1. During the current taxable year, John and Paul each owned, for many years, 100 common shares of the 200 issued and outstanding common shares of SeaHawk Corporation, which corporation had $100,000 of earnings and profits for income tax purposes at the beginning and at the end of the current taxable year. SeaHawk Corporation operated, for over ten years, the following two pizza parlors: a pizza parlor in Greenwood, Indiana; and, a pizza parlor on the north side of Indianapolis. John and Paul each had an adjusted basis for their 100 common shares of $1,000. During the current taxable year SeaHawk Corporation sold all of the net assets of the Greenwood pizza parlor to Beverly for $60,000, paid all of Seahawk Corporation’s liabilities of $10,000 which were related to the Greenwood business and distributed the net cash of $50,000, by checks, to John and Paul, $25,000 to each, in return for 50% of each of their shares (50 common shares). The $50,000 distribution was equal to the net value of the Greenwood pizza parlor assets at the time of the sale and equal to 50% of the total net value of Seahawk Corporation of $100,000 at the time of the sale. Paul’s long term capital gain for the current taxable year is as follows.
   A. None/Zero
   B. $25,000
   C. $24,000
   D. $24,500
   E. None of the above

2. Referring to Question 1, SeaHawk Corporation might recognize both gains and losses due to the sale of the assets of the Greenwood business.
   A. True/Yes
   B. False/No
   C. Need more information
   D. None of the above

3. Referring to Question 1, SeaHawk Corporation might recognize both gains and losses due to the distributions to John and Paul.
   A. True/Yes
   B. False/No
   C. Need more information
   D. None of the above

4. Referring to Question 1, Paul’s adjusted basis for Paul’s common shares after the distribution by SeaHawk Corporation is as follows.
   A. None/Zero
   B. $1,000
   C. $2,000
   D. $500
   E. None of the above

5. Referring to Question 1, Seahawk Corporation did not sell the assets of the Greenwood business to Beverly, but instead, Seahawk Corporation distributed the net assets of the Greenwood business to John and Paul, in equal shares, after using some of those net assets to pay the $10,000 of liabilities. John and Paul each received assets with a value of $25,000 in return for 50% (50 common shares) of each of their common shares. SeaHawk Corporation might recognize both gains and losses due to the transfer of the assets to John and Paul.
   A. True/Yes
   B. False/No
   C. Need more information
   D. None of the above

6. Referring to Question 5, John and Paul will each recognize long term capital gain due to this transaction.
   A. True/Yes
B. False/No
C. Need more information
D. None of the above

7. Referring to Question 5, Paul’s adjusted basis for Paul’s common shares after the distribution by SeaHawk Corporation is as follows.
A. None/Zero
B. $1,000
C. $2,000
D. $500
E. None of the above

8. Referring to Question 5, the total adjusted basis of the assets received by John is as follows.
A. None/Zero
B. $20,000
C. $35,000
D. $25,000
E. None of the above

9. During the current taxable year, Paul owned 100 common shares of Loops Corporation, which was 100% of the issued and outstanding common shares of Loops Corporation, a corporation with accumulated earnings and profits for income tax purposes of $100,000 both at the beginning and at the end of the current taxable year. Paul needed some money in order to repay a debt which Paul owed. Therefore, during the current taxable year, Loops Corporation redeemed 10 of the common shares which Paul owned. Paul's adjusted basis for the 10 redeemed common shares was $2,000 and the common shares were redeemed at the fair price of $6,000. Paul's gross income for the current taxable year is as follows.
A. None/Zero
B. $6,000 ordinary income
C. $6,000 long term capital gain
D. $4,000 long term capital gain
E. None of the above

10. On January 1 of the current taxable year, John owned all of the 100 issued and outstanding common shares of Greek Corporation, which had $100,000 of accumulated earnings and profits for income tax purposes both at the beginning of and at the end of the current taxable year. Greek Corporation operated, for over ten years, an airplane sales business. John’s adjusted basis for John’s 100 common shares was $1,000. Also, on January 1 of the current taxable year, Greek Corporation had only one transaction, specifically, Greek Corporation sold all of the assets of Greek Corporation to Beverly for a net profit of $50,000, paid Greek Corporation’s mortgage debt of $10,000, and distributed the net cash of $40,000, by check, to John. John’s ordinary gross income for the current taxable year is as follows.
A. None/Zero
B. $40,000
C. $39,000
D. $30,000
E. None of the above

11. Referring to Question 10, Greek Corporation’s income tax for the current taxable year is as follows.
A. None/Zero
B. $6,250
C. $6,000
D. $7,500
E. None of the above

12. Referring to Question 10, Greek Corporation might recognize both gains and losses due to the distribution to John.
13. During the current taxable year, Kinder Corporation merged into Gentler Corporation. Just prior to the merger, John owned 600 common shares (60% of the common shares) of Kinder Corporation, which shares (of John) had a value of $300,000 (because Kinder Corporation's value was $500,000) and which shares had an adjusted basis to John of $60,000 and which shares had been owned by John for over five years. The other 40% (400 common shares) of Kinder Corporation was owned by Paul, which shares (of Paul) had a value of $200,000 (because Kinder Corporation's value was $500,000) and which shares had an adjusted basis to Paul of $55,000 and which shares had been owned by Paul for over five years. The total value of Gentler Corporation's 1,000 issued and outstanding common shares was also $500,000 and 100% of the 1,000 common shares of Gentler Corporation was owned by Paul. As part of the merger, Gentler Corporation authorized another 1,000 common shares to be issued by Gentler Corporation (so that Gentler Corporation would then have 2,000 common shares authorized), and then, Kinder Corporation transferred all of Kinder Corporation's assets to Gentler Corporation. Just prior to the merger, the adjusted basis of Kinder Corporation's assets which Kinder Corporation transferred to Gentler Corporation was $150,000 and the value of the assets which Kinder Corporation transferred to Gentler Corporation was $500,000 and Kinder Corporation and Gentler Corporation each had accumulated earnings and profits for income tax purpose at the beginning of the current taxable year of $175,000. Thereafter, Gentler Corporation issued the new (and additional) 1,000 common shares of Gentler Corporation to Kinder Corporation in exchange therefor. Thereafter, Kinder Corporation transferred 600 common shares of Gentler Corporation to John (in exchange for John's 600 common shares of Kinder Corporation), and, in addition, Kinder Corporation transferred 400 common shares of Gentler Corporation to Paul (in exchange for Paul's 400 common shares of Kinder Corporation). Then, under the provisions of the applicable merger laws, Kinder Corporation ceased to exist. And, as a result of the merger, the 2,000 common shares of Gentler Corporation were owned as follows: John owned 600 common shares (30%) of Gentler Corporation (and no shares in Kinder Corporation) and Paul owned 1,400 common shares (70%) of Gentler Corporation (and no shares in Kinder Corporation). Further, after the merger, Kinder Corporation was no longer in existence. Further, after the merger, Gentler Corporation had a value of $900,000. John's capital gain gross income for the current taxable year is as follows.

A. None/Zero  
B. $50,000  
C. $240,000  
D. $300,000  
E. None of the above

14. Referring to Question 13, John's adjusted basis for the common shares which John received in Gentler Corporation from Kinder Corporation is as follows.

A. None/Zero  
B. $80,000  
C. $120,000  
D. $60,000  
E. None of the above

15. Referring to Question 13, Gentler Corporation's gross income for the current taxable year is as follows.

A. None/Zero  
B. $150,000  
C. $200,000  
D. $500,000  
E. None of the above

16. Referring to Question 13, Gentler Corporation's adjusted basis for the assets which Gentler Corporation received from Kinder Corporation is as follows.

A. None/Zero
B. $500,000
C. $555,000
D. $150,000
E. None of the above

17. Referring to Question 13, Kinder Corporation's gross income for the current taxable year is as follows.
   A. None/Zero
   B. $500,000
   C. $555,000
   D. $150,000
   E. None of the above

18. Referring to Question 13, after the merger, Gentler Corporation's total accumulated earnings and profits for income tax purposes at the end of the current taxable year is as follows.
   A. None/Zero
   B. $350,000
   C. $245,000
   D. $175,000
   E. None of the above

19. Referring to Question 13, John received from Kinder Corporation, as part of the merger, $20,000 of cash and the common shares in Gentler Corporation, which shares had a value of $400,000. John's capital gain gross income for the current taxable year is as follows.
   A. None/Zero
   B. $20,000
   C. $120,000
   D. $360,000
   E. None of the above

20. Referring to Question 19, John's adjusted basis for the common shares of Gentler Corporation which John received as a result of the merger is as follows.
   A. None/Zero
   B. $240,000
   C. $60,000
   D. $300,000
   E. None of the above

21. During the current taxable year and as part of a corporate division, Hotshot Corporation organized GoodLuck Corporation and transferred 70% of Hotshot Corporation's assets and 70% of Hotshots Corporation's liabilities to GoodLuck Corporation in exchange for 1,000 common shares of GoodLuck Corporation (which were all of the common shares of Good Luck Corporation). Mary owned, at that time, 70% of the common shares (700 of the 1,000 common shares) of Hotshot Corporation, which common shares (of Mary) had a value of $2,100,000 (because Hotshot Corporation's value was $3,000,000) and which common shares had an adjusted basis to Mary of $40,000 and which common shares had been owned by Mary for over five years. Paul owned the other 30% (300 common shares) of Hotshot Corporation, which 300 common shares had a value of $900,000. As part of the corporate division of Hotshot Corporation, Hotshot Corporation transferred 70% of Hotshot Corporation's assets and liabilities (which had a net value of $2,100,000) to GoodLuck Corporation and GoodLuck Corporation issued 1,000 common shares of GoodLuck Corporation (which were all of GoodLuck Corporation's shares) to Hotshot Corporation in exchange such assets and liabilities. Just prior to the corporate division, Hotshot Corporation had $400,000 of accumulated earnings and profits for income tax purposes at the beginning of the current taxable year. Thereafter, Hotshot Corporation transferred all of the GoodLuck Corporation common shares to Mary in exchange for the common shares of Hotshot Corporation which were owned by Mary. Then, under the provisions of the applicable corporate division laws, Hotshot Corporation and Good Luck Corporation existed as separate corporations, with Mary owning all of the common shares of GoodLuck Corporation (which then had a value of $2,100,000) and with Paul owning all of the...
common shares of Hotshot Corporation (which then had a value of $900,000). The adjusted basis of Hotshot Corporation's assets which Hotshot Corporation transferred to Good Luck Corporation was $325,000. Mary's gross income for the current taxable year with respect to the corporate division is as follows.
A. None/Zero
B. $1,775,000
C. $2,060,000
D. $2,100,000
E. None of the above

22. Referring to Question 21, Mary's adjusted basis for the common shares which Mary received in GoodLuck Corporation from Hotshot Corporation is as follows.
A. None/Zero
B. $2,060,000
C. $325,000
D. $40,000
E. None of the above

23. Referring to Question 21, Hotshot Corporation's gross income for the current taxable year with respect to the corporate division is as follows.
A. None/Zero
B. $40,000
C. $325,000
D. $2,060,000
E. None of the above

24. Referring to Question 21, GoodLuck Corporation's adjusted basis for the assets which GoodLuck Corporation received from Hotshot Corporation is as follows.
A. None/Zero
B. $40,000
C. $325,000
D. $2,060,000
E. None of the above

25. Referring to Question 21, GoodLuck Corporation's gross income as the result of these facts is as follows.
A. None/Zero
B. $40,000
C. $325,000
D. $2,060,000
E. None of the above

26. Referring to Question 21, GoodLuck Corporation's accumulated earnings and profits for income tax purposes at the end of the current taxable year is as follows.
A. None/Zero
B. $120,000
C. $280,000
D. $400,000
E. None of the above

27. During the current taxable year, Paul worked for Freeze, Inc. and was paid a salary of $100,000 from Freeze, Inc. and Paul had taxable income of $40,000. Paul's income tax (prior to any credit) for the current taxable year is as follows.
A. None/Zero
B. $22,507
C. $6,665
28. Referring to Question 27, Paul’s share of the retirement premium portion of the F.I.C.A. tax (prior to any credit) for the current taxable year is as follows.
A. None/Zero  
B. $5,580  
C. $6,200  
D. $5,729  
E. None of the above

29. Referring to Question 27, Paul’s share of the Medicare Part A premium portion of the FICA tax (prior to any credit) for the current taxable year is as follows.
A. None/Zero  
B. $2,680  
C. $1,340  
D. $1,450  
E. None of the above

30. During the current taxable year, Peter had a salary of $25,000 and Peter paid interest of $2,000 on Peter’s student loans. Peter’s adjusted gross income for the current taxable year is as follows.
A. None/Zero  
B. $25,000  
C. $23,000  
D. $24,000  
E. None of the above

31. John had a gross salary of $50,000 during the current taxable year and John had a Traditional IRA which John established several years ago. Mary also had a Traditional IRA which she established in her name several years ago. Mary did not earn any income during the current taxable year, however, Mary received $10,000 of dividends during the current taxable year. Both John and Mary may each contribute and deduct up to $4,000 to their separate Traditional IRAs.
A. True/Yes  
B. False/No  
C. Need more information  
D. None of the above

32. On December 10 of the current taxable year, Paul sold 100 common shares of Cold Corporation for $200,000. Paul had purchased the common shares ten taxable years ago for $225,000. In addition to the sale of the Cold Corporation common shares, Paul had a gross salary of $200,000 for the current taxable year. Then, on January 5 of the next taxable year, Paul purchased 100 common shares of Cold Corporation for $230,000. Paul's adjusted gross income for the current taxable year is as follows.
A. None/Zero  
B. $175,000  
C. $200,000  
D. $197,000  
E. None of the above

33. Two taxable years ago, Cooler Corporation gave Paul a stock option (which was not a qualified stock option) which allowed Paul the right to purchase 100 common shares of Cooler Corporation for $100 per share, which was the current value of the common shares at the time when Paul was granted the option. At the time when Paul received the stock option, the stock option was not listed on a stock exchange and there was no other way to accurately determine the value of the stock option. During January of the current taxable year, when each common share had a value of $200, Paul exercised Paul's option and purchased the 100 common shares for $100 per share. Paul had the
right to sell the common shares at any time after two years after Paul exercised of the option. Paul’s gross income for the taxable year two taxable years ago is as follows.
A. None/Zero
B. $1,000
C. $10,000
D. $20,000
E. None of the above

34. Referring to Question 33, Paul’s gross income for the current taxable year is as follows.
A. None/Zero
B. $1,000
C. $10,000
D. $20,000
E. None of the above

35. Paul made many purchases and sales of common shares over the FastTradeStock Exchange as an investor for many years. During the current taxable year, Paul had capital gains of $5,000 and capital losses of $45,000. During each year for ten years prior to the current taxable year, Paul had capital gains of $5,000 and a gross salary of $100,000. For each year for 30 years after the current taxable year, Paul had capital gains of $5,000 and a gross salary of $100,000. Paul made all elections which were available to Paul and the current taxable year is 1997. The last taxable year (chronologically) during which Paul may deduct any part of Paul’s capital losses is as follows.
A. None/Zero
B. 1996
C. 2001
D. 2002
E. None of the above

36. During December of the current taxable year, John exchanged John’s Ford Motor Co. common stock for Paul’s General Motors Corp. common stock. The exchange was made because John worked for General Motors Corp. And Paul worked for Ford Motor Co. John’s adjusted basis for the Ford Motor Co. common stock was $4,000 and the Ford Motor Co. common stock had a value of $20,000. John purchased the Ford Motor Co. common stock two years ago. Paul’s adjusted basis for the General Motors Corp. common stock was $22,000 and the General Motor Corp. stock had a value of $20,000. John’s long term capital gain gross income is as follows.
A. None/Zero
B. $15,000
C. $16,000
D. $20,000
E. None of the above

37. Referring to Question 36, during January of the next taxable year, John sold the General Motors Co. common stock for $23,000. John’s long term capital gain gross income for the next taxable year is as follows.
A. None/Zero
B. $2,000
C. $18,000
D. $20,000
E. None of the above

38. Referring to Question 36, Paul’s adjusted basis for the Ford Motor Co. stock that Paul received from John is as follows.
A. None/Zero
B. $23,000
C. $3,000
D. $20,000
E. None of the above
39. During the current taxable year, Mary died owning one whole (ordinary life) life insurance policy on Mary's life which had a face amount of $2,000,000 and which was payable, in lump sum, to Mary's estate. The policy had been purchased by Mary, during the current taxable year, for $150,000, from Tomahawk, Inc. of which Mary was president and which corporation had purchased the policy several taxable years ago from the issuing life insurance company, and which policy was payable, prior to the sale to Mary, to Tomahawk, Inc. When Mary retired, Tomahawk, Inc. sold the policy to Mary. Tomahawk, Inc. had an adjusted basis for the policy of $100,000 at the time of the sale to Mary. Tomahawk, Inc.'s gross income for the current taxable year with respect to the sale of the policy to Mary is as follows.
A. None/Zero
B. $100,000
C. $90,000
D. $50,000
E. None of the above

40. Referring to Question 39, Mary’s estate's gross income for the current taxable year with respect to the life insurance proceeds is as follows.
A. None/Zero
B. $1,800,000
C. $1,900,000
D. $1,700,000
E. None of the above

41. Referring to Question 39, Tomahawk, Inc. did not sell the life insurance policy to Mary, and Mary died, and Tomahawk, Inc. received $2,000,000 from the life insurance company due to the life insurance policy. Tomahawk, Inc.’s gross income with respect to the receipt of the life insurance proceeds policy, is as follows.
A. None/Zero
B. $2,000,000
C. $1,800,000
D. $1,900,000
E. None of the above

42. During the current taxable year, John sold 100 common shares of YooHoo, Inc. for $50,000, which John had purchased two taxable years ago for $200,000 as an investment. The common shares were qualified as section 1244 stock. John's ordinary expense or ordinary loss deduction for the current taxable year (considering all deduction limitations) is as follows.
A. None/Zero
B. $100,000
C. $150,000
D. $200,000
E. None of the above

43. Referring to Question 42, John’s long term capital loss for the current taxable year is as follows.
A. None/Zero
B. $50,000
C. $100,000
D. $200,000
E. None of the above

44. Two taxable years ago, John purchased some common shares for $60,000 and during the current taxable year, John sold the common shares to Mary for $70,000. John's long term capital gain gross income for the current taxable year is as follows.
A. None/Zero
B. $10,000
C. $20,000
45. During the current taxable year, John's employer, Platinum, Inc., which regularly sold furniture to customers, allowed John to purchase one of Platinum, Inc.'s delivery trucks (which truck had an adjusted basis of $4,000 and which truck had a value of $12,000 and with respect to which Platinum, Inc. had taken $50,000 of depreciation deductions) for $8,000, because John had worked so hard for Platinum, Inc. during the current taxable year, and therefore, Platinum, Inc. wanted to give John a bonus for the current taxable year. John paid for and received the truck (with no restrictions attached) on November 1 of the current taxable year. John's ordinary gross income for the current taxable year with respect to the transfer of the truck to John is as follows.

A. None/Zero
B. $4,000
C. $2,000
D. $6,000
E. None of the above

46. Referring to Question 45, Platinum, Inc.'s ordinary gross income for the current taxable year with respect to the transfer of the truck to John is as follows.

A. None/Zero
B. $4,000
C. $6,000
D. $8,000
E. None of the above

47. Referring to Question 45, John’s adjusted basis for the truck transferred to John is as follows.

A. None/Zero
B. $10,000
C. $12,000
D. $7,000
E. None of the above

48. During the current taxable year, Beverly worked full-time as a manager with Farmers, Inc., receiving an annual salary of $30,000. In addition, Beverly owned some land which Beverly’s mother had devised to Beverly and Beverly kept the land for that reason. However, Beverly grew pumpkins on the land, just for fun, because Beverly liked to sell the pumpkins, at very reasonable prices, to children and parents for Halloween. Beverly did all of the work which was necessary to grow and sell the pumpkins and during the current taxable year, Beverly received $800 from the sale of the pumpkins. Beverly’s expenses with respect to the growing of the pumpkins were: real estate taxes - $200; interest paid with respect to a mortgage debt which was secured by the land - $200; and, pumpkin seed, fertilizer, etc. $600. Beverly's ordinary expense or ordinary loss deduction with respect to the current taxable year with respect to these facts (considering all deduction limitations) is as follows.

A. None/Zero
B. $700
C. $600
D. $800
E. None of the above

49. Referring to Question 48, Beverly’s adjusted gross income is as follows.

A. None/Zero
B. $30,000
C. $30,800
D. $30,700
E. None of the above

50. During the current taxable year, Paul owned 100 common shares of Sandy Corporation, which was 100% of the issued
and outstanding common shares of Sandy Corporation, which had accumulated earnings and profits of $100,000 both at the beginning and at the end of the current taxable year. Paul needed some money in order to repay a debt which Paul owed. Therefore, during the current taxable year, Sandy Corporation redeemed ten of the common shares which Paul owned. Paul's adjusted basis for the ten redeemed common shares was $2,000 and the common shares were redeemed at the fair price of $6,000. Paul's gross income for the current taxable year is as follows.

A. None/Zero  
B. $6,000 ordinary income  
C. $6,000 long term capital gain  
D. $4,000 long term capital gain  
E. None of the above

51. During December of the last taxable year, Peter, who was president of Gravel, Inc., read in the newspaper that the State of Indiana was going to condemn some land which was owned by and used for business by Gravel, Inc. Therefore, during June of the current taxable year, Gravel, Inc. purchased some similar land for $500,000. During December of the current taxable year, the State of Indiana condemned Gravel, Inc.'s old land and paid Gravel, Inc. $700,000 for the old land. Peter determined that the adjusted basis of the condemned land was $100,000. Gravel, Inc.'s gross income for the current taxable year is as follows.

