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Question 1

Question Type: MultipleChoice

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:

Options:

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

Answer:

B

Question 2

Question Type: MultipleChoice

Which of the following statements concerning the ownership of real property as joint tenants with right of survivorship is correct?

Options:

- A-** If the joint tenants are brother and sister and the brother contributed all the funds to purchase the property, one-half of the value of the property will be excluded from the sister's estate if she dies first.
- 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 to die.
- C-** If the joint tenants are husband and wife, because this is a qualified joint interest, the entire value of the property will be in the estate of the husband regardless of which spouse dies first.
- 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.

Answer:

D

Question 3

Question Type: MultipleChoice

A father deeded a house as a gift to his daughter in 1990 but retained the right to live in it until his death. He died this year while still living in the house. The following are relevant facts: The father bought the property in 1980 for \$130,000. The fair market value of the property when the gift was made in 1990 was \$150,000. The father filed a timely gift tax return but paid no gift tax because of the applicable credit amount. The fair market value of the property at the father's death was \$220,000. The daughter sold the property 3 months after her father's death for \$220,000. She had a gain of:

Options:

A- 0

B- \$120,000

C- \$140,000

D- \$220,000

Answer:

A

Question 4

Question Type: MultipleChoice

To determine whether a taxable gift has been made, the Treasury Regulations require that there must initially be a definite finding that the:

Options:

- A- donor was a close friend or a relative of the donee
- B- property transferred was real property or tangible personal property
- C- property was transferred for less than an adequate and full consideration in money or money's worth
- D- transferor's actual state of mind was such that he intended to make a gift

Answer:

C

Question 5

Question Type: MultipleChoice

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?

Options:

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

Answer:

B

Question 6

Question Type: MultipleChoice

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 stripes, which of the following correctly states the amounts each descendant will receive?

Options:

- A- \$100,000 to Joe, \$50,000 to Irene, \$50,000 to Sally, and \$100,000 to Anne
- B- \$1,00,000 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- \$60,000 to Joe, \$60,000 to Irene, \$60,000 to Sally, \$60,000 to Anne, and \$60,000 to Harry

Answer:

A

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