bank account jointly with W, accumulated mostly from their dividends and interest; occasional withdrawals are made for various purposes. Present balance 8,000

#7 — investment stocks and securities owned solely by H, 15,000

#8 — stocks and securities owned jointly with W with right of survivorship; about \$20,000 worth is attributable to stock dividends. Total value, 80,000

#9 — unproductive investment realty owned jointly with W with right of survivorship, acquired originally with H's funds, value 20,000

INSURANCE AND OTHER INTERESTS

#10 — 3 policies of life insurance; one for \$5,000 payable to S; one for \$5,000 payable to D; and one for \$25,000 payable to W in installments for her life with guaranteed installments payable to S and D in event of W's death prior to recovery of face amount 35,000

#11 — H has a life interest and general power of appointment over property in trust established by his father. In default of appointment by H, the trust corpus is to pass free of trust at his death to his issue. Value of trust corpus, 100,000

Total of above, \$540,000

W has no substantial property of her own. H's present will bequeaths the bulk of his property to W and equally to S and D in the event of her predeceasing him.