A. None/Zero  
B. $600,000  
C. $400,000  
D. $200,000  
E. None of the above

52. Referring to Question 51, Gravel, Inc.'s adjusted basis for the new land is as follows.

A. None/Zero  
B. $200,000  
C. $700,000  
D. $100,000  
E. None of the above

53. Referring to Question 51, Gravel, Inc. purchased the new land for $1,000,000. Gravel, Inc.'s adjusted basis for the new land is as follows.

A. None/Zero  
B. $600,000  
C. $400,000  
D. $1,000,000  
E. None of the above

54. Two taxable years ago, John purchased 100 common shares of Salty, Inc. for $60,000 and during the current taxable year, John sold 50 of the common shares to Mary for $35,000 and John sold 50 of the common shares to Peter for $36,000. John's long term capital gain gross income for the current taxable year is as follows.

A. None/Zero  
B. $11,000  
C. $6,000  
D. $5,000  
E. None of the above

55. During April of the current taxable year, Beverly died. The beneficiary of Beverly's corporate qualified retirement plan was Rebecca and Rebecca was entitled to receive a lump sum distribution under the retirement plan of $900,000. Beverly did not make any contribution to the retirement plan trust, only Cowboys, Inc., Mary's then employer, did. At Beverly's death, the fund consisted of $700,000 of employer contributions and $200,000 of earnings thereon. However, Rebecca, who had no other income during the current taxable year and who had no prior retirement fund, promptly established a Traditional individual retirement account in Rebecca's name, but Rebecca did not make a contribution to the Traditional individual retirement account at that time and Rebecca told the trustee of Beverly's
retirement fund to distribute the funds to the trustee of Rebecca's Traditional individual retirement account, which the trustee did. Rebecca made no other election with respect to the distribution. Rebecca's gross income for the current taxable year is as follows.
A. None/Zero
B. $900,000
C. $700,000
D. $200,000
E. None of the above

56. Mary died on January 1 of the current taxable year, owning 1,000 common shares of RightSide Corporation. Mary paid $20,000 for the common shares in December of the last taxable year, and the common shares had a value of $30,000 at Mary's death and $42,000 on July 1 of the current taxable year. The executor of Mary’s estate elected to use the date of death values for estate tax purposes. Mary's last will and testament devised $35,000 of cash to Paul, and on May 1 of the current taxable year, when the value of the common shares was $35,000, the executor transferred the common shares to Paul, under an agreement under which Paul took the common shares in lieu of the cash devise. Mary’s estate’s long term capital gain for the current taxable year with respect to the transfer of the common shares to Paul is as follows.
A. None/Zero
B. $5,000
C. $7,000
D. $15,000
E. None of the above

57. On January 1 of the current taxable year, John owned all of the 100 issued and outstanding common shares of Hotter Corporation, which had $100,000 of accumulated earnings and profits for income tax purposes both at the beginning of and at the end of the current taxable year. Hotter Corporation operated, for over ten years, an airplane sales business. John’s adjusted basis for John’s 100 common shares was $1,000. Also, on January 1 of the current taxable year, Hotter Corporation had only one transaction, specifically, Hotter Corporation sold all of the assets of Hotter Corporation to Beverly for a net profit of $60,000, paid Hotter Corporation’s mortgage debt of $10,000, and distributed the net cash of $50,000, by check, to John. John’s ordinary gross income for the current taxable year is as follows.
A. None/Zero
B. $60,000
C. $50,000
D. $49,000
E. None of the above

58. On April 1 of the current taxable year, Beverly was employed by Piano Corporation for a salary of $40,000 and Beverly needed money in order to pay $10,000 for Rebecca's college tuition. The college required the tuition to be paid for both the first and second semesters. Thus, Beverly told the trustee of Beverly's Traditional individual retirement account to distribute $10,000 from the account to Beverly. Beverly was the sole contributor to the Traditional individual retirement account and all of Beverly's contributions were deductible to Beverly. Beverly paid the tuition during the current taxable year. Beverly's gross income for the current taxable year is as follows.
A. None/Zero
B. $60,000
C. $40,000
D. $50,000
E. None of the above

59. On January 1 of the current taxable year, Peter purchased a Trout Corporation bond for $8,000 when the bond was issued. The bond matures on December 31 ten years from the bond's issue date, has a par value of $10,000, and has a stated interest rate of 8% per year, which stated interest is paid each December 31. During the current taxable year, Peter received a check for the proper amount of the stated interest. Peter took all of the deductions (or gross income reductions) indicated by these facts, but Peter did not itemize Peter's deductions. Peter's gross income for the current
taxable year is (approximately) as follows.
A. None/Zero
B. $800
C. $640
D. $1,000
E. None of the above

60. Referring to Question 59, Peter's adjusted basis for the bond at the beginning of the next taxable year is (approximately) as follows.
A. None/Zero
B. $8,000
C. $8,200
D. $10,000
E. None of the above

61. Referring to Question 59, Peter owned the bond until the bond matured, at which time, Trout Corporation redeemed the bond from Peter. Peter's gross income for the year in which the bond was redeemed with respect to the bond is (approximately) as follows.
A. None/Zero
B. $2,000
C. $1,000
D. $10,000
E. None of the above

62. During the current taxable year, Paul had long term capital gain gross income of $50,000 and dividends of $50,000. Paul’s income tax (prior to any credit) for the current taxable year is as follows.
A. None/Zero
B. $10,830
C. $15,000
D. $7,500
E. None of the above

63. Referring to Question 62, Paul’s share of the full F.I.C.A. tax (prior to any credit) for the current taxable year is as follows.
A. None/Zero
B. $6,200
C. $5,704
D. $3,100
E. None of the above

64. During the current taxable year, John and Paul each owned, for many years, 100 common shares of the 200 issued and outstanding common shares of SeaLion Corporation, which corporation had $100,000 of earnings and profits for income tax purposes at the beginning and at the end of the current taxable year. SeaLion Corporation operated, for over ten years, the following two fish markets: a fish market in Greenwood, Indiana; and, a fish market on the north side of Indianapolis. John and Paul each had an adjusted basis for their 100 common shares of $1,000. During the current taxable year SeaLion Corporation sold all of the net assets of the Greenwood fish market to Beverly for $60,000, paid all of SeaLion Corporation’s liabilities of $10,000 which were related to the Greenwood business and distributed the net cash of $50,000, by checks, to John and Paul, $25,000 to each, in return for 50% of each of their shares (50 common shares). The $50,000 distribution was equal to the net value of the Greenwood fish market assets at the time of the sale and equal to 50% of the total net value of SeaLion Corporation of $100,000 at the time of the sale. Paul’s long term capital gain for the current taxable year is as follows.
A. None/Zero
B. $25,000
C. $24,000
65. Referring to Question 64, Paul’s adjusted basis for Paul’s common shares after the distribution by SeaLion Corporation is as follows.
   A. None/Zero
   B. $1,000
   C. $2,000
   D. $500
   E. None of the above

66. Referring to Question 64, SeaLion Corporation did not sell the assets of the Greenwood business to Beverly, but instead, SeaLion Corporation distributed the net assets of the Greenwood business to John and Paul, in equal shares, after using some of those net assets to pay the $10,000 of liabilities. John and Paul each received assets with a value of $25,000 in return for 50% (50 common shares) of each of their common shares. SeaLion Corporation might recognize gain due to the transfer of the assets to John and Paul.
   A. True/Yes
   B. False/No
   C. Need more information
   D. None of the above

67. Referring to Question 66, Paul’s adjusted basis for Paul’s common shares after the distribution by SeaLion Corporation is as follows.
   A. None/Zero
   B. $1,000
   C. $2,000
   D. $500
   E. None of the above

68. Referring to Question 66, the total adjusted basis of the assets received by John is as follows.
   A. None/Zero
   B. $20,000
   C. $35,000
   D. $25,000
   E. None of the above

69. During the current taxable year, Paul and John each owned 500 common shares of Columbus Corporation (for many years) and each of them had a basis for such separate 500 shares of $5,000. During the current taxable year, Columbus Corporation redeemed all of Paul’s common shares for $20,000 and all of John’s common shares for $20,000, which was the then value of the redeemed shares, and then, Columbus Corporation completely liquidated. Columbus Corporation had $100,000 of accumulated earnings and profits for income tax purposes at the end of the current taxable year. Paul’s long term capital gain gross income is as follows.
   A. None/Zero
   B. $15,000
   C. $20,000
   D. $1,000
   E. None of the above

70. During the current taxable year, all of Paul's common shares of StormyWeather, Inc., which Paul purchased two taxable years ago for $60,000, became worthless. The common shares were qualified as section 1244 stock. Paul's ordinary expense or ordinary loss deduction for the current taxable year is as follows.
   A. None/Zero
   B. $60,000
   C. $30,000
71. On July 5 of the current taxable year, Paul sold 100 common shares of the Soapy Corporation for $40,000. Paul received the 100 common shares, as a share dividend, on January 2 of the current taxable year when these (new) common shares had a total value of $30,000. The share dividend was a 100% share dividend of common shares with respect to 100 common shares and the new common shares had the same terms as the original common shares and Paul was not granted any election with respect to the receipt of such share dividend. Paul had purchased the original common shares four taxable years ago for $10,000. Paul’s gross income for the current taxable year with respect to the share dividend is as follows.
   A. None/Zero
   B. $30,000
   C. $10,000
   D. $40,000
   E. None of the above

72. Referring to Question 71, Paul's long term capital gain gross income for the current taxable year with respect to the sale of the new common shares is as follows.
   A. None/Zero
   B. $35,000
   C. $30,000
   D. $10,000
   E. None of the above

73. On January 1 of the current taxable year, John's mother gave John 1,000 common shares of Laughing, Inc. John's mother purchased the common shares for a gross purchase price of $50,000 and John's mother paid purchase expenses of $2,000 two taxable years ago. At the date of the gift, the common shares had a value of $40,000 and the mother owed no gift taxes because of the gift. John held the common shares until April 1 of the current taxable year, at which time John sold the common shares to Paul for a gross sales price of $70,000. John also paid selling expenses of $4,000. John's long term capital gain gross income for the current taxable year is as follows.
   A. None/Zero
   B. $14,000
   C. $18,000
   D. $12,000
   E. None of the above

74. Referring to Question 73, John sold the common shares to Paul on April 1 of the current taxable year for a gross sales price of $38,000 and John paid no selling expenses. John's short term capital loss for the current taxable year is as follows.
   A. None/Zero
   B. $2,000
   C. $4,000
   D. $1,000
   E. None of the above

75. During the current taxable year, Paul had bank account interest of $5,000 and a salary of $12,000. In addition, Paul owned 1,000 common shares of Cop, Inc. (for many years) with an adjusted basis of $2,000 and Cop, Inc. distributed $6,000 to Paul, as a legal dividend, without the redemption of any of Paul’s shares, and Cop, Inc. had $100,000 of accumulated earnings and profits at the beginning of and at the end of the current taxable year. Paul’s income tax (prior to any credit) with respect to Paul’s capital gains and/or dividend gross income is as follows.
   A. None/Zero
   B. $900
   C. $600
   D. $400
76. Referring to Question 75, Cop, Inc. was an S corporation (with no accumulated earnings and profits and with no other transaction). Paul’s income tax (prior to any credit) with respect to Paul’s capital gains and/or dividend gross income is as follows.
A. None/Zero
B. $900
C. $600
D. $200
E. None of the above

77. During the current taxable year, Paul had ordinary gross income of $50,000 from fees from Paul’s sole proprietorship, and paid business travel meal expenses of $10,000, $4,000 of which were reimbursed by Paul's clients (and which $4,000 is not included in the fees of $50,000). Paul's adjusted gross income for the current taxable year is as follows.
A. None/Zero
B. $47,000
C. $40,000
D. $50,000
E. None of the above

78. During the current taxable year, John was a beneficiary of an irrevocable trust which was established by John's father several taxable years ago, and during the current taxable year the trust had the following financial information. All of the gains and losses from the sales of assets were attributable to the principal of the trust. All of the other receipts and expenses were attributable to the net income of the trust. The trustee (which was the Indiana Bank) was the sole trustee and the trustee was required to distribute to John, each year, all of the trust's net book income, during John's life, which the trustee did, and then, at John's death, to distribute the remaining funds to Mary.

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividends received</td>
<td>15,000</td>
</tr>
<tr>
<td>Interest received from Indiana Bank</td>
<td>15,000</td>
</tr>
<tr>
<td>Capital gains</td>
<td>15,000</td>
</tr>
<tr>
<td>Capital losses</td>
<td>2,000</td>
</tr>
<tr>
<td>Administrative expenses attributable to book income</td>
<td>2,000</td>
</tr>
</tbody>
</table>

The trust’s gross income for the current taxable year is as follows.
A. None/Zero
B. $44,700
C. $42,700
D. $45,000
E. None of the above

79. Referring to Question 78, the trustee's taxable income for the current taxable year is as follows.
A. None/Zero
B. $12,700
C. $12,400
D. $14,700
E. None of the above

80. Referring to Question 78, John's father had the power to revoke the terms of the trust agreement at any time; but nevertheless, the trustee followed the terms of the trust agreement and distributed all of the net income (the net book income) of the trust to John. John's father’s gross income for the current taxable year is as follows.
A. None/Zero
81. John worked for Ruby, Inc. and during the current taxable year, Ruby, Inc. paid John a salary of $50,000. The amount of unemployment tax which Ruby, Inc. should withhold from John’s salary for the current taxable year is as follows.
   A. None/Zero
   B. $400
   C. $56
   D. $434
   E. None of the above

82. During the last taxable year, John died, leaving John’s entire estate to Mary. During the current taxable year, the estate had the following financial information. All of the gains and losses from the sales of assets were attributable to the principal of the estate. All of the other receipts and expenses were attributable to the net income of the estate. The executor (which was Indiana Bank) was the sole executor of the estate and the executor was required to distribute to 50% of the estate’s net book income to Mary for the current taxable year and the executor was required to accumulate the remaining net book income, along with the gains and losses from the sales of assets. Upon the termination of the estate, all of the remaining funds of the estate were to be distributed to Mary.

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
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<tbody>
<tr>
<td>Dividends received</td>
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<tr>
<td>Interest received from Indiana Bank</td>
<td>15,000</td>
</tr>
<tr>
<td>Capital gains</td>
<td>15,000</td>
</tr>
<tr>
<td>Capital losses</td>
<td>4,000</td>
</tr>
<tr>
<td>Administrative expenses attributable to book income</td>
<td>4,000</td>
</tr>
</tbody>
</table>

Mary's gross income for the current taxable year is as follows.
   A. None/Zero
   B. $21,000
   C. $11,000
   D. $13,000
   E. None of the above

83. Referring to Question 82, the estate’s taxable income for the current taxable year is as follows.
   A. None/Zero
   B. $23,400
   C. $21,400
   D. $21,700
   E. None of the above

84. Mary died on January 1 of the current taxable year, owning 1,000 common shares of Starbuck, Inc. Mary paid a gross purchase price of $120,000 for the common shares in December of the last taxable year, and the common shares had a value of $100,000 at Mary’s death and $70,000 on July 1 of the current taxable year. The executor of Mary’s estate elected to use the date of death values for estate tax purposes, and on May 1 of the current taxable year, the executor sold the common shares to Paul, for a gross sales price of $75,000, and the executor paid selling expenses of $5,000, which selling expenses were elected to be utilized in determining the gain or loss on the federal fiduciary income tax return (IRS Form 1041), rather than being deducted on the federal estate tax return (IRS Form 706). The estate’s long term capital loss for the current taxable year is as follows.
   A. None/Zero
   B. $35,000
C. $30,000
D. $40,000
E. None of the above

85. Referring to Question 84, the executor of Mary’s estate elected to deduct the selling expenses on the estate's federal estate tax return (IRS Form 706), rather than utilizing the selling expenses in determining the gain or loss on the estate's federal fiduciary income tax return (IRS Form 1041). The estate’s long term capital loss for the current taxable year with respect to the sale of the common shares to Paul is as follows.
A. None/Zero
B. $25,000
C. $30,000
D. $35,000
E. None of the above

86. Several years ago, Paul’s father established an irrevocable trust which granted Paul the income for life with the remainder to Beverly and during the current taxable year the trust had the following financial information. All of the gains and losses from the sales of assets were attributable to the principal of the trust. All of the other receipts and expenses were attributable to the net income of the trust. During the current taxable year, the trust had $2,000 of long term capital gains (which the trustee kept) and dividends of $10,000 and trustee fees of $1,000 (which were attributable to income) and the trustee distributed $9,000 to Paul. Paul’s income tax (prior to any credit) for the current taxable year is as follows.
A. None/Zero
B. $1,000
C. $1,500
D. $450
E. None of the above

87. Referring to Question 86, the trustee’s income tax (prior to any credit) for the current taxable year is as follows.
A. None/Zero
B. $85
C. $170
D. $200
E. None of the above

88. Referring to Question 86, the trustee was not required to distribute any income to anyone and the trustee did not do so. The trustee’s income tax (prior to any credit) for the current taxable year is as follows.
A. None/Zero
B. $1,435
C. $1,405
D. $2,922
E. None of the above

89. During the last taxable year, Paul operated a business as a sole proprietor and during the last taxable year, Paul had the following income and deductions.

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividends</td>
<td>12,000</td>
</tr>
<tr>
<td>Indiana Bank savings account interest</td>
<td>2,000</td>
</tr>
<tr>
<td>State of Nevada bond interest</td>
<td>2,000</td>
</tr>
<tr>
<td>Sales of merchandise</td>
<td>250,000</td>
</tr>
<tr>
<td>Long term capital gains</td>
<td>15,000</td>
</tr>
<tr>
<td>Item</td>
<td>Amount</td>
</tr>
<tr>
<td>----------------------------------------------------------------------</td>
<td>--------</td>
</tr>
<tr>
<td>Cost of goods sold</td>
<td>100,000</td>
</tr>
<tr>
<td>Short term capital gains</td>
<td>8,000</td>
</tr>
<tr>
<td>Business expenses of rent, electricity, water, and depreciation</td>
<td>25,000</td>
</tr>
<tr>
<td>Investment periodicals for investing in stocks and bonds</td>
<td>500</td>
</tr>
<tr>
<td>Charitable contributions of cash</td>
<td>1,000</td>
</tr>
<tr>
<td>Unreimbursed medical expenses</td>
<td>2,000</td>
</tr>
<tr>
<td>Unreimbursed business casualty loss</td>
<td>1,000</td>
</tr>
<tr>
<td>Business accounting fee</td>
<td>500</td>
</tr>
<tr>
<td>Income tax return preparation fee</td>
<td>500</td>
</tr>
<tr>
<td>Personal casualty loss</td>
<td>500</td>
</tr>
</tbody>
</table>

Paul’s gross income for the last taxable year is as follows.
A. None/Zero
B. $289,000
C. $287,000
D. $187,000
E. None of the above

90. On December 10 of the current taxable year, Mary sold 100 common shares of Frankenstein, Inc. for $125,000. Mary had purchased the common shares many taxable years ago for $100,000. In addition to the sale of the Frankenstein, Inc. common shares, Mary had a gross salary of $200,000. On January 2 of the next taxable year, Mary purchased 100 common shares of Frankenstein, Inc. for $120,000. Mary’s gross income for the current taxable year is as follows.

A. None/Zero
B. $25,000
C. $200,000
D. $225,000
E. None of the above

91. Two taxable years ago, JoeLewis Corporation gave Paul an incentive stock option which allowed Paul the right to purchase 100 common shares of JoeLewis Corporation for $100 per share, which was the current value of the common shares at the time when Paul was granted the option. During January of the current taxable year, Paul's employer, JoeLewis Corporation, when each common share had a value of $200, Paul exercised Paul's option and purchased the 100 common shares. Paul had the right to sell the common shares at any time after two years after Paul exercised the option. Paul’s gross income for the taxable year two taxable years ago is as follows.

A. None/Zero
B. $1,000
C. $10,000
D. $20,000
E. None of the above

92. Referring to Question 91, Paul’s gross income for the current taxable year is

A. None/Zero
B. $1,000
C. $10,000
D. $20,000
93. In general, if a C corporation distributes appreciated property to shareholders as a dividend, as a stock redemption, as a partial liquidation, or as a complete liquidation, then the corporation will recognize any realized ordinary or capital gain (of the corporation) when the corporation distributes the property and the corporation must include the recognized income in the corporation’s gross income, and in addition, the recipient shareholder will recognize any ordinary or capital gain (of the shareholder) when the shareholder receives the property and the shareholder must include the recognized income in the shareholder’s gross income. Further, both the corporation and the shareholder may owe income tax with respect to their separate amounts of gross income.
A. True/Yes
B. False/No
C. Need more information
D. None of the above

94. In general, if an S corporation distributes appreciated property to shareholders as a dividend, as a stock redemption, as a partial liquidation, or as a complete liquidation, then the corporation will recognize any realized ordinary or capital gain (of the corporation) when the corporation distributes the property and the corporation must include the recognized income in the corporation’s gross income, but the shareholder, and not the corporation, will pay income tax, if any, with respect to such recognized gross income, based on the facts which are applicable to the shareholder.
A. True/Yes
B. False/No
C. Need more information
D. None of the above

95. On July 5 of the current taxable year, Paul sold 200 common shares of Easy, Inc. for $40,000. Paul received the 200 common shares on October 1 of the last taxable year when these (new) common shares had a total value of $20,000. The dividend was a 100% share dividend of common shares on 200 common shares and the new common shares had the same terms as the original common shares. However, just prior to the distribution of the new common shares to Paul, Paul had an election to either receive such share dividend or to receive $20,000 of cash, and Paul chose to receive the share dividend. Paul purchased the original common shares five taxable years ago for $20,000. Paul's gross income for the last taxable year with respect to the share dividend is as follows.
A. None/Zero
B. $20,000
C. $10,000
D. $40,000
E. None of the above

96. Referring to Question 95, Paul's short term capital gain gross income for the current taxable year with respect to the sale of the new common shares is as follows.
A. None/Zero
B. $20,000
C. $10,000
D. $40,000
E. None of the above

97. On January 1 of the current taxable year, Peter purchased a Sushi, Inc. bond for $11,000 when the bond was issued. The bond matures on December 31 ten years from the bond's issue date, has a par value of $10,000, and has a stated interest rate of 5% per year, which stated interest is paid each December 31. During the current taxable year, Peter received a check for the proper amount of the stated interest. Peter took all of the deductions (or gross income reductions) indicated by these facts, but Peter did not itemize Peter's deductions. Peter's gross income for the current taxable year is (approximately) as follows.
A. None/Zero
B. $400
C. $500
98. Referring to Question 97, Peter's adjusted basis for the bond at the beginning of the next taxable year is (approximately) as follows.
A. None/Zero
B. $11,000
C. $10,000
D. $10,900
E. None of the above

99. During the current taxable year, Paul had a salary of $100,000 and dividends of $10,000. Paul’s income tax (prior to any credit) for the current taxable year is as follows.
A. None/Zero
B. $23,067
C. $21,766
D. $16,500
E. None of the above

100. On January 1 of the current taxable year, John's mother gave John 1,000 common shares of Laughing, Inc. John's mother purchased the common shares for a gross purchase price of $50,000 and John's mother paid no purchase expenses two taxable years ago. At the date of the gift, the common shares had a value of $60,000 and the mother owed no gift taxes because of the gift. John held the common shares until April 1 of the current taxable year, at which time John sold the common shares to Paul for a gross sales price of $55,000, with no selling expenses. John's long term capital gain gross income for the current taxable year is as follows.
A. None/Zero
B. $5,000
C. $10,000
D. $15,000
E. None of the above

101. Referring to Question 100, John sold the common shares for $45,000. John’s short term capital loss for the current taxable year is as follows.
A. None/Zero
B. $5,000
C. $10,000
D. $15,000
E. None of the above

102. During the current taxable year, all of John's common shares of Prestige, Inc., which John had purchased two taxable years ago for $120,000, became worthless. The common shares were not qualified as section 1244 stock. John's ordinary expense or ordinary loss for the current taxable year is as follows.
A. None/Zero
B. $100,000
C. $50,000
D. $120,000
E. None of the above

103. During the current taxable year, Peter had adjusted gross income of $100,000, without considering the following facts and Peter made no election with respect to these facts. During the current taxable year, Peter made a charitable contribution of common shares which Peter had owned for two months, with an adjusted basis of $50,000 and a value of $30,000. Peter's ordinary expense or ordinary loss deduction for the current taxable year with respect to the charitable contribution (considering all deduction limitations) is as follows.
A. None/Zero
104. During the current taxable year, Mary organized SpringRain, Inc., transferred all of Mary's sole proprietorship assets (with a value of $100,000 and a total adjusted basis of $70,000, all appreciated assets) to SpringRain, Inc., and Mary received, from SpringRain, Inc., in exchange for the assets, all of SpringRain, Inc.'s issued and outstanding common shares. One asset which Mary transferred to SpringRain, Inc. was a duplicator, which Mary had purchased in the ordinary course of operating Mary’s sole proprietorship and with respect to which Mary had an adjusted basis of $5,000 (after taking $15,000 of depreciation deductions away from the initial cost of the asset of $20,000) and which had a value of $7,000. Mary's ordinary expense or ordinary loss deduction for the current taxable year is as follows.
   A. None/Zero
   B. $18,000
   C. $2,000
   D. $20,000
   E. None of the above

105. Referring to Question 104, SpringRain, Inc.’s ordinary expense or ordinary loss deduction for the current taxable year is as follows.
   A. None/Zero
   B. $7,000
   C. $5,000
   D. $20,000
   E. None of the above

106. Alan died on July 1 of the current taxable year and the executor of Alan's estate assembled the following information about Alan’s final taxable year: Alan earned and received $5,000 of fees and Alan earned, but not actually or constructively received by Alan, fees of $7,000. Also, the executor assembled the following information about the estate’s first taxable year: received Alan’s fees of $7,000 and received dividends of $6,000 not actually or constructively received or accrued by Alan. Alan's gross income for the current taxable year is as follows.
   A. None/Zero
   B. $5,000
   C. $7,000
   D. $13,000
   E. None of the above

107. Referring to Question 106, the estate’s gross income for the estate’s first taxable year is as follows.
   A. None/Zero
   B. $5,000
   C. $7,000
   D. $13,000
   E. None of the above

108. During the current taxable year, Peter had adjusted gross income of $100,000, without considering the following facts and Peter made no election with respect to these facts. During the current taxable year, Peter made a charitable contribution of Peter's rare toy electric train collection to the RailroadMuseum Corporation, under an agreement with the charitable organization, which agreement allowed Peter to keep the toy electric train collection until Peter died, which train collection had been owned by Peter for many years, and which train collection had an adjusted basis to Peter of $40,000, and which train collection had a value of $70,000, and with respect to which the value of Peter's life estate was $50,000, and with respect to which the value of the remainder interest was $60,000. Peter's ordinary expense or ordinary loss deduction for the current taxable year with respect to the charitable contribution (considering all deduction limitations) is as follows.
   A. None/Zero
B. $30,000  
C. $50,000  
D. $40,000  
E. None of the above

109. During the current taxable year, Beverly had a salary of $50,000 and Beverly purchased 100 common shares of General Motors Corp. In order to make the purchase, Beverly borrowed $10,000 from Indiana Bank and at the end of the year Beverly had dividends due to the stock in the amount of $300 and Beverly paid interest on the unsecured debt in the amount of $400. Beverly’s adjusted gross income for the current taxable year is as follows.  
A. None/Zero  
B. $50,000  
C. $50,300  
D. $49,900  
E. None of the above

110. During the current taxable year, all of John's common shares of Prestige, Inc., which John had purchased two taxable years ago for $120,000, became worthless. The common shares were not qualified as section 1244 stock. John's ordinary expense or ordinary loss for the current taxable year is as follows.  
A. None/Zero  
B. $100,000  
C. $50,000  
D. $120,000  
E. None of the above

111. During the current taxable year, Peter had adjusted gross income of $100,000, without considering the following facts and Peter made no election with respect to these facts. During the current taxable year, Peter made a charitable contribution of common shares which Peter had owned for two months, with an adjusted basis of $50,000 and a value of $30,000. Peter's ordinary expense or ordinary loss deduction for the current taxable year with respect to the charitable contribution (considering all deduction limitations) is as follows.  
A. None/Zero  
B. $20,000  
C. $30,000  
D. $50,000  
E. None of the above

112. Alan died on July 1 of the current taxable year and the executor of Alan's estate assembled the following information about Alan’s final taxable year: Alan earned and received $5,000 of fees and Alan earned, but not actually or constructively received by Alan, fees of $7,000. Also, the executor assembled the following information about the estate’s first taxable year: received Alan’s fees of $7,000 and received dividends of $6,000 not actually or constructively received or accrued by Alan. Alan's gross income for the current taxable year is as follows.  
A. None/Zero  
B. $5,000  
C. $7,000  
D. $13,000  
E. None of the above

113. Referring to Question 112, the estate’s gross income for the estate’s first taxable year is as follows.  
A. None/Zero  
B. $5,000  
C. $7,000  
D. $13,000  
E. None of the above

114. During the current taxable year, Peter had adjusted gross income of $100,000, without considering the following facts
and Peter made no election with respect to these facts. During the current taxable year, Peter made a charitable
collection to the RailroadMuseum Corporation, under an agreement with
the charitable organization, which agreement did not allow Peter to keep the toy electric train collection until Peter
died, which train collection had been owned by Peter for many years, and which train collection had an adjusted basis
to Peter of $40,000, and which train collection had a value of $70,000. Peter's ordinary expense or ordinary loss
deduction for the current taxable year with respect to the charitable contribution (considering all deduction limitations)
is as follows.
A. None/Zero
B. $30,000
C. $50,000
D. $40,000
E. None of the above

115. During the current taxable year, John had adjusted gross income of $100,000, without considering the following facts,
and John made no election with respect to these facts. During the current taxable year, John made a charitable
contribution of common shares which John had owned for 15 months, with an adjusted basis of $40,000 and a value
of $50,000. John's ordinary expense or ordinary loss deduction for the current taxable year with respect to the
charitable contribution (considering all deduction limitations) is as follows.
A. None/Zero
B. $50,000
C. $10,000
D. $30,000
E. None of the above

116. Rogue, Inc. was organized ten taxable years ago and during the current taxable year, Rogue, Inc. had the following
financial information. Rogue, Inc. used the accrual method of accounting as its accounting method, and, at the
beginning of the current taxable year, Rogue, Inc. had $400,000 of accumulated earnings and profits for income tax
purposes. Beverly was the sole shareholder of Rogue, Inc. and Beverly's adjusted basis for Beverly's shares was
$50,000 at the beginning of the current taxable year. Other financial information about Rogue, Inc. for the current
taxable year is as follows.

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales of inventory</td>
<td>4,000,000</td>
</tr>
<tr>
<td>Dividends from other domestic, non-affiliated, C corporations</td>
<td>300,000</td>
</tr>
<tr>
<td>Interest from Indiana Bank</td>
<td>100,000</td>
</tr>
<tr>
<td>State of New York bond interest</td>
<td>100,000</td>
</tr>
<tr>
<td>Cost of goods sold</td>
<td>1,000,000</td>
</tr>
<tr>
<td>Compensation paid to Beverly, which includes $5,000 of unreasonable compensation</td>
<td>200,000</td>
</tr>
<tr>
<td>Federal income taxes</td>
<td>700,000</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>300,000</td>
</tr>
<tr>
<td>Total cash distributions to Beverly, as a shareholder</td>
<td>100,000</td>
</tr>
</tbody>
</table>

Rogue, Inc.'s gross income for the current taxable year is as follows.
A. None/Zero
B. $3,400,000
C. $4,100,000
D. $4,400,000
E. None of the above
117. Referring to Question 116, Rogue, Inc. had gross income of $4,000,000 for the current taxable year. Rogue, Inc.'s taxable income for the current taxable year is as follows.
   A. None/Zero
   B. $3,505,000
   C. $3,290,000
   D. $3,295,000
   E. None of the above

118. Referring to Question 116, Beverly's gross income for the current taxable year is as follows.
   A. None/Zero
   B. $190,000
   C. $290,000
   D. $300,000
   E. None of the above

119. Referring to Question 116, Rogue, Inc. had taxable income of $1,500,000 for the current taxable year. Rogue, Inc.'s income tax (prior to any credit) for the current taxable year is as follows.
   A. None/Zero
   B. $510,000
   C. $594,000
   D. $463,500
   E. None of the above

120. Referring to Question 116, Rogue, Inc. had taxable income of $60,000 for the current taxable year. Rogue, Inc.'s income tax (prior to any credit) for the current taxable year is as follows.
   A. None/Zero
   B. $20,400
   C. $15,000
   D. $10,000
   E. None of the above

121. Referring to Question 116, Beverly's adjusted basis for Beverly's shares in Rogue, Inc. at the end of the current taxable year is as follows.
   A. None/Zero
   B. $50,000
   C. $200,000
   D. $250,000
   E. None of the above

122. During the current taxable year, John (who was age 63) and Mary (who was age 65) cared for Sue and Martha (John’s mother, who was age 70 and blind). John and Mary paid all of the living expenses of Sue and Martha. Peter (age 20) attended Indiana University for the entire year; however, John and Mary paid $10,000 of Peter’s expenses and Peter paid for the remaining amount of Peter’s expenses from a scholarship which Peter received from Indiana University Foundation in the amount of $20,000. In addition, John paid for almost all of the expenses of Bill, who was a child of John and Sally, the spouse of John by a prior marriage. Sally was given legal custody of Bill (age 15) for each year, except for two weeks per year, when John had legal custody of Bill. Martha received $12,000 of social security payments and $4,000 of dividends all of which Martha put into Martha’s bank savings account, because Martha’s living expenses were all paid by John and Mary. John and Mary may deduct the following number of exemptions on their joint income tax return.
   A. None/Zero
   B. Five
   C. Four
   D. Three
   E. Two
123. During the current taxable year, Paul owned all of the stock of C Corporation (which had no accumulated earnings and profits for income tax purposes at the beginning of the current taxable year) and C Corporation owned a life insurance policy on John’s life (which C Corporation purchased in the normal manner from the issuing life insurance company) and during the current taxable year, John died and C Corporation received the life insurance policy proceeds of $1,000,000. Prior to John’s death, Paul had an adjusted basis for Paul’s shares in C Corporation of $100,000. C Corporation’s gross income during the current taxable year is as follows.
   A. None/Zero  
   B. $1,000,000  
   C. $900,000  
   D. $950,000  
   E. None of the above

124. Referring to Question 123, Paul’s gross income for the current taxable year is as follows.
   A. None/Zero  
   B. $1,000,000  
   C. $900,000  
   D. $950,000  
   E. None of the above

125. Referring to Question 123, Paul’s adjusted basis for Paul’s stock at the end of the current table year is as follows.
   A. None/Zero  
   B. $1,000,000  
   C. $900,000  
   D. $100,000  
   E. None of the above

126. Referring to Question 123, the amount of C corporation’s accumulated earnings and profits for income tax purposes at the end of the current taxable year is as follows.
   A. None/Zero  
   B. $500,000  
   C. $100,000  
   D. $1,000,000  
   E. None of the above

127. Referring to Question 123, during the next taxable year, C Corporation distributed $500,000 to Paul, because Paul was a shareholder of C Corporation. Paul’s gross income for the next taxable year is as follows.
   A. None/Zero  
   B. $500,000  
   C. $100,000  
   D. $1,000,000  
   E. None of the above

128. Referring to Question 127, Paul’s adjusted basis for Paul’s common shares of C Corporation at the end of the next taxable year is as follows.
   A. None/Zero  
   B. $600,000  
   C. $1,100,000  
   D. $100,000  
   E. None of the above

129. Referring to Question 127, the amount of C Corporation’s accumulated earnings and profits for income tax purposes at the end of the next taxable year is as follows.
   A. None/Zero
B. $500,000  
C. $100,000  
D. $1,000,000  
E. None of the above

130. On January 1 of the current taxable year, Peter purchased a Long, Inc. bond for $10,000 when the bond was issued. The bond was to mature on December 31, ten years from the bond's issue date, had a par value of $10,000 and had a stated interest rate of 6% per year, which stated interest was to be paid each December 31. During the current taxable year, Peter did not receive a check for any of the stated interest and on January 15 of the next taxable year the bond became worthless. Peter took all of the deductions (or reductions, prior to gross income) indicated by these facts. Peter's long term capital loss for the next taxable year is as follows.  
A. None/Zero  
B. $600  
C. $10,000  
D. $10,600  
E. None of the above

131. During the current taxable year, Paul owned 100 common shares, which were all of the issued and outstanding common shares of Catty, Inc. and which shares had been purchased by Paul several years ago for $100,000. Catty, Inc. was an S corporation. During the current taxable year, Catty, Inc. gave Paul a check for $2,000 in return for one of Paul’s common shares, which one common share had a value of $2,000. Paul’s gross income for the current taxable year is as follows.  
A. None/Zero  
B. $3,000  
C. $2,000  
D. $1,000  
E. None of the above

132. Referring to Question 131, Paul’s adjusted basis for Paul’s 99 common shares at the end of the current taxable year is as follows.  
A. None/Zero  
B. $99,000  
C. $98,000  
D. $100,000  
E. None of the above

133. Referring to Question 131, Catty, Inc. distributed a duplicator to Paul (but not the check for $2,000) which duplicator had a value of $2,000 and an adjusted basis to Catty, Inc. of $0 and which respect to which, Catty, Inc. had taken $10,000 of depreciation deductions in return for one of Paul’s common shares. Catty, Inc.’s ordinary gross income for the current taxable year is as follows.  
A. None/Zero  
B. $2,000  
C. $1,500  
D. $1,000  
E. None of the above

134. Referring to Question 133, Paul’s long term capital gain for the current taxable year is as follows.  
A. None/Zero  
B. $2,000  
C. $1,500  
D. $1,000  
E. None of the above

135. Referring to Question 133, Paul’s ordinary gross income for the current taxable year is as follows.
136. Referring to Question 133, Paul’s adjusted basis for the duplicator is as follows.
A. None/Zero
B. $10,000
C. $2,000
D. $1,000
E. None of the above

137. Referring to Question 133, Paul’s adjusted basis for Paul’s common shares at the end of the current taxable year is as follows.
A. None/Zero
B. $99,000
C. $98,000
D. $100,000
E. None of the above

138. During the current taxable year, Peter borrowed, as an unsecured loan from a bank, $100,000, in order to invest in GoGo, Inc. shares and in FooFoo, Inc. shares. Peter kept the balance of the borrowed funds in a savings account. By the end of the current taxable year, Peter had paid interest on the debt of $7,000 and received dividends of $2,000 and interest of $2,000 and capital gains of $2,000. Peter wants to deduct all of the interest which Peter can during the current taxable year. Peter's ordinary expense or ordinary loss deduction for interest for the current taxable year (considering all deduction limitations) is as follows.
A. None/Zero
B. $4,000
C. $6,000
D. $7,000
E. None of the above

139. During April of the current taxable year, Mary died as an employee of Superwoman, Inc., which had established a qualified retirement plan for Mary. The beneficiary of Mary's corporate qualified retirement plan was John and John was entitled to receive a lump sum distribution under the retirement plan of $300,000 or to rollover the amount (of $300,000). The fund consisted of $250,000 of Superwoman, Inc. contributions and $50,000 of earnings thereon. After John was notified with respect to the amount of the distribution and John’s rights with respect to the distribution, John promptly established a Traditional individual retirement account in John's name and told the trustee of Mary’s retirement fund to distribute the funds to the trustee of John's Traditional individual retirement account, which the trustee did. John did not have any other retirement plan during the current taxable year. John's gross income for the current taxable year is as follows.
A. None/Zero
B. $250,000
C. $300,000
D. $350,000
E. None of the above

140. On January 1 of the current taxable year, John's mother gave John 1,000 common shares of Beef, Inc.. John's mother purchased the common shares four taxable years ago for a gross purchase price of $50,000 and John's mother also paid purchase expenses of $5,000. John's mother did not owe any gift taxes as a result of the gift. At the date of the gift, the common shares had a value of $60,000. John held the common shares for two years, at which time John sold the common shares to Paul for a gross sales price of $40,000. John paid selling expenses of $5,000. John's long term capital loss for the taxable year of sale is as follows.
141. Referring to Question 140, John sold the common shares to Paul for a gross sales price of $20,000 and John paid selling expenses of $5,000. John's long term capital loss for the current taxable year is as follows.
A. None/Zero
B. $20,000
C. $25,000
D. $30,000
E. None of the above

142. During the current taxable year, Peter owned all of the following assets and Peter transferred the assets to Tuna, Inc., a newly organized corporation for this purpose. In return for the transfer of these assets, Tuna, Inc. issued 400 common shares of Tuna, Inc. to Peter. Also, Tuna, Inc. issued 400 common shares to Paul in return for Paul's transfer to Tuna, Inc. of some vacant land, with an adjusted basis of $5,000 to Paul and with a value of $40,000. In addition, Tuna, Inc. issued 200 common shares to Paul because of services which Paul rendered to organize Tuna, Inc. Thus, Peter and Paul will be the only initial shareholders of Tuna, Inc., with Peter owning 400 common shares and Paul owning 600 common shares. Peter has owned the accounts receivable and inventory for less than two months, but Peter has owned the other assets (except for the cash) for more than two years. Peter has estimated the amount of Peter's goodwill, and Paul and Tuna, Inc. accept the estimate. Peter has taken $15,000 of depreciation deductions with respect to the equipment.

<table>
<thead>
<tr>
<th>Asset</th>
<th>Adjusted Basis</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>5,000</td>
<td>5,000</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>2,000</td>
<td>4,000</td>
</tr>
<tr>
<td>Inventory</td>
<td>3,000</td>
<td>10,000</td>
</tr>
<tr>
<td>Equipment</td>
<td>25,000</td>
<td>20,000</td>
</tr>
<tr>
<td>Goodwill</td>
<td>0</td>
<td>1,000</td>
</tr>
<tr>
<td>Totals</td>
<td>35000</td>
<td>40000</td>
</tr>
</tbody>
</table>

The total amount of Peter's and Paul's gross income for the current taxable year as a result of the incorporation is as follows.
A. None/Zero
B. $20,000
C. $30,000
D. $10,000
E. None of the above

143. Referring to Question 142, Peter's adjusted basis for the common shares which Peter received is as follows.
A. None/Zero
B. $15,000
C. $25,000
D. $35,000
E. None of the above

144. Referring to Question 142, Tuna, Inc.'s adjusted basis for the equipment which Peter transferred to Tuna, Inc. is as follows.
A. None/Zero
B. $20,000  
C. $25,000  
D. $40,000  
E. None of the above

145. Referring to Question 142, Paul's adjusted basis for the common shares which Paul received for the land is as follows.
A. None/Zero  
B. $5,000  
C. $10,000  
D. $15,000  
E. None of the above

146. Referring to Question 142, Paul's adjusted basis for the common shares which Paul received for Paul’s services is as follows.
A. None/Zero  
B. $5,000  
C. $10,000  
D. $20,000  
E. None of the above

147. On January 1 of the current taxable year, Peter purchased a Gerbil, Inc. bond for $10,000 when the bond was issued. The bond matures on December 31 ten years from the bond's issue date, has a par value of $10,000, and has a stated interest rate of 7% per year, which stated interest is paid each December 31. During the current taxable year, Peter received a check for the proper amount of the stated interest. Peter took all of the deductions (or gross income reductions) indicated by these facts, but Peter did not itemize Peter's deductions. Peter's gross income for the current taxable year is (approximately) as follows.
A. None/Zero  
B. $700  
C. $1,400  
D. $2,100  
E. None of the above

148. Referring to Question 147, Peter's adjusted basis for the bond at the beginning of the next taxable year is (approximately) as follows.
A. None/Zero  
B. $9,300  
C. $10,000  
D. $10,700  
E. None of the above

149. Referring to Question 147, Peter owned the bond until the bond matured, at which time, Gerbil, Inc. redeemed the bond from Peter. Peter's gross income for the year in which the bond was redeemed with respect to the bond is (approximately) as follows.
A. None/Zero  
B. $700  
C. $10,700  
D. $10,000  
E. None of the above

150. During the current taxable year, Beverly was the sole shareholder of Speed, Inc. was organized by Beverly on July 1 of the current taxable year. During Speed, Inc.'s first taxable period (the short period of July 1 through December 31), Speed, Inc. borrowed $60,000, had no receipts and had a net loss of $25,000. Also, during such first taxable period, Speed, Inc. distributed to Beverly, as a shareholder, cash of $30,000. Beverly's adjusted basis for Beverly's common shares at the beginning of the short taxable period was $25,000. Beverly's gross income for the current
taxable year is as follows.
A. None/Zero
B. $5,000
C. $30,000
D. $35,000
E. None of the above

151. On January 1 of two taxable years ago, Peter purchased a Moose, Inc. bond for $20,000 when the bond was issued. The bond was to mature on December 31, ten years from the bond's issue date, had a par value of $20,000, and had a stated interest rate of 10% per year, which stated interest was to be paid each December 31. From the date of Peter's acquisition of the bond through Peter's disposition of the bond (a period of three years), Peter has not received a payment for any of the interest with respect to the bond. On December 31 of the current taxable year, Peter sold the bond to Paul for $15,000. Peter took all of the deductions (or reductions, prior to gross income) indicated by these facts. Peter's long term capital loss for the current taxable year is as follows.
A. None/Zero
B. $5,000
C. $9,000
D. $11,000
E. None of the above

152. Referring to Question 151, Peter's ordinary income for the current taxable year is as follows.
A. None/Zero
B. $4,000
C. $5,000
D. $6,000
E. None of the above

153. On May 5 of the current taxable year, Paul sold 100 common shares of DoingFine, Inc. for $10,000. Paul received 200 common shares (which included the 100 common shares which Paul sold) on November 10 of the last taxable year as a two for one stock split, when DoingFine, Inc. required Paul to turn in (to DoingFine, Inc.) 100 common shares which Paul then owned in DoingFine, Inc. in return for the 200 new common shares in DoingFine, Inc.. The 100 common shares which Paul initially owned were purchased on February 9, two taxable years ago, by Paul for $10,000. The value of the 200 new common shares which Paul received on November 10 of the last taxable year was $20,000. Paul's gross income for the last taxable year with respect to the share split is as follows.
A. None/Zero
B. $5,000
C. $10,000
D. $20,000
E. None of the above

154. Referring to Question 153, Paul's long term capital gain gross income for the current taxable year with respect to the sale of the new common shares is as follows.
A. None/Zero
B. $10,000
C. $5,000
D. $15,000
E. None of the above

155. On January 1 of the last taxable year, Peter purchased a Friendship, Inc. bond for $10,000 when the bond was issued. The bond was to mature on December 31, ten years from the bond's issue date, had a par value of $10,000, and had a stated interest rate of 5% per year, which stated interest was to be paid each December 31 and the interest was paid to Peter on December 31 of the last taxable year. On January 4 of the current taxable year, Peter sold the bond to Paul for $11,000. Peter's long term capital gain gross income for the current taxable year is (approximately) as follows.
A. None/Zero
156. During the current taxable year, Paul received a salary of $100,000 from Giraffe, Inc. and received $20,000 of dividends from SoleFood, Inc. Also, Paul paid the following expenses during the current taxable year.

<table>
<thead>
<tr>
<th>Payment</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office rent for employment</td>
<td>3,000</td>
</tr>
<tr>
<td>Publications for stock and bond investments</td>
<td>3,000</td>
</tr>
<tr>
<td>IRS Form 1040 income tax return preparation fee</td>
<td>3,000</td>
</tr>
<tr>
<td>Supplies for employment</td>
<td>3,000</td>
</tr>
<tr>
<td>Entertainment of clients, $2,000 of which was reimbursed by Paul's employer</td>
<td>3,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>15000</strong></td>
</tr>
</tbody>
</table>

Paul's adjusted gross income for the current taxable year with respect to these facts (considering all deduction limitations) is as follows.
A. None/Zero
B. $124,000
C. $120,000
D. $122,000
E. None of the above

157. Referring to Question 156, Paul’s adjusted gross income for the current taxable year is $100,000. Therefore, Paul’s taxable income (considering all deduction limitations) is as follows.
A. None/Zero
B. $86,000
C. $87,000
D. $92,000
E. None of the above

158. During the current taxable year, Peter owned 100 common shares, which were all of the issued and outstanding common shares of GoodFellas, Inc. and which shares had been purchased by Peter several years ago for $100,000. GoodFellas, Inc. had accumulated earnings and profits of $100,000 at the beginning of the current taxable year and at the end of the current taxable year. During the current taxable year, Beverly gave Peter a check for $4,000 in return for two of Peter’s common shares, which two common shares had a value of $4,000. Peter’s ordinary gross income for the current taxable year is as follows.
A. None/Zero
B. $3,000
C. $2,000
D. $1,000
E. None of the above

159. Referring to Question 158, Peter’s adjusted basis for Peter’s 98 common shares at the end of the current taxable year is as follows.
A. None/Zero
B. $99,000
C. $98,000
D. $100,000
E. None of the above
160. During the current taxable year, Peter owned 100 common shares, which were all of the issued and outstanding common shares of RumRunners, Inc. and which shares had been purchased by Peter several years ago for $100,000. RumRunners, Inc. had accumulated earnings and profits of $100,000 at the beginning of the current taxable year and at the end of the current taxable year. During the current taxable year, RumRunners, Inc. distributed a check for $4,000 in return for two of Peter’s common shares, which two common shares had a value of $4,000. Peter’s ordinary gross income for the current taxable year is as follows.
   A. None/Zero
   B. $3,000
   C. $2,000
   D. $4,000
   E. None of the above

161. Referring to Question 160, RumRunners, Inc. distributed a duplicator to Peter (but not the check for $4,000) which duplicator had a value of $4,000 and no adjusted basis to GoodFellas, Inc., and with respect to which, GoodFellas, Inc. had taken $10,000 of depreciation deductions, in return for two of Peter’s common shares. GoodFellas, Inc.’s ordinary gross income for the current taxable year is as follows.
   A. None/Zero
   B. $2,000
   C. $3,000
   D. $4,000
   E. None of the above

162. Referring to Question 161, Peter’s ordinary gross income for the current taxable year is as follows.
   A. None/Zero
   B. $2,000
   C. $3,000
   D. $4,000
   E. None of the above

163. Referring to Question 161, Peter’s adjusted basis for the duplicator for the current taxable year is as follows.
   A. None/Zero
   B. $4,000
   C. $2,000
   D. $3,000
   E. None of the above

164. Referring to Question 161, Peter’s adjusted basis for Peter’s 98 common shares at the end of the current taxable year is as follows.
   A. None/Zero
   B. $99,000
   C. $98,000
   D. $100,000
   E. None of the above

165. During the current taxable year, John had adjusted gross income of $100,000, without considering the following facts, and John made no election with respect to these facts. During the current taxable year, John made a charitable contribution of common shares which John had owned for six months, with an adjusted basis of $30,000 and a value $40,000. John's ordinary expense or ordinary loss deduction for the current taxable year with respect to the charitable contribution (considering all deduction limitations) is as follows.
   A. None/Zero
   B. $30,000
   C. $50,000
   D. $40,000
166. During the current taxable year, Doe, Inc. had taxable income of $51,000. Doe, Inc.’s income tax (prior to any credit) for the current taxable year is as follows.
A. None/Zero
B. $7,650
C. $7,750
D. $12,750
E. None of the above

167. For many years, John owned all of the common shares of Diamond, Inc. sold diamonds both at wholesale and retail. During the current taxable year, Diamond, Inc. sold a diamond to Peter for $15,000, which was the then fair market value of the diamond and which diamond was purchased by Diamond, Inc. several years ago for $25,000. Diamond, Inc.’s ordinary expense or ordinary loss deduction for the current taxable year is as follows.
A. None/Zero
B. $10,000
C. $3,000
D. $5,000
E. None of the above

168. During December of the current taxable year, John and Mary were divorced and, by a court order dated June 1 of the current taxable year, Mary was required to transfer to John all of Mary’s RunningCreek, Inc. common shares, which Mary had purchased two years ago for $2,000 and which had, at the time of the court order (and at the time of the transfer of the shares to John) a fair market value of $10,000 and Mary was required to pay to John those lawyer fees of John’s lawyer which were attributable the income tax advice which the lawyer gave to John. Mary did not benefit from any of the lawyer’s advice. Therefore, during the current taxable year, Mary transferred the common shares to John and paid John $4,000 for the (previously referred to) lawyer fees which John paid during the current taxable year. Mary’s gross income for the current taxable year is as follows.
A. None/Zero
B. $8,000
C. $4,000
D. $10,000
E. None of the above

169. Referring to Question 168, Mary’s ordinary expense or ordinary loss deduction (taking into account all applicable limitations) for the current taxable year is as follows.
A. None/Zero
B. $4,000
C. $8,000
D. $10,000
E. None of the above

170. Referring to Question 168, John’s gross income for the current taxable year is as follows.
A. None/Zero
B. $4,000
C. $8,000
D. $10,000
E. None of the above

171. Referring to Question 168, John’s adjusted gross income for the current taxable year is $30,000. John’s ordinary expense or ordinary loss deduction (taking into account all applicable limitations) for the current taxable year is as follows.
A. None/Zero
B. $4,000
C. $3,600  
D. $3,400  
E. None of the above  

172. During the current taxable year, John was a beneficiary of an irrevocable trust which was established by John's father several taxable years ago, and during the current taxable year the trust had the following financial information. All of the gains and losses from the sales of assets were attributable to the principal of the trust. All of the other receipts and expenses were attributable to the net income of the trust. The trustee (which was the Indiana Bank) was the sole trustee and the trustee was required to distribute to John for the current taxable year the specific amount of $100,000 from the trust's principal (which was over $2,000,000) and the trustee was required to accumulate the net book income, along with the gains and losses from the sales of assets. Upon John's death, all of the remaining funds in the trust were to be distributed to Mary.

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividends received</td>
<td>25,000</td>
</tr>
<tr>
<td>Interest received from Indiana Bank</td>
<td>25,000</td>
</tr>
<tr>
<td>Capital gains</td>
<td>25,000</td>
</tr>
<tr>
<td>Capital losses</td>
<td>8,000</td>
</tr>
<tr>
<td>Administrative expenses attributable to book income</td>
<td>8,000</td>
</tr>
</tbody>
</table>

John's gross income for the current taxable year is as follows.
A. None/Zero  
B. $100,000  
C. $92,000  
D. $84,000  
E. None of the above  

173. During the last taxable year, John died, leaving John’s entire estate to Mary. During the current taxable year, the estate had the following financial information. All of the gains and losses from the sales of assets were attributable to the principal of the estate. All of the other receipts and expenses were attributable to the net income of the estate. The executor (which was the Indiana Bank) was the sole executor of the estate and the executor was required to distribute to Mary for the current taxable year the specific amount of $75,000 from the trust's principal (which was over $2,000,000) and the executor was required to accumulate the net book income, along with the gains and losses from the sales of assets. Upon the termination of the estate, all of the remaining funds of the estate were to be distributed to Mary.

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividends received</td>
<td>25,000</td>
</tr>
<tr>
<td>Interest received from Indiana Bank</td>
<td>25,000</td>
</tr>
<tr>
<td>Capital gains</td>
<td>25,000</td>
</tr>
<tr>
<td>Capital losses</td>
<td>8,000</td>
</tr>
<tr>
<td>Administrative expenses attributable to book income</td>
<td>8,000</td>
</tr>
</tbody>
</table>

Mary's gross income for the current taxable year is as follows.
A. None/Zero  
B. $17,000  
C. $75,000  
D. $67,000  
E. None of the above
174. During the current taxable year, John was the sole owner (as John had been for several years) of the common shares (which was the only issued and outstanding shares) in SoyBean, Inc., an S corporation. At the beginning of the current taxable year, the adjusted basis for John's shares was $10,000. John was a full time employee of SoyBean, Inc.. In addition to the data which is stated below, John had salary of $30,000 from SoyBean, Inc. and Mary had salary of $100,000 from Cantaloupe, Inc.. Also, during the current taxable year, SoyBean, Inc. had gross receipts of $350,000, cost of goods sold of $50,000 and operational expenses of $100,000 (which amount includes John's gross salary of $30,000). Also, during the current taxable year, SoyBean, Inc. distributed $25,000 to John with respect to John's common shares. John's and Mary's gross income for the current taxable year is as follows.

A. None/Zero
B. $330,000
C. $340,000
D. $320,000
E. None of the above

175. Referring to Question 174, John's and Mary's adjusted gross income for the current taxable year is as follows.

A. None/Zero
B. $320,000
C. $270,000
D. $330,000
E. None of the above

176. Referring to Question 174, John's adjusted basis for John's common shares at the end of the current taxable year is as follows.

A. None/Zero
B. $185,000
C. $210,000
D. $5,000
E. None of the above

177. On January 1 of the current taxable year, GreenBean, Inc. declared a dividend of cash which was payable to shareholders who owned GreenBean, Inc. common stock on February 1 of the current taxable year. The dividend was payable on April 1 of the current taxable year. Mary died on February 2 of the current taxable year and the executor of Mary’s estate received the dividend of $150 on April 3 of the current taxable year. Mary's estate’s ordinary gross income for the current taxable year with respect to the dividend is as follows.

A. None/Zero
B. $150
C. $75
D. Need additional information
E. None of the above

178. During the current taxable year, Mary’s employer, who operated a small airline, told Mary that Mary had done exceptional work, and therefore, the employer allowed Mary to purchase a painting during July, which painting was used in the lounge of the airline corporation’s home office and which painting was recently purchased by the airline corporation for $5,000 (and $5,000 was still the then current fair market value of the painting when Mary purchased the painting). Mary was happy to purchase the airline corporation’s painting for $4,000, and then, during September, Mary sold the painting to Beverly for $6,000, because Beverly had a collection of the artist’s paintings. Also, during the current taxable year, Mary exchanged some Twine Corporation common stock (with a fair market value of $15,000) with Beverly for $15,000 of Beverly’s Hopeful Corporation stock. Mary purchased the Twine Corporation stock three months ago for $1,000. Mary’s short term capital gain for the current taxable year is as follows.

A. None/Zero
B. $16,000
C. $15,000
D. $14,000
E. None of the above
179. At the beginning of the current taxable year, TV, Inc. had accumulated earnings and profits of $2,000 and during the current taxable year, TV, Inc. had current earnings and profits of $10,000, so that by the end of the current taxable year, TV, Inc. had a total of $12,000 of earnings and profits. Peter’s adjusted basis for Peter’s common shares at the beginning of the current taxable year was $4,000. On April 1 of the current taxable year, TV, Inc. distributed cash of $15,000 to Peter, as the only shareholder of TV, Inc. for several years. Peter’s ordinary gross income for the current taxable year is as follows.
A. None/Zero
B. $15,000
C. $12,000
D. $10,000
E. None of the above

180. Referring to Question 179, Peter’s long term capital gain gross income is as follows.
A. None/Zero
B. $7,000
C. $10,000
D. $3,000
E. None of the above

181. At the beginning of the current taxable year, Radio, Inc. had accumulated earnings and profits of $2,000 and during the current taxable year, Radio, Inc. had current earnings and profits of $10,000, so that by the end of the current taxable year, Radio, Inc. had a total of $12,000 of earnings and profits. Peter’s adjusted basis for Peter’s common shares at the beginning of the current taxable year was $4,000. On April 1 of the current taxable year, Radio, Inc. distributed cash of $15,000 to Peter, as the only shareholder of Radio, Inc. for several years. Then, on November 1 of the current taxable year, Peter sold Peter’s common shares of Radio, Inc. to Paul for $50,000. Then, on December 1 of the current taxable year, Radio, Inc. distributed $15,000 of cash to Paul, as the only shareholder of Radio, Inc. Peter’s ordinary gross income for the current taxable year is as follows.
A. None/Zero
B. $15,000
C. $12,000
D. $7,000
E. None of the above

182. On January 1 of the current taxable year, John's mother gave John 1,000 common stock of Starbuck Corporation. John's mother purchased the common shares four taxable years ago for a gross purchase price of $60,000 and John's mother paid purchase expenses of $5,000. John's mother did not owe any gift taxes as a result of the gift. At the date of the gift, the common shares had a fair market value of $100,000. John held the common shares until April 1 of the current taxable year, at which time John sold the common shares to Paul for a gross sales price of $120,000. John paid selling expenses of $5,000. John's long term capital gain gross income for the current taxable year is as follows.
A. None/Zero
B. $20,000
C. $15,000
D. $50,000
E. None of the above

183. Referring to Question 182, John sold the common shares to Paul for a gross sales price of $50,000 and John paid selling expenses of $5,000. John's long term capital loss deduction for the current taxable year is as follows.
A. None/Zero
B. $50,000
C. $10,000
D. $55,000
E. None of the above
184. On January 1 of the current taxable year, John's mother gave John 1,000 common shares of Starbuck Corporation. John's mother purchased the common shares for a gross purchase price of $60,000 and John's mother paid purchase expenses of $5,000 on November 10 of the last taxable year. At the date of the gift, the common shares had a fair market value of $40,000 and the mother owed no gift taxes because of the gift. John held the common shares until April 1 of the current taxable year, at which time John sold the common shares to Paul for a gross sales price of $70,000. John paid selling expenses of $5,000. John's long term capital gain gross income for the current taxable year is as follows.
A. None/Zero  
B. $10,000  
C. $15,000  
D. $25,000  
E. None of the above

185. Referring to Question 184, John had sold the common shares to Paul on April 1 of the current taxable year, for a gross sales price of $20,000 and that John paid selling expenses of $5,000. John's short term capital loss for the current taxable year is as follows.
A. None/Zero  
B. $25,000  
C. $45,000  
D. $50,000  
E. None of the above

186. Referring to Question 184, John sold the common shares to Paul for a gross sales price of $55,000 and John paid selling expenses of $5,000. John's short term capital loss for the current taxable year is as follows.
A. None/Zero  
B. $5,000  
C. $10,000  
D. $15,000  
E. None of the above

187. On January 1 of the current taxable year, John's mother gave John 1,000 common shares of Starbuck Corporation. John's mother purchased the common shares for a gross purchase price of $80,000 and John's mother paid purchase expenses of $5,000 on November 10 of the last taxable year. At the date of the gift, the common shares had a fair market value of $60,000 and the mother owed no gift taxes because of the gift. John held the common shares until April 1 of the current taxable year, at which time John sold the common shares to Paul for a gross sales price of $100,000. John paid selling expenses of $5,000. John's federal long term capital gain gross income for the current taxable year with respect to the sale of the common shares to Paul is as follows.
A. None/Zero  
B. $10,000  
C. $20,000  
D. $30,000  
E. None of the above

188. Referring to Question 187, John sold the common shares to Paul on April 1 of the current taxable year, for a gross sales price of $40,000 and that John paid selling expenses of $5,000. John's short term capital loss for the current taxable year with respect to the sale of the common shares to Paul is as follows.
A. None/Zero  
B. $10,000  
C. $25,000  
D. $50,000  
E. None of the above

189. Referring to Question 187, John sold the common shares to Paul for a gross sales price of $75,000 and John paid selling expenses of $5,000. John's short term capital loss for the current taxable year is as follows.
190. At John's death, John and Peter owned some common stock jointly with rights of survivorship, which stock had been paid for by Peter (a total of $50,000), and recorded immediately, by Peter, in John's and Peter's names four taxable years ago, with a value of $20,000 at John's death. The amount of Peter’s federal taxable gifts for four taxable years ago is as follows.

A. None/Zero
B. $10,000
C. $15,000
D. $25,000
E. None of the above

191. At John's death, John and Peter owned some common stock jointly with rights of survivorship, which stock had been paid for by Peter (a total of $50,000), and recorded immediately, by Peter, in John's and Peter's names four taxable years ago, with a value of $20,000 at John's death. The amount includable in John's federal gross estate is as follows.

A. None/Zero
B. $20,000
C. $40,000
D. $50,000
E. None of the above

192. At John’s death, John and Mary owned 100 shares of Tide Corp. common stock, as tenants in common (40% for Mary and 60% for John) when John died. Mary paid $5,000 for the stock, from Mary's own funds, five taxable years ago, and Mary immediately put the title to the stock in John's and Mary's names. On July 1, of the current taxable year, Tide declared a dividend of $1 per share, payable on August 4, of the current taxable year, to shareholders of record on July 31, of the current taxable year. Tide stock "went X-dividend" on the Big Stock Exchange on July 25, of the current taxable year. John had died on July 2, of the current taxable year, when the value of the stock, per a quote on the stock exchange, was $10,000. The amount includable in John's federal gross estate is as follows.

A. None/Zero
B. $3,000
C. $6,000
D. $6,060
E. None of the above

193. Referring to Question 192, the amount of income in respect of a decedent is as follows.

A. None/Zero
B. $6,000
C. $3,000
D. $6,060
E. None of the above

194. Referring to Question 192, John had died on July 28, of the current taxable year, when the value of the stock, per a quote on the stock exchange, was $6,000. The amount includable in John's federal gross estate is as follows.

A. None/Zero
B. $3,000
C. $3,660
D. $6,000
E. None of the above

195. Referring to Question 194, the amount of income in respect of a decedent is as follows.
A. None/Zero  
B. $60  
C. $3,000  
D. $3,660  
E. None of the above  

196. Referring to Question 192, John had died on August 3, of the current taxable year, at a time when the value of the stock, per a quote on the stock exchange, was $5,000. The amount includable in John's federal gross estate is as follows.  
A. None/Zero  
B. $3,060  
C. $5,000  
D. $5,060  
E. None of the above  

197. Referring to Question 196, the amount of income in respect of a decedent is as follows.  
A. None/Zero  
B. $60  
C. $3,000  
D. $3,060  
E. None of the above  

198. Prior to Mary’s death, Mary was the president and sole shareholder of a corporation, which Mary started ten taxable years ago. Mary died during the current taxable year, when the corporation had $1,000,000 of earnings and profits. Five taxable years ago, Mary made a written agreement with one of the corporation’s employees, who was not related to Mary, which written agreement stated that, at Mary’s death, the employee could purchase the shares for $100,000 and that Mary’s estate had to sell the shares to the employee for $100,000. However, Mary had the right and power to sell the shares for a higher price (to the employee or to any other person) during Mary’s life. At the time when Mary made the agreement, the price was a fair one. Mary made this agreement with this employee, because Mary wanted to preserve the business as a going concern and because the employee was the best employee in the business and because the employee was capable of managing the business well (after Mary died). When Mary died, the shares had a fair market value of $500,000, without taking into account the purchase agreement. With respect to the shares, Mary’s estate’s gross income is as follows.  
A. None/Zero  
B. $100,000  
C. $250,000  
D. $500,000  
E. None of the above  

199. On January 1, of the current taxable year, the Nice Corporation declared a dividend which was payable to shareholders who owned Nice Corporation shares on February 1, of the current taxable year. The dividend was payable on April 1, of the current taxable year. Mary died on March 1, of the current taxable year, and the executor of Mary’s estate received the dividend of $2,000 on April 1, of the current taxable year. The amount of gross income to Mary is as follows.  
A. None/Zero  
B. $1,000  
C. $1,500  
D. $2,000  
E. None of the above  

200. Referring to Question 199, Mary used the accrual method of accounting. The amount of gross income to Mary’s estate is as follows.  
A. None/Zero  
B. $1,000
201. On January 1 of the current taxable year, Nice Corporation declared a dividend of cash which was payable to shareholders who owned Nice Corporation common stock on February 1 of the current taxable year. The dividend was payable on April 1 of the current taxable year. Mary died on January 15, of the current taxable year, and the executor of Mary’s estate received the dividend of $100 on April 1 of the current taxable year. The estate's ordinary gross income for the current taxable year with respect to the dividend is as follows.
A. None/Zero
B. $100
C. None of the above

202. Referring to Question 201, Mary used the accrual method of accounting. The estate's ordinary gross income for the current taxable year is as follows.
A. None/Zero
B. $100
C. None of the above

203. John died on July 1 of the current taxable year. With respect to John's final taxable year, John had no gross income and John had a long term capital loss carryforward (from John's sales of securities in prior taxable years) of $50,000. During the first taxable year of John’s estate, the estate received gross income of $60,000 of long term capital gain (from the estate's sales of securities) and $40,000 of dividends. The estate's deduction for the estate’s first taxable year is as follows.
A. None/Zero
B. $300
C. $600
D. $50,400
E. None of the above

204. John purchased a life insurance policy, five taxable years ago, on John's life, payable to Sue, and at John's death, the life insurance company paid Sue: $600,000 face amount of the life insurance policy; $100,000 of accumulated dividends; $5,000 of interest on the accumulated dividends to the date of John's death; $2,000 as a return of part of John's final premium; and, $2,000 of interest on the preceding four amounts from the date of John's death to the date of final payment. The amount of the face amount of the life insurance policy includable in John's federal gross estate is as follows.
A. None/Zero
B. $100,000
C. $300,000
D. $600,000
E. None of the above

205. Referring to Question 204, the amount of the accumulated dividends includable in John's federal gross estate is as follows.
A. None/Zero
B. $50,000
C. $75,000
D. $100,000
E. None of the above

206. Referring to Question 204, the amount of the accumulated dividends includable in John's Indiana gross inheritance is as follows.
A. None/Zero
B. $50,000
C. $75,000  
D. $100,000  
E. None of the above.

207. Referring to Question 204, the amount of the interest on the accumulated dividends includable in John's federal gross estate is as follows.
A. None/Zero  
B. $2,000  
C. $5,000  
D. $10,000  
E. None of the above.

208. Referring to Question 204, the amount of the interest on the accumulated dividends includable in John's Indiana gross inheritance is as follows.
A. None/Zero  
B. $1,000  
C. $5,000  
D. $10,000  
E. None of the above.

209. Referring to Question 204, John’s estate’s gross income is as follows.
A. None/Zero  
B. $2,000  
C. $5,000  
D. $7,000  
E. None of the above.

210. Referring to Question 204, the amount of income in respect of a decedent is as follows.
A. None/Zero  
B. $2,000  
C. $5,000  
D. $7,000  
E. None of the above.

211. During the current taxable year, Mary died owning one whole (ordinary life) life insurance policy on Mary's life which had a face amount of $1,000,000 and which was payable, in lump sum, to Mary's estate. The life insurance policy had been purchased by Mary, during the current taxable year, for $100,000, from Zesty Corporation of which Mary was president and which corporation was a C corporation, and which corporation had purchased the life insurance policy several taxable years ago from the issuing life insurance company, and which life insurance policy was payable, prior to the sale to Mary, to Zesty Corporation. Mary promptly changed the beneficiary designation of the life insurance policy in order to make Mary's estate be the beneficiary. Initially, Zesty Corporation had purchased the life insurance policy for the benefit of Zesty Corporation, but then, when Mary decided to retire, Zesty Corporation sold the life insurance policy to Mary. Zesty Corporation had paid a total of $50,000 of premiums with respect to the life insurance policy, $5,000 of which was paid during the current taxable year, prior to the sale of the life insurance policy to Mary. Zesty Corporation capitalized each premium payment; that is, Zesty Corporation did not expense the premiums either for book purposes or for earnings and profit purposes. The Table 2001 cost with respect to the payment of the current taxable year's life insurance premium was $500. Zesty Corporation's gross income for the current taxable year with respect to the sale of the life insurance policy to Mary is as follows.
A. None/Zero  
B. $50,000  
C. $95,000  
D. $100,000  
E. None of the above.
212. Referring to Question 211, Mary's estate's gross income for the current taxable year with respect to the life insurance proceeds is as follows.
   A. None/Zero
   B. $900,000
   C. $905,000
   D. None of the above

213. Referring to Question 211, the amount which the estate must include as an asset in Mary's gross estate on the estate's federal estate tax return (Form 706) is as follows.
   A. None/Zero
   B. $5,000
   C. None of the above

214. Referring to Question 211, Zesty Corporation did not sell the life insurance policy to Mary, Mary died, and Zesty Corporation received $1,000,000 from the life insurance company due to the life insurance policy. Zesty Corporation's gross income with respect to the receipt of the life insurance proceeds policy, is as follows.
   A. None/Zero
   B. $950,000
   C. $955,000
   D. $1,000,000
   E. None of the above

215. Referring to Question 211, Zesty Corporation did not sell the life insurance policy to Mary, Mary died, and Zesty Corporation received, during the current taxable year, $1,000,000 from the life insurance company due to the life insurance policy. Zesty Corporation's net increase in earnings and profits for the current taxable year with respect to the receipt of the life insurance proceeds policy, is as follows.
   A. None/Zero
   B. $950,000
   C. $955,000
   D. $1,000,000
   E. None of the above

216. Referring to Question 211, the last taxable year Peter purchased the life insurance policy for $100,000 from Zesty Corporation, and that Peter promptly changed the beneficiary designation of the life insurance policy to be Peter, and that Peter paid one life insurance policy premium, of $5,000, with respect to the life insurance policy prior to Mary's death. Then, after all of this, Mary died during the current taxable year and Peter received the $1,000,000 of the life insurance policy's proceeds during the current taxable year. Peter's ordinary gross income for the current taxable year with respect to the receipt of the life insurance proceeds is as follows.
   A. None/Zero
   B. $900,000
   C. $895,000
   D. $995,000
   E. None of the above

217. Several taxable years ago, Mary acquired a whole (ordinary life) life insurance policy, as an owner, in the normal manner. The life insurance policy, with proceeds of $1,000,000, was payable to John, except as otherwise stated. Sable Corporation (which was Mary's employer) paid a total of $60,000 of premiums ($10,000 per year for six years, including the life insurance premium of the current taxable year, all of which Sable Corporation capitalized, rather than expensed, for book purposes and for earnings and profits purposes) with respect to the life insurance policy, which amount was the total amount paid as life insurance premiums with respect to the life insurance policy through the last taxable year. Mary had an agreement with Sable Corporation and with the life insurance company, which agreement provided that when Mary died, Sable Corporation would be repaid all of the premiums which Sable Corporation had paid on the life insurance policy and that this repayment would come from the proceeds of the life insurance policy. Thus, when Mary died during the current taxable year, Sable Corporation, received $60,000 of the
life insurance proceeds and John received $940,000. The Table 2001 cost (of the $10,000 life insurance premium which Sable Corporation paid during the last taxable year) was $500. Mary's ordinary gross income for the last taxable year with respect to Sable Corporation's payment of the life insurance premium is as follows.
A. None/Zero
B. $500
C. $10,000
D. $60,000
E. None of the above

218. Referring to Question 217, Sable Corporation's ordinary expense or ordinary loss deduction for the last taxable year with respect to Sable Corporation's payment of the last taxable year's life insurance premium is as follows.
A. None/Zero
B. $5,000
C. $10,500
D. $10,000
E. None of the above

219. Referring to Question 217, Sable Corporation's gross income for the current taxable year with respect to the receipt of the $60,000 of life insurance proceeds is as follows.
A. None/Zero
B. $60,000
C. $10,000
D. $10,500
E. None of the above

220. Referring to Question 217, the amount includable in Mary's gross estate is as follows.
A. None/Zero
B. $1,000,000
C. $940,000
D. $60,000
E. None of the above

221. Referring to Question 217, prior to Mary's death, Mary changed the beneficiary of the life insurance policy from John to Peter. The amount of Mary's federal taxable gifts is as follows.
A. None/Zero
B. $940,000
C. $1,000,000
D. $920,000
E. None of the above

222. During the current taxable year, Special Corporation paid a premium of $600 with respect to a group term life insurance policy which insured the life of John, an employee of Special Corporation, which policy was owned by John, and which policy was payable to Peter as the beneficiary, with a face amount of $60,000. The Table 2001 cost was $60. Special Corporation's ordinary expense or ordinary loss deduction for the current taxable year with respect to the payment of the life insurance premium is as follows.
A. None/Zero
B. $600
C. $6,000
D. $60,000
E. None of the above

223. Referring to Question 222, John's ordinary gross income for the current taxable year with respect to the payment of the life insurance premium is as follows.
A. None/Zero
224. Referring to Question 222, when John dies, the amount which the John's estate must include as an asset in John's gross estate on the estate's federal estate tax return (Form 706) is as follows.
   A. None/Zero
   B. $60,000
   C. $600
   D. $60
   E. None of the above

225. During April of the current taxable year, Mary died as an employee of Superman Corporation, which had established a qualified retirement plan for Mary. The beneficiary of Mary's corporate qualified retirement plan was John and John was entitled to receive a lump sum distribution under the retirement plan of $300,000 or to rollover the amount (of $300,000). The fund consisted of $200,000 of Superman Corporation contributions and $100,000 of earnings thereon. After John was notified with respect to the amount of the distribution and John’s rights with respect to the distribution, John promptly established a basic individual retirement account in John's name and told the trustee of Mary’s retirement fund to distribute the funds to the trustee of John's basic individual retirement account, which the trustee did. John did not have any other retirement plan during the current taxable year. John's gross income for the current taxable year is as follows.
   A. None/Zero
   B. $100,000
   C. $200,000
   D. $300,000
   E. None of the above

226. Referring to Question 225, the amount of any excise (or penalty) tax which John must pay with respect to the distribution from the retirement plan trust is as follows.
   A. None/Zero
   B. $6,000
   C. $18,000
   D. $30,000
   E. None of the above

227. Referring to Question 225, the amount which Mary's estate must include in Mary's federal gross estate is as follows.
   A. None/Zero
   B. $100,000
   C. $200,000
   D. $300,000
   E. None of the above

228. During April of the current taxable year, Beverly died. The beneficiary of Beverly's corporate qualified retirement plan was Rebecca and Rebecca was entitled to receive a lump sum distribution under the retirement plan of $500,000. Beverly did not make any contribution to the retirement plan trust, only StraightArrow Corporation did. At Beverly’s death, the fund consisted of $300,000 of employer contributions and $200,000 of earnings thereon. However, Rebecca, who had no other income during the current taxable year, and who had no prior retirement fund promptly established a basic individual retirement account in Rebecca's name, but Rebecca did not make a contribution to the basic individual retirement account at that time and Rebecca told the trustee of Beverly’s retirement fund to distribute the funds to the trustee of Rebecca's basic individual retirement account, which the trustee did. Rebecca made no other election with respect to the distribution. Rebecca's gross income for the current taxable year is as follows.
   A. None/Zero
   B. $200,000
229. Referring to Question 228, the amount of Beverly's federal taxable gifts in the year in which Beverly designated Rebecca as the beneficiary is as follows.
   A. None/Zero
   B. $200,000
   C. $500,000
   D. $300,000
   E. None of the above

230. Referring to Question 228, the amount which Beverly's estate must include in Beverly's federal gross estate is as follows.
   A. None/Zero
   B. $100,000
   C. $200,000
   D. $300,000
   E. None of the above

231. During the current taxable year, John was a beneficiary of an irrevocable trust which was established by John's father several taxable years ago, and during the current taxable year the trust had the following financial information. All of the gains and losses from the sales of assets were attributable to the principal of the trust. All of the other receipts and expenses were attributable to the net income of the trust. The trustee (which was the State Bank of Indianapolis) was the sole trustee and the trustee was required to distribute to John, for each taxable year, including, but not limited to, the current taxable year, the specific amount of $20,000 from the trust's net book income (and from the trust's principal if the trust's net book income was not sufficient for such distribution) and the trustee was required to accumulate the remaining book income, along with the gains and losses from the sales of assets. Upon John's death, all of the remaining funds in the trust were to be distributed to Susan.

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<tbody>
<tr>
<td>Dividends received</td>
<td>25,000</td>
</tr>
<tr>
<td>Interest received from Bank of Indiana</td>
<td>25,000</td>
</tr>
<tr>
<td>Capital gains</td>
<td>25,000</td>
</tr>
<tr>
<td>Capital losses</td>
<td>8,000</td>
</tr>
<tr>
<td>Administrative expenses attributable to book income</td>
<td>8,000</td>
</tr>
</tbody>
</table>

John's gross income for the current taxable year is as follows.
   A. None/Zero
   B. $20,000
   C. $50,000
   D. $75,000
   E. None of the above

232. During the prior taxable year, John was a beneficiary of an irrevocable trust which was established by John's father several taxable years ago, and during the current taxable year the trust had the following financial information. All of the gains and losses from the sales of assets were attributable to the principal of the trust. All of the other receipts and expenses were attributable to the net income of the trust. The trustee (which was the State Bank of Indianapolis) was the sole trustee and the trustee was required to distribute to John, each year, all of the trust's net book income, during John's life, which the trustee did, and then, to distribute the remaining funds to Mary.

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
</table>

Copyright ©1986 Through 2006, Professor Jegen’s Taxsite
Dividends received & 10,000 \\
Interest received from Bank of Indiana & 10,000 \\
Capital gains & 10,000 \\
Capital losses & 1,000 \\
Administrative expenses attributable to book income & 1,000 \\

<table>
<thead>
<tr>
<th>John's gross income for the current taxable year is as follows.</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. None/Zero</td>
</tr>
<tr>
<td>B. $18,000</td>
</tr>
<tr>
<td>C. $19,000</td>
</tr>
<tr>
<td>D. $28,000</td>
</tr>
<tr>
<td>E. None of the above</td>
</tr>
</tbody>
</table>

233. Referring to Question 232, the trustee's taxable income for the current taxable year is as follows.

| A. None/Zero |
| B. $8,000 |
| C. $8,700 |
| D. $10,000 |
| E. None of the above |

234. Referring to Question 232, John was not entitled to all of the net income from the trust, but the trustee could distribute net income to John in the trustee's sole discretion. However, Paul had the power to require the trustee to distribute any amount of net income or principal to Paul for Paul's health and during the current taxable year, Paul could have required a distribution from the trust in the amount of $2,000, but Paul did not make any such demand. Paul's gross income for the current taxable year is as follows.

| A. None/Zero |
| B. $2,000 |
| C. $1,000 |
| D. $3,000 |
| E. None of the above |

235. During the current taxable year, John established a revocable trust and transferred some of John's assets to Beverly, who was the trustee of the trust and a friend of John's. Under the terms of the trust, the trustee was required to distribute all of the trust's net book income, including, ordinary income and capital gains to Rebecca for Rebecca's life, and the remainder to grandchildren, of which Beverly had two. During the current taxable year, the trustee received gross income of dividends of $20,000 and of long term capital gain of $20,000, and the trustee paid the trustee a fee of $1,000. Therefore, the trustee distributed $39,000 to Rebecca. Rebecca's gross income is as follows.

| A. None/Zero |
| B. $38,700 |
| C. $39,000 |
| D. $40,000 |
| E. None of the above |

236. The last taxable year, Mary established an irrevocable trust with Mary's adult child as trustee. The trust agreement provided that the trustee had the right and power to distribute (or not) any amount of the trust's principal or net income to or on behalf of Mary's minor child, for the health, education, maintenance, and support of the minor child. During the current taxable year, the trustee distributed all of the trust's net book income of $18,000 (which net book income consisted of $10,000 of dividends and $10,000 of interest, all of which was gross income, minus trustee fees of $2,000) for the minor child's health. The federal income tax rate which is applicable to any taxable income the trust is 30%. The amount of the trust's federal income tax for the current taxable year is as follows.

| A. None/Zero |
| B. $5,400 |
C. $6,500  
D. $6,667  
E. None of the above

237. Several taxable years ago, Mary's father established an irrevocable trust, during Mary’s father’s life, for the primary benefit of Mary, with the remainder interest given to Mary's children. Indiana Bank was the sole trustee of the trust. Mary’s father transferred $1,000,000 to the trust as principal of the trust. The trustee was required to distribute all of the trust’s current net book income to Mary each year. The trustee did not establish a reserve for depreciation, but the trustee computed a depreciation deduction, for federal income tax purposes, in the amount of $5,000. All of the trustee's capital gains and losses were (and are) assigned to the trust's principal, and all of the trustee's other receipts and expenditures were (and are) assigned to the trust's book net income, except as otherwise stated below. During the current taxable year, the trust had the following receipts and expenditures.

<table>
<thead>
<tr>
<th>Receipts</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taxable interest</td>
<td>100,000</td>
</tr>
<tr>
<td>Dividends</td>
<td>100,000</td>
</tr>
<tr>
<td>Rent</td>
<td>100,000</td>
</tr>
<tr>
<td>Capital gains</td>
<td>100,000</td>
</tr>
<tr>
<td>Expenses attributable to rent (other than depreciation)</td>
<td>10,000</td>
</tr>
<tr>
<td>Administration expenses attributable to income</td>
<td>10,000</td>
</tr>
<tr>
<td>Capital losses attributable to principal</td>
<td>10,000</td>
</tr>
<tr>
<td>Charitable contribution required to be made each year from the current book income</td>
<td>10,000</td>
</tr>
</tbody>
</table>

The amount of funds which are required to be distributed (or which were distributed) to Mary for the current taxable year is as follows.

A. None/Zero
B. $190,000
C. $195,000
D. $270,000
E. None of the above

238. Referring to Question 237, the amount of the trust’s federal taxable income before the distribution deduction for the current taxable year is as follows.

A. None/Zero
B. $323,100
C. $339,700
D. $400,000
E. None of the above

239. Referring to Question 237, the amount of the trust’s federal distributable net income for the current taxable year is as follows.

A. None/Zero
B. $150,000
C. $250,000
D. $270,000
E. None of the above
240. Referring to Question 237, the amount of the trust’s federal taxable income for the current taxable year is as follows.
   A. None/Zero
   B. $60,300
   C. $89,700
   D. $90,100
   E. None of the above

241. Referring to Question 237, the amount of Mary’s gross income for the current taxable year is as follows.
   A. None/Zero
   B. $250,000
   C. $260,000
   D. $270,000
   E. None of the above

242. During the current taxable year, Beverly had taxable income of $400,000. During the current taxable year, Rebecca received a discretionary distribution of $5,000 of dividends from an irrevocable trust which had been established by Beverly’s father when the father died. The $5,000 was attributable to the current income of the trust. In addition, Rebecca had earned income of $10,000. Rebecca’s income tax (prior to any credit) for the current taxable year is as follows.
   A. None/Zero
   B. $2,445
   C. $2,511
   D. $2,886
   E. None of the above

243. Alan died on July 1 of the current taxable year and the executor of Alan's estate assembled the following information about Alan’s final taxable year: Alan had earned and received $10,000 of fees and Alan had earned, but not actually or constructively received by Alan, fees of $15,000. The executor assembled the following information about the estate’s first taxable year: received Alan’s fees of $15,000 and received dividends of $10,000 not actually or constructively received or accrued by Alan. Alan's gross income for the current taxable year is as follows.
   A. None/Zero
   B. $10,000
   C. $15,000
   D. $25,000
   E. None of the above

244. Referring to Question 243, the estate’s gross income for the estate’s first taxable year is as follows.
   A. None/Zero
   B. $10,000
   C. $15,000
   D. $25,000
   E. None of the above

245. Referring to Question 243, the estate was not required to distribute any net income to any beneficiary during the estate’s first taxable year and the estate did not make any such distribution. The estate’s taxable income for the estate’s first taxable year is as follows.
   A. None/Zero
   B. $9,700
   C. $14,700
   D. $24,400
   E. None of the above

246. Referring to Question 243, the executor was required to distribute to Paul $5,000 of the estate’s principal during the estate’s first taxable year, which the estate did. The estate’s taxable income for the estate’s first taxable year is as
247. During the last taxable year, Rebecca died. During the current taxable year, the estate had book income (which was also gross income) in the amount of $50,000 from the receipt of dividends. The executor charged executor fees of $1,000 against such gross income. During the current taxable year, the estate made one distribution to one beneficiary, Paul, specifically, the estate distributed to Paul an automobile, which was valued at $20,000 when Rebecca died and which was valued at $22,000 when the estate made the distribution. The automobile was specifically devised to Paul by Rebecca. The amount of Rebecca's estate's federal taxable income for the current taxable year is as follows.
   A. None/Zero
   B. $4,700
   C. $9,700
   D. $24,400
   E. None of the above

248. Referring to Question 247, the amount of Paul's gross income for the current taxable year is as follows.
   A. None/Zero
   B. $1,000
   C. $6,000
   D. $7,000
   E. None of the above

249. Mary died on January 1, of the current taxable year, owning 1,000 shares of Fun Corporation common shares. Mary paid a gross purchase price of $50,000 for the shares in December, of the last taxable year, and the shares had a value of $50,000 at Mary's death and $40,000 on July 1, of the current taxable year. The executor of Mary’s estate elected to value the assets in Mary’s estate at the date of death values, and on December 1, of the current taxable year, the executor of Mary’s estate sold the shares to Tom, for a gross sales price of $60,000, and the executor of Mary’s estate paid selling expenses of $1,000, which selling expenses were elected to be utilized in determining the gain or loss on the federal fiduciary income tax return (Form 1041), rather than being deducted on the federal estate tax return (Form 706). The amount of gross income to Mary’s estate is as follows.
   A. None/Zero
   B. $9,000
   C. $10,000
   D. $20,000
   E. None of the above

250. Referring to Question 249, the executor of Mary’s estate elected to deduct the selling expenses on the federal estate tax return (Form 706), rather than utilizing the selling expenses in determining the gain or loss on the federal fiduciary income tax return (Form 1041). The amount of gross income to Mary’s estate is as follows.
   A. None/Zero
   B. $9,000
   C. $10,000
   D. $19,000
   E. None of the above

251. Referring to Question 250, the executor of Mary’s estate elected to value the assets in Mary’s estate at the alternate valuation date. The amount of gross income to Mary’s estate is as follows.
   A. None/Zero
   B. $9,000
C. $19,000
D. $20,000
E. None of the above

252. Mary died on January 1 of the current taxable year, owning 1,000 common shares of Starbuck Corporation. Mary paid a gross purchase price of $120,000 for the common shares in December, of the last taxable year, and the common shares had a fair market value of $100,000 at Mary's death and $60,000 on July 1 of the current taxable year. The executor of Mary's estate elected to use the date of death values for estate tax purposes, and on May 1 of the current taxable year, the executor sold the common shares to Paul, for a gross sales price of $80,000, and the executor paid selling expenses of $5,000, which selling expenses were elected to be utilized in determining the gain or loss on the fiduciary income tax return (Form 1041), rather than being deducted on the estate tax return (Form 706). The estate’s long term capital loss for the current taxable year with respect to the sale of the common shares to Paul is as follows.
A. None/Zero
B. $25,000
C. $35,000
D. $45,000
E. None of the above

253. Referring to Question 252, the executor of Mary’s estate elected to deduction the selling expenses on the estate tax return (Form 706), rather than utilizing the selling expenses in determining the gain or loss on the fiduciary income tax return (Form 1041). The estate’s long term capital loss for the current taxable year with respect to the sale of the common shares to Paul is as follows.
A. None/Zero
B. $20,000
C. $30,000
D. $40,000
E. None of the above

254. Referring to Question 253, the executor of Mary’s estate elected to use the alternate valuation dates. The estate’s long term capital loss for the current taxable year with respect to the sale of the common shares to Paul is as follows.
A. None/Zero
B. $5,000
C. $10,000
D. $15,000
E. None of the above

255. Mary died on January 1 of the current taxable year, owning 1,000 common shares of Starbuck Corporation. Mary paid a gross purchase price of $120,000 for the common shares in December, of the last taxable year, and the common shares had a fair market value of $80,000 at Mary's death and $60,000 on July 1 of the current taxable year. The executor of Mary’s estate elected to use the date of death values for estate tax purposes, and on May 1 of the current taxable year, the executor sold the common shares to Paul, for a gross sales price of $65,000, and the executor paid selling expenses of $5,000, which selling expenses were elected to be utilized in determining the gain or loss on the federal fiduciary income tax return (Form 1041), rather than being deducted on the federal estate tax return (Form 706). The estate’s long term capital loss for the current taxable year is as follows.
A. None/Zero
B. $15,000
C. $20,000
D. $55,000
E. None of the above

256. Referring to Question 255, the executor of Mary’s estate elected to deduction the selling expenses on the estate's federal estate tax return (Form 706), rather than utilizing the selling expenses in determining the gain or loss on the estate's federal fiduciary income tax return (Form 1041). The estate’s long term capital loss for the current taxable year with respect to the sale of the common shares to Paul is as follows.
257. Referring to Question 256, the executor of Mary’s estate elected to use the alternate valuation dates. The estate’s long term capital loss for the current taxable year with respect to the sale of the common shares to Paul is as follows.
   A. None/Zero
   B. $2,500
   C. $5,000
   D. $10,000
   E. None of the above

258. Mary died on January 1 of the current taxable year, owning 1,000 common shares of Starbuck Corporation. Mary paid $80,000 for the common shares in December, of the last taxable year, and the common shares had a fair market value of $20,000 at Mary's death and $42,000 on July 1 of the current taxable year. The executor of Mary’s estate elected to use the date of death values for estate tax purposes. Mary's last will and testament devised $40,000 of cash to Paul, and on May 1 of the current taxable year, when the fair market value of the common shares was $40,000, the executor transferred the common shares to Paul, under an agreement under which Paul took the common shares in lieu of the cash devise. Mary’s estate’s long term capital gain for the current taxable year with respect to the transfer of the common shares to Paul is as follows.
   A. None/Zero
   B. $2,000
   C. $10,000
   D. $20,000
   E. None of the above

259. Mary died on January 1 of the current taxable year, owning 1,000 common shares of Starbuck Corporation. Mary paid $80,000 for the common shares in December, of the last taxable year, and the common shares had a fair market value of $20,000 at Mary's death and $42,000 on July 1 of the current taxable year. The executor of Mary’s estate elected to use the date of death values for estate tax purposes. Mary's last will and testament devised $40,000 of cash to Paul, and on May 1 of the current taxable year, when the fair market value of the common shares was $40,000, the executor transferred the common shares to Paul, under an agreement under which Paul took the common shares in lieu of the $40,000 cash devise. Mary’s estate’s long term capital loss for the current taxable year with respect to the transfer of the common shares to Paul is as follows.
   A. None/Zero
   B. $20,000
   C. $30,000
   D. $40,000
   E. None of the above

260. On January 1 of the current taxable year, John's mother gave John 1,000 common stock of Starbuck Corporation. John's mother purchased the common shares four taxable years ago for a gross purchase price of $40,000 and John's mother paid purchase expenses of $5,000. John's mother did not owe any gift taxes as a result of the gift. At the date of the gift, the common shares had a value of $60,000. John held the common shares until April 1 of the current taxable year, at which time John sold the common shares to Paul for a gross sales price of $75,000. John paid selling expenses of $5,000. John's long term capital gain gross income for the current taxable year is as follows.
   A. None/Zero
   B. $35,000
   C. $30,000
   D. $25,000
   E. None of the above
261. Referring to Question 260, John sold the common shares to Paul for a gross sales price of $15,000 and John paid selling expenses of $5,000. John's long term capital loss deduction for the current taxable year is as follows.
A. None/Zero
B. $50,000
C. $35,000
D. $40,000
E. None of the above

262. On January 1 of the current taxable year, John's mother gave John 1,000 common shares of Starbuck Corporation. John's mother purchased the common shares for a gross purchase price of $45,000 and John's mother paid purchase expenses of $5,000 on November 10 of the last taxable year. At the date of the gift, the common shares had a value of $70,000 and the mother owed no gift taxes because of the gift. John held the common shares until April 1 of the current taxable year, at which time John sold the common shares to Paul for a gross sales price of $60,000. John paid selling expenses of $5,000. John's long-term capital gain gross income for the current taxable year is as follows.
A. None/Zero
B. $10,000
C. $15,000
D. $25,000
E. None of the above

263. Referring to Question 262, John had sold the common shares to Paul on April 1 of the current taxable year, for a gross sales price of $10,000 and that John paid selling expenses of $5,000. John's short term capital loss for the current taxable year is as follows.
A. None/Zero
B. $45,000
C. $35,000
D. $40,000
E. None of the above

264. Referring to Question 262, John sold the common shares to Paul for a gross sales price of $60,000 and John paid selling expenses of $5,000. John's short term capital loss for the current taxable year is as follows.
A. None/Zero
B. $5,000
C. $10,000
D. $15,000
E. None of the above

265. On January 1 of the current taxable year, John's mother gave John 1,000 common shares of Starbuck Corporation. John's mother purchased the common shares for a gross purchase price of $65,000 and John's mother paid purchase expenses of $5,000 on November 10 of the last taxable year. At the date of the gift, the common shares had a value of $60,000 and the mother owed no gift taxes because of the gift. John held the common shares until April 1 of the current taxable year, at which time John sold the common shares to Paul for a gross sales price of $85,000. John paid selling expenses of $5,000. John's federal long term capital gain gross income for the current taxable year with respect to the sale of the common shares to Paul is as follows.
A. None/Zero
B. $10,000
C. $15,000
D. $20,000
E. None of the above

266. Referring to Question 265, John sold the common shares to Paul on April 1 of the current taxable year, for a gross sales price of $50,000 and that John paid selling expenses of $5,000. John's short term capital loss for the current taxable year with respect to the sale of the common shares to Paul is as follows.
A. None/Zero
B. $15,000
C. $20,000
D. $25,000
E. None of the above

267. Referring to Question 265, John sold the common shares to Paul for a gross sales price of $70,000 and John paid selling expenses of $5,000. John's short term capital loss for the current taxable year is as follows.
A. None/Zero
B. $5,000
C. $10,000
D. $3,000
E. None of the above

268. At John's death, John and Peter owned some common stock jointly with rights of survivorship, which stock had been paid for by Peter (a total of $60,000), and recorded immediately, by Peter, in John's and Peter's names four taxable years ago. At John's death, the common stock had a value of $30,000. The amount of Peter's federal taxable gifts for four taxable years ago is as follows.
A. None/Zero
B. $20,000
C. $19,000
D. $30,000
E. None of the above

269. At John's death, John and Peter owned some common stock jointly with rights of survivorship, which stock had been paid for by Peter (a total of $60,000), and recorded immediately, by Peter, in John's and Peter's names four taxable years ago, with a value of $30,000 at John's death. The amount includable in John's federal gross estate is as follows.
A. None/Zero
B. $15,000
C. $30,000
D. $45,000
E. None of the above

270. At John's death, John and Mary owned 200 shares of Tide Corp. common stock, as tenants in common (40% for Mary and 60% for John) when John died. Mary paid $10,000 for the stock, from Mary's own funds, five taxable years ago, and Mary immediately put the title to the stock in John's and Mary's names. On July 1, of the current taxable year, Tide declared a dividend of $1 per share, payable on August 4, of the current taxable year, to shareholders of record on July 31, of the current taxable year. Tide stock "went X-dividend" on the Big Stock Exchange on July 25, of the current taxable year. John died on July 2, of the current taxable year, when the value of the stock, per a quote on the stock exchange, was $20,000. The amount includable in John's federal gross estate is as follows.
A. None/Zero
B. $8,000
C. $12,000
D. $12,120
E. None of the above

271. Referring to Question 269, the amount of income in respect of a decedent is as follows.
A. None/Zero
B. $8,000
C. $12,000
D. $12,120
E. None of the above

272. Referring to Question 269, John had died on July 28, of the current taxable year, when the value of the stock, per a quote on the stock exchange, was $10,000. The amount includable in John's federal gross estate is as follows.
273. Referring to Question 271, the amount of income in respect of a decedent is as follows.
A. None/Zero
B. $120
C. $6,000
D. $6,120
E. None of the above

274. Referring to Question 269, John had died on August 3, of the current taxable year, at a time when the value of the stock, per a quote on the stock exchange, was $4,000. The amount includable in John's federal gross estate is as follows.
A. None/Zero
B. $2,400
C. $2,520
D. $4,120
E. None of the above

275. Referring to Question 273, the amount of income in respect of a decedent is as follows.
A. None/Zero
B. $120
C. $2,400
D. $2,520
E. None of the above

276. Prior to Mary’s death, Mary was the president and sole shareholder of a corporation, which Mary started ten taxable years ago. Mary died during the current taxable year, when the corporation had $1,500,000 of earnings and profits. Five taxable years ago, Mary made a written agreement with one of the corporation’s employees, who was not related to Mary, which written agreement stated that, at Mary’s death, the employee could purchase the shares for $200,000 and that Mary’s estate had to sell the shares to the employee for $200,000. However, Mary had the right and power to sell the shares for a higher price (to the employee or to any other person) during Mary’s life. At the time when Mary made the agreement, the price was a fair one. Mary made this agreement with this employee, because Mary wanted to preserve the business as a going concern and because the employee was the best employee in the business and because the employee was capable of managing the business well (after Mary died). When Mary died, the shares had a value of $650,000, without taking into account the purchase agreement. With respect to the shares, Mary’s estates’s gross estate is as follows.
A. None/Zero
B. $200,000
C. $450,000
D. $650,000
E. None of the above

277. On January 1, of the current taxable year, the Nice Corporation declared a dividend which was payable to shareholders who owned Nice Corporation shares on February 1, of the current taxable year. The dividend was payable on April 1, of the current taxable year. Mary died on March 1, of the current taxable year, and the executor of Mary’s estate received the dividend of $3,000 on April 1, of the current taxable year. The amount of gross income to Mary is as follows.
A. None/Zero
B. $1,500
C. $2,000
278. Referring to Question 276, Mary used the accrual method of accounting. The amount of gross income to Mary’s estate is as follows.
A. None/Zero
B. $1,500
C. $2,000
D. $3,000
E. None of the above

279. On January 1 of the current taxable year, Nice Corporation declared a dividend of cash which was payable to shareholders who owned Nice Corporation common stock on February 1 of the current taxable year. The dividend was payable on April 1 of the current taxable year. Mary died on January 15, of the current taxable year, and the executor of Mary’s estate received the dividend of $250 on April 1 of the current taxable year. The estate's ordinary gross income for the current taxable year with respect to the dividend is as follows.
A. None/Zero
B. $250
C. None of the above

280. Referring to Question 278, Mary used the accrual method of accounting. The estate's ordinary gross income for the current taxable year is as follows.
A. None/Zero
B. $250
C. None of the above

281. John died on July 1 of the current taxable year. With respect to John's final taxable year, John had no gross income and John had a long term capital loss carryforward (from John's sales of securities in prior taxable years) of $45,000. During the first taxable year of John’s estate, the estate received gross income of $55,000 of long term capital gain (from the estate's sales of securities) and $30,000 of dividends. The estate's deduction for the estate’s first taxable year is as follows.
A. None/Zero
B. $600
C. $3,000
D. $33,000
E. None of the above

282. John purchased a life insurance policy, five taxable years ago, on John's life, payable to Sue, and at John's death, the life insurance company paid Sue: $500,000 face amount of the life insurance policy; $90,000 of accumulated dividends; $4,000 of interest on the accumulated dividends to the date of John's death; $1,500 as a return of part of John's final premium; and, $3,000 of interest on the preceding four amounts from the date of John's death to the date of final payment. The amount of the face amount of the life insurance policy includable in John's federal gross estate is as follows.
A. None/Zero
B. $500,000
C. $410,000
D. $90,000
E. None of the above

283. Referring to Question 281, the amount of the accumulated dividends includable in John's federal gross estate is as follows.
A. None/Zero
B. $45,000
C. $49,000
284. Referring to Question 281, the amount of the accumulated dividends includable in John's Indiana gross inheritance is as follows.
A. None/Zero
B. $45,000
C. $49,000
D. $90,000
E. None of the above

285. Referring to Question 281, the amount of the interest on the accumulated dividends includable in John's federal gross estate is as follows.
A. None/Zero
B. $1,500
C. $3,000
D. $4,500
E. None of the above.

286. Referring to Question 281, the amount of the interest on the accumulated dividends includable in John's Indiana gross inheritance is as follows.
A. None/Zero
B. $1,500
C. $3,000
D. $4,500
E. None of the above

287. Referring to Question 281, John’s estate’s gross income is as follows.
A. None/Zero
B. $3,000
C. $7,000
D. $8,500
E. None of the above

288. Referring to Question 281, the amount of income in respect of a decedent is as follows.
A. None/Zero
B. $3,000
C. $4,000
D. $8,500
E. None of the above

289. During the current taxable year, Mary died owning one whole (ordinary life) life insurance policy on Mary's life which had a face amount of $1,000,000 and which was payable, in lump sum, to Mary's estate. The life insurance policy had been purchased by Mary, during the current taxable year, for $100,000, from Zesty Corporation of which Mary was president and which corporation was a C corporation, and which corporation had purchased the life insurance policy several taxable years ago from the issuing life insurance company, and which life insurance policy was payable, prior to the sale to Mary, to Zesty Corporation. Mary promptly changed the beneficiary designation of the life insurance policy in order to make Mary's estate be the beneficiary. Initially, Zesty Corporation had purchased the life insurance policy for the benefit of Zesty Corporation, but then, when Mary decided to retire, Zesty Corporation sold the life insurance policy to Mary. Zesty Corporation sold the life insurance policy to Mary. Zesty Corporation had paid a total of $50,000 of premiums with respect to the life insurance policy, $5,000 of which was paid during the current taxable year, prior to the sale of the life insurance policy to Mary. Zesty Corporation capitalized each premium payment; that is, Zesty Corporation did not expense the premiums either for book purposes or for earnings and profit purposes. The Table 2001 cost with respect to the payment of the current taxable year's life insurance premium was $500. Zesty Corporation's gross
income for the current taxable year with respect to the sale of the life insurance policy to Mary is as follows.
A. None/Zero
B. $50,000
C. $95,000
D. $100,000
E. None of the above

290. Referring to Question 288, Mary's estate's gross income for the current taxable year with respect to the life insurance proceeds is as follows.
A. None/Zero
B. $900,000
C. $905,000
D. None of the above

291. Referring to Question 288, the amount which the estate must include as an asset in Mary's gross estate on the estate's federal estate tax return (Form 706) is as follows.
A. None/Zero
B. $5,000
C. None of the above

292. Referring to Question 288, Zesty Corporation did not sell the life insurance policy to Mary, Mary died, and Zesty Corporation received $1,000,000 from the life insurance company due to the life insurance policy. Zesty Corporation's gross income with respect to the receipt of the life insurance proceeds policy, is as follows.
A. None/Zero
B. $950,000
C. $955,000
D. $1,000,000
E. None of the above

293. Referring to Question 288, Zesty Corporation did not sell the life insurance policy to Mary, Mary died, and Zesty Corporation received, during the current taxable year, $1,000,000 from the life insurance company due to the life insurance policy. Zesty Corporation's net increase in earnings and profits for the current taxable year with respect to the receipt of the life insurance proceeds policy, is as follows.
A. None/Zero
B. $950,000
C. $955,000
D. $1,000,000
E. None of the above

294. Referring to Question 288, the last taxable year Peter purchased the life insurance policy for $100,000 from Zesty Corporation, and that Peter promptly changed the beneficiary designation of the life insurance policy to be Peter, and that Peter paid one life insurance policy premium, of $5,000, with respect to the life insurance policy prior to Mary's death. Then, after all of this, Mary died during the current taxable year and Peter received the $1,000,000 of the life insurance policy's proceeds during the current taxable year. Peter's ordinary gross income for the current taxable year with respect to the receipt of the life insurance proceeds is as follows.
A. None/Zero
B. $900,000
C. $895,000
D. $995,000
E. None of the above

295. Several taxable years ago, Mary acquired a whole (ordinary life) life insurance policy, as an owner, in the normal manner. The life insurance policy, with proceeds of $1,000,000, was payable to John, except as otherwise stated. Sable Corporation (which was Mary's employer) paid a total of $60,000 of premiums ($10,000 per year for six years,
including the life insurance premium of the current taxable year, all of which Sable Corporation capitalized, rather than expensed, for book purposes and for earnings and profits purposes) with respect to the life insurance policy, which amount was the total amount paid as life insurance premiums with respect to the life insurance policy through the last taxable year. Mary had an agreement with Sable Corporation and with the life insurance company, which agreement provided that when Mary died, Sable Corporation would be repaid all of the premiums which Sable Corporation had paid on the life insurance policy and that this repayment would come from the proceeds of the life insurance policy. Thus, when Mary died during the current taxable year, Sable Corporation received $60,000 of the life insurance proceeds and John received $940,000. The Table 2001 cost (of the $10,000 life insurance premium which Sable Corporation paid the last taxable year) $500. Mary's ordinary gross income for the last taxable year with respect to Sable Corporation's payment of the life insurance premium is as follows.
A. None/Zero
B. $500
C. $10,000
D. $60,000
E. None of the above

296. Referring to Question 294, Sable Corporation's ordinary expense or ordinary loss deduction for the last taxable year with respect to Sable Corporation's payment of the last taxable year's life insurance premium is as follows.
A. None/Zero
B. $5,000
C. $10,500
D. $10,000
E. None of the above

297. Referring to Question 294, Sable Corporation's gross income for the current taxable year with respect to the receipt of the $60,000 of life insurance proceeds is as follows.
A. None/Zero
B. $60,000
C. $10,000
D. $10,500
E. None of the above

298. Referring to Question 294, the amount includable in Mary's gross estate is as follows.
A. None/Zero
B. $1,000,000
C. $940,000
D. $60,000
E. None of the above

299. Referring to Question 294, Mary changed the beneficiary of the life insurance policy from John to Peter. The amount of Mary's federal taxable gifts is as follows.
A. None/Zero
B. $940,000
C. $1,000,000
D. $920,000
E. None of the above

300. During the current taxable year, Special Corporation paid a premium of $600 with respect to a group term life insurance policy which insured the life of John, an employee of Special Corporation, which policy was owned by John, and which policy was payable to Peter as the beneficiary, with a face amount of $60,000. The Table 2001 cost was $60. Special Corporation's ordinary expense or ordinary loss deduction for the current taxable year with respect to the payment of the life insurance premium is as follows.
A. None/Zero
B. $600
C. $6,000  
D. $60,000  
E. None of the above

301. Referring to Question 299, John's ordinary gross income for the current taxable year with respect to the payment of the life insurance premium is as follows.  
A. None/Zero  
B. $60  
C. $600  
D. $60,000  
E. None of the above

302. Referring to Question 299, when John dies, the amount which the John's estate must include as an asset in John's gross estate on the estate's federal estate tax return (Form 706) is as follows.  
A. None/Zero  
B. $60,000  
C. $600  
D. $60  
E. None of the above

303. At John's death, John was the beneficiary of a corporate qualified retirement plan which John’s employer had established and to which the employer was the only contributor. The retirement trust was payable to John, when John retired, but any funds which had not been paid to John at John death, were payable to Mary, if Mary survived John, and if not, then in equal shares to John's children. John’s employer had contributed $30,000 of income tax deductible contributions to the retirement plan trust, the earnings in the retirement trust totaled was $20,000, and at John’s death, the retirement trust had a value of $50,000, and John had not received any distribution from the retirement fund. After John died, Mary promptly contributed the $50,000, which Mary received from the retirement trust, to a basic individual retirement account which Mary established for Mary. The amount includable in John's federal gross estate is as follows.  
A. None/Zero  
B. $20,000  
C. $30,000  
D. $50,000  
E. None of the above

304. During April of the current taxable year, Mary died as an employee of Superman Corporation, which had established a qualified retirement plan for Mary. The beneficiary of Mary's corporate qualified retirement plan was John and John was entitled to receive a lump sum distribution under the retirement plan of $300,000 or to rollover the amount (of $300,000). The fund consisted of $200,000 of Superman Corporation contributions and $100,000 of earnings thereon. After John was notified with respect to the amount of the distribution and John’s rights with respect to the distribution, John promptly established a basic individual retirement account in John's name and told the trustee of Mary’s retirement fund to distribute the funds to the trustee of John's basic individual retirement account, which the trustee did. John did not have any other retirement plan during the current taxable year. John's gross income for the current taxable year is as follows.  
A. None/Zero  
B. $100,000  
C. $200,000  
D. $300,000  
E. None of the above

305. Referring to Question 303, the amount of any excise (or penalty) tax which John must pay with respect to the distribution from the retirement plan trust is as follows.  
A. None/Zero  
B. $6,000
306. Referring to Question 303, the amount which Mary's estate must include in Mary's federal gross estate is as follows.
A. None/Zero
B. $100,000
C. $200,000
D. $300,000
E. None of the above

307. During April of the current taxable year, Beverly died. The beneficiary of Beverly's corporate qualified retirement plan was Rebecca and Rebecca was entitled to receive a lump sum distribution under the retirement plan of $800,000. Beverly did not make any contribution to the retirement plan trust, only StraightArrow Corporation did. At Beverly's death, the fund consisted of $500,000 of employer contributions and $300,000 of earnings thereon. Rebecca, who had no other income during the current taxable year and who had no prior retirement fund promptly established a basic individual retirement account in Rebecca's name, but Rebecca did not make a contribution to the basic individual retirement account at that time and Rebecca told the trustee of Beverly's retirement fund to distribute the funds to the trustee of Rebecca's basic individual retirement account, which the trustee did. Rebecca did not make any other election with respect to the distribution. Rebecca's gross income for the current taxable year is as follows.
A. None/Zero
B. $300,000
C. $500,000
D. $800,000
E. None of the above

308. Referring to Question 306, the amount of Beverly's federal taxable gifts in the year in which Beverly designated Rebecca as the beneficiary is as follows.
A. None/Zero
B. $300,000
C. $500,000
D. $800,000
E. None of above

309. Referring to Question 306, the amount which Beverly's estate must include in Beverly's federal gross estate is as follows.
A. None/Zero
B. $300,000
C. $500,000
D. $800,000
E. None of the above

310. During the current taxable year, John was a beneficiary of an irrevocable trust which was established by John's father several taxable years ago, and during the current taxable year the trust had the following financial information. All of the gains and losses from the sales of assets were attributable to the principal of the trust. All of the other receipts and expenses were attributable to the net income of the trust. The trustee was required to distribute to John, for each taxable year, including, but not limited to, the current taxable year, the specific amount of $20,000 from the trust's net book income (and from the trust's principal if the trust's net book income was not sufficient for such distribution) and the trustee was required to accumulate the remaining book income, along with the gains and losses from the sales of assets. Upon John's death, all of the remaining funds in the trust were to be distributed to Susan.

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
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<tbody>
<tr>
<td>Dividends received</td>
<td>25,000</td>
</tr>
</tbody>
</table>
Interest received from Indiana Bank 25,000
Capital gains 25,000
Capital losses 8,000
Administrative expenses attributable to book income 8,000

John's gross income for the current taxable year is as follows.
A. None/Zero
B. $20,000
C. $50,000
D. $75,000
E. None of the above

311. During the prior taxable year, John was a beneficiary of an irrevocable trust which was established by John's father several taxable years ago, and during the current taxable year the trust had the following financial information. All of the gains and losses from the sales of assets were attributable to the principal of the trust. All of the other receipts and expenses were attributable to the net income of the trust. The trustee was required to distribute to John, each year, all of the trust's net book income, during John's life, which the trustee did, and then, to distribute the remaining funds to Mary.

<table>
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<td>1,000</td>
</tr>
<tr>
<td>Administrative expenses attributable to book income</td>
<td>1,000</td>
</tr>
</tbody>
</table>

John's gross income for the current taxable year is as follows.
A. None/Zero
B. $18,000
C. $19,000
D. $28,000
E. None of the above

312. Referring to Question 310, the trustee's taxable income for the current taxable year is as follows.
A. None/Zero
B. $8,000
C. $8,700
D. $10,000
E. None of the above

313. Referring to Question 310, John was not entitled to all of the net income from the trust, but the trustee could distribute net income to John in the trustee's sole discretion. However, Paul had the power to require the trustee to distribute any amount of net income or principal to Paul for Paul's health and during the current taxable year, Paul could have required a distribution from the trust in the amount of $2,000, but Paul did not make any such demand. Paul's gross income for the current taxable year is as follows.
A. None/Zero
B. $2,000
C. $1,000
D. $3,000
E. None of the above
314. During the current taxable year, John established a revocable trust and transferred some of John's assets to Beverly, who was the trustee of the trust and a friend of John's. Under the terms of the trust, the trustee was required to distribute all of the trust’s net book income, including, ordinary income and capital gains to Rebecca for Rebecca's life, and the remainder to grandchildren, of which Beverly had two. During the current taxable year, the trustee received gross income of dividends of $20,000 and of long term capital gain of $20,000, and the trustee paid the trustee a fee of $1,000. Therefore, the trustee distributed $39,000 to Rebecca. Rebecca's gross income is as follows.
A. None/Zero
B. $38,700
C. $39,000
D. $40,000
E. None of the above

315. The last taxable year, Mary established an irrevocable trust with Mary's adult child as trustee. The trust agreement provided that the trustee had the right and power to distribute (or not) any amount of the trust's principal or net income to or on behalf of Mary's minor child, for the health, education, maintenance, and support of the minor child. During the current taxable year, the trustee distributed all of the trust's net book income of $18,000 (which net book income consisted of $10,000 of dividends and $10,000 of interest, all of which was gross income, minus trustee fees of $2,000) for the minor child's health. The federal income tax rate which is applicable to any taxable income the trust is 30%. The amount of the trust's federal income tax for the current taxable year is as follows.
A. None/Zero
B. $5,400
C. $6,500
D. $6,667
E. None of the above

316. In Paul's last will and testament, Paul devised $100,000 to the Needy Children's Fund, Inc. on the condition that the organization was qualified under section 501(c)(3) at the time when Paul died, which the organization was. The amount of Paul's federal estate tax charitable deduction is as follows.
A. None/Zero
B. $50,000
C. $100,000
D. None of the above

317. Alan died on July 1 of the current taxable year and the executor of Alan's estate assembled the following information about Alan’s final taxable year: Alan had earned and received $10,000 of fees and Alan had earned, but not actually or constructively received by Alan, fees of $15,000. The executor assembled the following information about the estate’s first taxable year: received Alan’s fees of $15,000 and received dividends of $10,000 not actually or constructive received or accrued by Alan. Alan's gross income for the current taxable year is as follows.
A. None/Zero
B. $10,000
C. $15,000
D. $25,000
E. None of the above

318. Referring to Question 316, the estate’s gross income for the estate’s first taxable year is as follows.
A. None/Zero
B. $10,000
C. $15,000
D. $25,000
E. None of the above

319. Referring to Question 316, the estate was not required to distribute any net income to any beneficiary during the estate’s first taxable year and the estate did not make any such distribution. The estate’s taxable income for the
320. Referring to Question 316, the executor was required to distribute to Paul $5,000 of the estate’s principal during the estate’s first taxable year, which the estate did. The estate’s taxable income for the estate’s first taxable year is as follows.
A. None/Zero
B. $4,700
C. $9,700
D. $24,400
E. None of the above

321. During the last taxable year, Rebecca died. During the current taxable year, the estate had book income (which was also gross income) in the amount of $50,000 from the receipt of dividends. The executor charged executor fees of $1,000 against such gross income. During the current taxable year, the estate made one distribution to one beneficiary, Paul, specifically, the estate distributed to Paul an automobile, which was valued at $20,000 when Rebecca died and which was valued at $22,000 when the estate made the distribution. The automobile was specifically devised to Paul by Rebecca. The amount of Rebecca's estate's federal taxable income for the current taxable year is as follows.
A. None/Zero
B. $42,400
C. $48,400
D. $49,000
E. None of the above

322. Referring to Question 320, the amount of Paul's gross income for the current taxable year is as follows.
A. None/Zero
B. $1,000
C. $6,000
D. $7,000
E. None of the above

323. Mary died on January 1, of the current taxable year, owning 1,000 shares of Fun Corporation common shares. Mary paid a gross purchase price of $50,000 for the shares in December, of the last taxable year, and the shares had a value of $50,000 at Mary's death and $40,000 on July 1, of the current taxable year. The executor of Mary’s estate elected to value the assets in Mary’s estate at the date of death values, and on December 1, of the current taxable year, the executor of Mary’s estate sold the shares to Tom, for a gross sales price of $60,000, and the executor of Mary’s estate paid selling expenses of $1,000, which selling expenses were elected to be utilized in determining the gain or loss on the federal fiduciary income tax return (Form 1041), rather than being deducted on the federal estate tax return (Form 706). The amount of gross income to Mary’s estate is as follows.
A. None/Zero
B. $9,000
C. $10,000
D. $20,000
E. None of the above

324. Referring to Question 322, the executor of Mary’s estate elected to deduct the selling expenses on the federal estate tax return (Form 706), rather than utilizing the selling expenses in determining the gain or loss on the federal fiduciary income tax return (Form 1041). The amount of gross income to Mary’s estate is as follows.
A. None/Zero
325. Referring to Question 323, the executor of Mary’s estate elected to value the assets in Mary’s estate at the alternate valuation date. The amount of gross income to Mary’s estate is as follows.
   A. None/Zero
   B. $9,000
   C. $19,000
   D. $20,000
   E. None of the above

326. Mary died on January 1 of the current taxable year, owning 1,000 common shares of Starbuck Corporation. Mary paid a gross purchase price of $120,000 for the common shares in December of the last taxable year, and the common shares had a value of $100,000 at Mary's death and $60,000 on July 1 of the current taxable year. The executor of Mary’s estate elected to use the date of death values for estate tax purposes, and on May 1 of the current taxable year, the executor sold the common shares to Paul, for a gross sales price of $80,000, and the executor paid selling expenses of $5,000, which selling expenses were elected to be utilized in determining the gain or loss on the fiduciary income tax return (Form 1041), rather than being deducted on the estate tax return (Form 706). The estate’s long term capital loss for the current taxable year with respect to the sale of the common shares to Paul is as follows.
   A. None/Zero
   B. $25,000
   C. $35,000
   D. $45,000
   E. None of the above

327. Referring to Question 325, the executor of Mary’s estate elected to deduction the selling expenses on the estate tax return (Form 706), rather than utilizing the selling expenses in determining the gain or loss on the fiduciary income tax return (Form 1041). The estate’s long term capital loss for the current taxable year with respect to the sale of the common shares to Paul is as follows.
   A. None/Zero
   B. $20,000
   C. $30,000
   D. $40,000
   E. None of the above

328. Referring to Question 326, the executor of Mary’s estate elected to use the alternate valuation dates. The estate’s long term capital loss for the current taxable year with respect to the sale of the common shares to Paul is as follows.
   A. None/Zero
   B. $5,000
   C. $10,000
   D. $15,000
   E. None of the above

329. Mary died on January 1 of the current taxable year, owning 1,000 common shares of Starbuck Corporation. Mary paid a gross purchase price of $120,000 for the common shares in December of the last taxable year, and the common shares had a value of $80,000 at Mary's death and $60,000 on July 1 of the current taxable year. The executor of Mary’s estate elected to use the date of death values for estate tax purposes, and on May 1 of the current taxable year, the executor sold the common shares to Paul, for a gross sales price of $65,000, and the executor paid selling expenses of $5,000, which selling expenses were elected to be utilized in determining the gain or loss on the federal fiduciary income tax return (Form 1041), rather than being deducted on the federal estate tax return (Form 706). The estate’s long term capital loss for the current taxable year is as follows.
   A. None/Zero
B. $15,000  
C. $20,000  
D. $55,000  
E. None of the above

330. Referring to Question 328, the executor of Mary’s estate elected to deduction the selling expenses on the estate's federal estate tax return (Form 706), rather than utilizing the selling expenses in determining the gain or loss on the estate's federal fiduciary income tax return (Form 1041). The estate’s long term capital loss for the current taxable year with respect to the sale of the common shares to Paul is as follows.
A. None/Zero  
B. $15,000  
C. $20,000  
D. $55,000  
E. None of the above

331. Referring to Question 328, the executor of Mary’s estate elected to use the alternate valuation dates. The estate’s long term capital loss for the current taxable year with respect to the sale of the common shares to Paul is as follows.
A. None/Zero  
B. $2,500  
C. $5,000  
D. $10,000  
E. None of the above

332. Mary died on January 1 of the current taxable year, owning 1,000 common shares of Starbuck Corporation. Mary paid $80,000 for the common shares in December, of the last taxable year, and the common shares had a value of $20,000 at Mary's death and $42,000 on July 1 of the current taxable year. The executor of Mary’s estate elected to use the date of death values for estate tax purposes. Mary's last will and testament devised $40,000 of cash to Paul, and on May 1 of the current taxable year, when the value of the common shares was $40,000, the executor transferred the common shares to Paul, under an agreement under which Paul took the common shares in lieu of the cash devise. Mary’s estate’s long term capital gain for the current taxable year with respect to the transfer of the common shares to Paul is as follows.
A. None/Zero  
B. $2,000  
C. $10,000  
D. $20,000  
E. None of the above

333. Mary died on January 1 of the current taxable year, owning 1,000 common shares of Starbuck Corporation. Mary paid $80,000 for the common shares in December, of the last taxable year, and the common shares had a value of $20,000 at Mary's death and $42,000 on July 1 of the current taxable year. The executor of Mary’s estate elected to use the date of death values for estate tax purposes. Mary's last will and testament devised $40,000 of cash to Paul, and on May 1 of the current taxable year, when the value of the common shares was $40,000, the executor transferred the common shares to Paul, under an agreement under which Paul took the common shares in lieu of the cash devise. Mary’s estate’s long term capital loss for the current taxable year with respect to the transfer of the common shares to Paul is as follows.
A. None/Zero  
B. $20,000  
C. $30,000  
D. $40,000  
E. None of the above

334. On January 1 of the current taxable year, John's mother gave John 1,000 common stock of Starbuck Corporation. John's mother purchased the common shares four taxable years ago for a gross purchase price of $45,000 and John's mother paid purchase expenses of $5,000. John's mother did not owe any gift taxes as a result of the gift. At the date
of the gift, the common shares had a value of $55,000. John held the common shares until April 1 of the current taxable year, at which time John sold the common shares to Paul for a gross sales price of $65,000. John paid selling expenses of $5,000. John's long term capital gain gross income for the current taxable year is as follows.
A. None/Zero
B. $10,000
C. $5,000
D. $15,000
E. None of the above

335. Referring to Question 333, John sold the common shares to Paul for a gross sales price of $15,000 and John paid selling expenses of $5,000. John's long term capital loss deduction for the current taxable year is as follows.
A. None/Zero
B. $45,000
C. $50,000
D. $40,000
E. None of the above

336. On January 1 of the current taxable year, John's mother gave John 1,000 common shares of Starbuck Corporation. John's mother purchased the common shares for a gross purchase price of $30,000 and John's mother paid purchase expenses of $2,000 on November 10 of the last taxable year. At the date of the gift, the common shares had a value of $40,000 and the mother owed no gift taxes because of the gift. John held the common shares until April 1 of the current taxable year, at which time John sold the common shares to Paul for a gross sales price of $60,000. John paid selling expenses of $5,000. John's long-term capital gain gross income for the current taxable year is as follows.
A. None/Zero
B. $23,000
C. $8,000
D. $55,000
E. None of the above

337. Referring to Question 335, John had sold the common shares to Paul on April 1 of the current taxable year, for a gross sales price of $15,000 and that John paid selling expenses of $5,000. John's short term capital loss for the current taxable year is as follows.
A. None/Zero
B. $3,000
C. $22,000
D. $40,000
E. None of the above

338. Referring to Question 335, John sold the common shares to Paul for a gross sales price of $40,000 and John paid selling expenses of $5,000. John's short term capital loss for the current taxable year is as follows.
A. None/Zero
B. $5,000
C. $3,000
D. $8,000
E. None of the above

339. On January 1 of the current taxable year, John's mother gave John 1,000 common shares of Starbuck Corporation. John's mother purchased the common shares for a gross purchase price of $65,000 and John's mother paid purchase expenses of $5,000 on November 10 of the last taxable year. At the date of the gift, the common shares had a value of $60,000 and the mother owed no gift taxes because of the gift. John held the common shares until April 1 of the current taxable year, at which time John sold the common shares to Paul for a gross sales price of $85,000. John paid selling expenses of $5,000. John's federal long term capital gain gross income for the current taxable year with respect to the sale of the common shares to Paul is as follows.
A. None/Zero
B. $10,000
C. $15,000
D. $20,000
E. None of the above

340. Referring to Question 338, John sold the common shares to Paul on April 1 of the current taxable year, for a gross sales price of $50,000 and that John paid selling expenses of $5,000. John's short term capital loss for the current taxable year with respect to the sale of the common shares to Paul is as follows.
A. None/Zero
B. $15,000
C. $20,000
D. $25,000
E. None of the above

341. Referring to Question 338, John sold the common shares to Paul for a gross sales price of $70,000 and John paid selling expenses of $5,000. John's short term capital loss for the current taxable year is as follows.
A. None/Zero
B. $5,000
C. $10,000
D. $3,000
E. None of the above

342. At John's death, John and Peter owned some common stock jointly with rights of survivorship, which stock had been paid for by Peter (a total of $80,000), and recorded immediately, by Peter, in John's and Peter's names four taxable years ago. At John's death, the common stock had a value of $40,000. The amount of Peter’s federal taxable gifts for four taxable years ago is as follows.
A. None/Zero
B. $11,000
C. $29,000
D. $40,000
E. None of the above

343. At John's death, John and Peter owned some common stock jointly with rights of survivorship, which stock had been paid for by Peter (a total of $80,000), and recorded immediately, by Peter, in John's and Peter's names four taxable years ago, with a value of $40,000 at John's death. The amount includable in John’s federal gross estate is as follows.
A. None/Zero
B. $20,000
C. $30,000
D. $40,000
E. None of the above

344. At John’s death, John and Mary owned 200 shares of Tide Corp. common stock, as tenants in common (40% for Mary and 60% for John) when John died. Mary paid $10,000 for the stock, from Mary's own funds, five taxable years ago, and Mary immediately put the title to the stock in John's and Mary's names. On July 1, of the current taxable year, Tide declared a dividend of $2 per share, payable on August 4, of the current taxable year, to shareholders of record on July 31, of the current taxable year. Tide stock "went x-dividend" on the Big Stock Exchange on July 25, of the current taxable year. John died on July 2, of the current taxable year, when the value of the stock, per a quote on the stock exchange, was $30,000. The amount includable in John's federal gross estate is as follows.
A. None/Zero
B. $18,000
C. $15,000
D. $18,240
E. None of the above
345. Referring to Question 344, the amount of income in respect of a decedent is as follows.
   A. None/Zero
   B. $240
   C. $12,000
   D. $12,240
   E. None of the above

346. Referring to Question 344, John had died on July 28, of the current taxable year, when the value of the stock, per a quote on the stock exchange, was $20,000. The amount includable in John's federal gross estate is as follows.
   A. None/Zero
   B. $12,240
   C. $12,000
   D. $20,000
   E. None of the above

347. Referring to Question 345, the amount of income in respect of a decedent is as follows.
   A. None/Zero
   B. $240
   C. $12,000
   D. $12,240
   E. None of the above

348. Referring to Question 344, John had died on August 3, of the current taxable year, at a time when the value of the stock, per a quote on the stock exchange, was $6,000. The amount includable in John's federal gross estate is as follows.
   A. None/Zero
   B. $6,000
   C. $6,240
   D. $3,840
   E. None of the above

349. Referring to Question 347, the amount of income in respect of a decedent is as follows.
   A. None/Zero
   B. $240
   C. $6,240
   D. $3,840
   E. None of the above

350. Prior to Mary’s death, Mary was the president and sole shareholder of a corporation, which Mary started ten taxable years ago. Mary died during the current taxable year, when the corporation had $1,500,000 of earnings and profits. Five taxable years ago, Mary made a written agreement with one of the corporation’s employees, who was not related to Mary, which written agreement stated that, at Mary’s death, the employee could purchase the shares for $200,000 and that Mary’s estate had to sell the shares to the employee for $200,000. Mary did not have the right and power to sell the shares for a higher price (to the employee or to any other person) during Mary’s life. At the time when Mary made the agreement, the price was a fair one. Mary made this agreement with this employee, because Mary wanted to preserve the business as a going concern and because the employee was the best employee in the business and because the employee was capable of managing the business well (after Mary died). When Mary died, the shares had a value of $650,000, without taking into account the purchase agreement. With respect to the shares, Mary’s estates’ gross estate is as follows.
   A. None/Zero
   B. $200,000
   C. $450,000
   D. $650,000
   E. None of the above
351. On January 1, of the current taxable year, the Nice Corporation declared a dividend which was payable to shareholders who owned Nice Corporation shares on February 1, of the current taxable year. The dividend was payable on April 1, of the current taxable year. Mary died on March 1, of the current taxable year, and the executor of Mary’s estate received the dividend of $3,000 on April 1, of the current taxable year. The amount of gross income to Mary’s estate is as follows.
A. None/Zero
B. $1,500
C. $2,000
D. $3,000
E. None of the above

352. Referring to Question 350, Mary used the accrual method of accounting. The amount of gross income to Mary’s estate is as follows.
A. None/Zero
B. $1,500
C. $2,000
D. $3,000
E. None of the above

353. On January 1 of the current taxable year, Nice Corporation declared a dividend of cash which was payable to shareholders who owned Nice Corporation common stock on February 1 of the current taxable year. The dividend was payable on April 1 of the current taxable year. Mary died on January 15, of the current taxable year, and the executor of Mary’s estate received the dividend of $250 on April 1 of the current taxable year. The estate's ordinary gross income for the current taxable year with respect to the dividend is as follows.
A. None/Zero
B. $250
C. None of the above

354. Referring to Question 352, Mary used the accrual method of accounting. The estate's ordinary gross income for the current taxable year is as follows.
A. None/Zero
B. $250
C. None of the above

355. John died on July 1 of the current taxable year. With respect to John's final taxable year, John had no gross income and John had a long term capital loss carryforward (from John's sales of securities in prior taxable years) of $45,000. During the first taxable year of John’s estate, the estate received gross income of $55,000 of long term capital gain (from the estate's sales of securities) and $30,000 of dividends. The estate's deduction for the estate’s first taxable year is as follows.
A. None/Zero
B. $600
C. $3,000
D. $33,000
E. None of the above

356. Mary died on January 1 of the current taxable year, owning 1,000 common shares of Starbuck Corporation. Mary paid a gross purchase price of $120,000 for the common shares in December, of the last taxable year, and the common shares had a value of $80,000 at Mary's death and $60,000 on July 1 of the current taxable year. The executor of Mary’s estate elected to use the date of death values for estate tax purposes, and on May 1 of the current taxable year, the executor sold the common shares to Paul, for a gross sales price of $65,000, and the executor paid selling expenses of $5,000, which selling expenses were elected to be utilized in determining the gain or loss on the federal fiduciary income tax return (Form 1041), rather than being deducted on the federal estate tax return (Form 706). The estate’s long term capital loss for the current taxable year is as follows.
357. Referring to Question 355, the executor of Mary’s estate elected to deduction the selling expenses on the estate's federal estate tax return (Form 706), rather than utilizing the selling expenses in determining the gain or loss on the estate's federal fiduciary income tax return (Form 1041). The estate’s long term capital loss for the current taxable year with respect to the sale of the common shares to Paul is as follows.

A. None/Zero  
B. $15,000  
C. $20,000  
D. $55,000  
E. None of the above

358. Mary died on January 1 of the current taxable year, owning 1,000 common shares of Starbuck Corporation. Mary paid $80,000 for the common shares in December, of the last taxable year, and the common shares had a value of $20,000 at Mary's death and $42,000 on July 1 of the current taxable year. The executor of Mary’s estate elected to use the date of death values for estate tax purposes. Mary's last will and testament devised $40,000 of cash to Paul, and on May 1 of the current taxable year, when the value of the common shares was $40,000, the executor transferred the common shares to Paul, under an agreement under which Paul took the common shares in lieu of the cash devise. Mary’s estate’s long term capital gain for the current taxable year with respect to the transfer of the common shares to Paul is as follows.

A. None/Zero  
B. $2,000  
C. $10,000  
D. $20,000  
E. None of the above

359. John died with a federal taxable estate of $1,000,000, all of which John devised to a trust which granted Mary (who was 80 years old, was in very bad health, and who had a federal gross estate of $1,000,000) only income for life with the trust estate remainder to Indiana University Foundation. As a general rule, the executor of John’s estate should make the qtip election.

A. Yes  
B. No

360. John died with a federal taxable estate of $1,000,000, all of which John devised to a trust which granted Mary (who was 80 years old, was in very bad health, and who had a federal gross estate of $1,000,000) only income for life with the trust estate remainder to Sue. As a general rule, the executor of John’s estate should make the qtip election.

A. Yes  
B. No

361. Mary died on January 1 of the current taxable year, owning 1,000 common shares of Starbuck Corporation. Mary paid $80,000 for the common shares in December, of the last taxable year, and the common shares had a value of $20,000 at Mary's death and $42,000 on July 1 of the current taxable year. The executor of Mary’s estate elected to use the alternate valuation date for estate tax purposes. Mary's last will and testament devised $40,000 of cash to Paul, and on May 1 of the current taxable year, when the value of the common shares was $40,000, the executor transferred the common shares to Paul, under an agreement under which Paul took the common shares in lieu of the $40,000 cash devise. Mary’s estate’s long term capital loss for the current taxable year with respect to the transfer of the common shares to Paul is as follows.

A. None/Zero  
B. $20,000  
C. $30,000
362. During Paul’s life, Paul established an irrevocable trust under a trust agreement which granted the trustee the right and power to distribute any amount of income or principal to either or both of Tom and Katherine and Paul’s six greatnieces at any time until the last of these greatnieces died, at which time, the trust funds were to be distributed to Paul’s great-greatnieces, in equal shares. When Paul established the trust, Paul contributed securities, with a value of $1,000,000. Paul elected to use all of Paul’s generation skipping transfer tax exemption when Paul funded the trust. No other person made any contribution to the trust. The amount of federal generation skipping transfer tax which arose at the time when the trust was funded is as follows.
A. None/Zero
B. $20,000
C. $250,000
D. $550,000
E. None of the above

363. Referring to Question 361, the distribution (of $100,000) from the trust was made to a grandniece of Paul. The amount of federal generation skipping transfer tax which arose at the time of the distribution to Paul’s grandniece is as follows.
A. None/Zero
B. $55,000
C. $100,000
D. $550,000
E. None of the above

364. Referring to Question 361, the distribution (of $100,000 each) from the trust was made to four greatnieces of Paul, in equal shares. The amount of federal generation skipping transfer tax which arose at the time of the distribution (of $400,000) to Paul’s four greatnieces is as follows.
A. None/Zero
B. $55,000
C. $100,000
D. $550,000
E. None of the above

365. If no distribution is made to the minor individual for whom funds are being held, the following person is liable to pay the income tax with respect to income generated under a uniform transfer to minor act arrangement.
A. None/Zero
B. The donor
C. The custodian
D. The minor
E. None of the above

366. If no distribution is made to the minor individual for whom funds are being held, the following person is liable to pay the income tax with respect to income generated under an irrevocable trust arrangement.
A. None/Zero
B. The donor
C. The trustee
D. The minor
E. None of the above

367. When John died, John's last will and testament devised all of John's securities to Mary, providing that Mary survived John by seven months, which Mary did. John's estate is entitled to a federal estate tax marital deduction for the transfer of the securities to Mary.
A. Yes
B. No

368. When John died, John's last will and testament devised all of John's securities to Peter, providing that Peter survived John by seven months. Peter properly disclaimed the devise for federal estate tax purposes within eight months after John's death, and as a result, the devised securities passed to Mary. John's estate is entitled to the federal estate tax marital deduction for this devise.
A. Yes
B. No

369. When John died, John's last will and testament devised all of John's securities to Mary, providing that Mary did not remarry before the securities were distributed to Mary. Mary did not remarry before the securities were distributed to Mary. John's estate is entitled to the federal estate tax marital deduction for this devise.
A. Yes
B. No

370. When Paul died, Paul's last will and testament devised all of Paul's probate estate to World Charitable Organization. The last will and testament granted the executor of Paul's estate the power and discretion to distribute any amount of Paul's probate estate to Paul's only two employees prior to the distribution to World Charitable Organization. The executor of Paul's estate distributed $5,000 to each of the two employees and distributed the remaining probate estate of $50,000 to World Charitable Organization. Paul's estate is entitled to a federal estate tax charitable deduction as follows.
A. None/Zero
B. $55,000
C. $50,000
D. $5,000
E. None of the above

371. Prior to Mary's death, Mary established a trust with Indiana Bank as the sole trustee under an irrevocable trust agreement which granted the trust's net income to Peter for life and granted the remainder interest to Sue. However, Mary retained the power to change the remainderman of the trust from Sue to any other person (except Mary) until Mary died. At the time when Mary established the trust, Mary conveyed $100,000 to Indiana Bank at a time when the actuarial value of the life estate was 60% and the actuarial value of the remainder interest was 40%. When Mary died the principal of the trust had a value of $200,000 and the actuarial values were 40% for the life estate and 60% for the remainder interest. The amount of Mary's federal taxable gifts for the taxable year in which Mary funded the trust is as follows.
A. None/Zero
B. $39,000
C. $40,000
D. $90,000
E. None of the above

372. Referring to Question 370, during Mary's life, the net income of the trust is income taxed to the following person.
A. None/Zero
B. Mary
C. Peter
D. Indiana Bank
E. None of the above

373. Referring to Question 370, the amount includable in Mary's federal gross estate is as follows.
A. None/Zero
B. $80,000
C. $120,000
D. $200,000
E. None of the above
374. Prior to Mary's death, Mary established a trust with Indiana Bank as the sole trustee under an irrevocable trust agreement which granted the trust's net income to Peter for life and granted the remainder interest to Sue. However, Mary retained the power to change the income beneficiary of the trust from Peter to any other person (except Mary) until Mary died. At the time when Mary established the trust, Mary conveyed $100,000 to Indiana Bank at a time when the actuarial value of the life estate was 60% and the actuarial value of the remainder interest was 40%. When Mary died the principal of the trust had a value of $200,000 and the actuarial values were 40% for the life estate and 60% for the remainder interest. The amount of Mary's federal taxable gifts for the taxable year in which Mary funded the trust is as follows.
A. None/Zero
B. $50,000
C. $60,000
D. $100,000
E. None of the above

375. Referring to Question 373, during Mary's life, the net income of the trust is income taxed to the following person.
A. None/Zero
B. Mary
C. Peter
D. Indiana Bank
E. None of the above

376. Referring to Question 373, the amount includable in Mary's federal gross estate is as follows.
A. None/Zero
B. $80,000
C. $120,000
D. $200,000
E. None of the above

377. Four years before John died, John transferred a life insurance policy, which insured John's life, to Peter. Thereafter, Peter changed the beneficiary of the life insurance policy to Sue. Then, John died. When John transferred the life insurance policy to Peter, the life insurance policy had a value of $50,000 and a face value of $1,000,000. When Peter changed the beneficiary of the life insurance policy to Sue, the life insurance policy had a value of $60,000 and a face value of $1,000,000. Just before John died, the life insurance policy had a value of $70,000 and a face value of $1,000,000. During Peter's life, Peter had federal taxable gifts as follows.
A. None/Zero
B. $60,000
C. $990,000
D. $989,000
E. None of the above

378. At John's death, John was the beneficiary of a corporate qualified retirement plan which John's employer had established and to which the employer was the only contributor. The retirement trust was payable to John, when John retired, but any funds which had not been paid to John at John death, were payable to Mary, if Mary survived John, and if not, then in equal shares to John's children. John’s employer had contributed $30,000 of income tax deductible contributions to the retirement plan trust, the earnings in the retirement trust totaled was $20,000, and at John’s death, the retirement trust had a value of $50,000, and John had not received any distribution from the retirement fund. After John died, Mary promptly contributed the $50,000, which Mary received from the retirement trust, to a basic individual retirement account which Mary established for Mary. The amount includable in John's federal gross estate is as follows.
A. None/Zero
B. $20,000
C. $30,000
D. $50,000
379. During April of the current taxable year, Mary died as an employee of Superman Corporation, which had established a qualified retirement plan for Mary. The beneficiary of Mary's corporate qualified retirement plan was John and John was entitled to receive a lump sum distribution under the retirement plan of $300,000 or to rollover the amount (of $300,000). The fund consisted of $200,000 of Superman Corporation contributions and $100,000 of earnings thereon. After John was notified with respect to the amount of the distribution and John’s rights with respect to the distribution, John promptly established a basic individual retirement account in John's name and told the trustee of Mary’s retirement fund to distribute the funds to the trustee of John's basic individual retirement account, which the trustee did. John did not have any other retirement plan during the current taxable year. John's gross income for the current taxable year is as follows.
A. None/Zero
B. $100,000
C. $200,000
D. $300,000
E. None of the above

380. Referring to Question 379, the amount of any excise (or penalty) tax which John must pay with respect to the distribution from the retirement plan trust is as follows.
A. None/Zero
B. $6,000
C. $18,000
D. $30,000
E. None of the above

381. Referring to Question 379, the amount which Mary's estate must include in Mary's federal gross estate is as follows.
A. None/Zero
B. $100,000
C. $200,000
D. $300,000
E. None of the above

382. During April of the current taxable year, Beverly died. The beneficiary of Beverly's corporate qualified retirement plan was Rebecca and Rebecca was entitled to receive a lump sum distribution under the retirement plan of $800,000. Beverly did not make any contribution to the retirement plan trust, only StraightArrow Corporation did. At Beverly’s death, the fund consisted of $500,000 of employer contributions and $300,000 of earnings thereon. Rebecca, who had no other income during the current taxable year and who had no prior retirement fund promptly established a basic individual retirement account in Rebecca's name, but Rebecca did not make a contribution to the basic individual retirement account at that time and Rebecca told the trustee of Beverly's retirement fund to distribute the funds to the trustee of Rebecca's basic individual retirement account, which the trustee did. Rebecca made no other election with respect to the distribution. Rebecca's gross income for the current taxable year is as follows.
A. None/Zero
B. $300,000
C. $500,000
D. $800,000
E. None of the above

383. Referring to Question 382, the amount of Beverly's federal taxable gifts in the year in which Beverly designated Rebecca as the beneficiary is as follows.
A. None/Zero
B. $300,000
C. $500,000
D. $800,000
E. None of the above
384. Referring to Question 382, the amount which Beverly's estate must include in Beverly's federal gross estate is as follows.
A. None/Zero
B. $300,000
C. $500,000
D. $800,000
E. None of the above

385. During the current taxable year, John was a beneficiary of an irrevocable trust which was established by John's father several taxable years ago, and during the current taxable year the trust had the following financial information. All of the gains and losses from the sales of assets were attributable to the principal of the trust. All of the other receipts and expenses were attributable to the net income of the trust. The trustee (which was the Indiana Bank) was the sole trustee and the trustee was required to distribute to John, for each taxable year, including, but not limited to, the current taxable year, the specific amount of $20,000 from the trust's net book income (and from the trust's principal if the trust's net book income was not sufficient for such distribution) and the trustee was required to accumulate the remaining book income, along with the gains and losses from the sales of assets. Upon John's death, all of the remaining funds in the trust were to be distributed to Susan.

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividends received</td>
<td>25,000</td>
</tr>
<tr>
<td>Interest received from Indiana Bank</td>
<td>25,000</td>
</tr>
<tr>
<td>Capital gains</td>
<td>25,000</td>
</tr>
<tr>
<td>Capital losses</td>
<td>8,000</td>
</tr>
<tr>
<td>Administrative expenses attributable to book income</td>
<td>8,000</td>
</tr>
</tbody>
</table>

John's gross income for the current taxable year is as follows.
A. None/Zero
B. $20,000
C. $50,000
D. $75,000
E. None of the above

386. During the prior taxable year, John was a beneficiary of an irrevocable trust which was established by John's father several taxable years ago, and during the current taxable year the trust had the following financial information. All of the gains and losses from the sales of assets were attributable to the principal of the trust. All of the other receipts and expenses were attributable to the income of the trust. The trustee (which was the Indiana Bank) was the sole trustee and the trustee was required to distribute to John, each year, all of the trust's net book income, during John's life, which the trustee did, and then, to distribute the remaining funds to Mary.

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividends received</td>
<td>10,000</td>
</tr>
<tr>
<td>Interest received from Indiana Bank</td>
<td>10,000</td>
</tr>
<tr>
<td>Capital gains</td>
<td>10,000</td>
</tr>
<tr>
<td>Capital losses</td>
<td>1,000</td>
</tr>
<tr>
<td>Administrative expenses attributable to book income</td>
<td>1,000</td>
</tr>
</tbody>
</table>

John's gross income for the current taxable year is as follows.
A. None/Zero
B. $18,000
387. Referring to Question 386, the trustee’s taxable income for the current taxable year is as follows.
   A. None/Zero
   B. $8,000
   C. $8,700
   D. $10,000
   E. None of the above

388. During John’s life, John established a trust under an irrevocable trust, with the Indiana Bank as trustee. The trust agreement provided that the trustee could distribute any amount of net income to Peter during Peter’s life, remainder to Sue. John transferred cash and securities to the trustee. Under the trust agreement, all of the capital gains and losses of the trust were attributable to the principal of the trust and all of the other receipts and expenses were attributable to the income of the trust. During the current taxable year, the trustee determined the following information about the last taxable year.

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taxable interest</td>
<td>100,000</td>
</tr>
<tr>
<td>Dividends</td>
<td>100,000</td>
</tr>
<tr>
<td>Rent</td>
<td>100,000</td>
</tr>
<tr>
<td>Capital gains</td>
<td>100,000</td>
</tr>
<tr>
<td>Expenses attributable to rent (including depreciation)</td>
<td>10,000</td>
</tr>
<tr>
<td>Administration expenses attributable to income</td>
<td>10,000</td>
</tr>
<tr>
<td>Administration expenses attributable to principal</td>
<td>10,000</td>
</tr>
<tr>
<td>Capital losses attributable to principal</td>
<td>10,000</td>
</tr>
<tr>
<td>Charitable contribution required to be made each year from the current book income</td>
<td>10,000</td>
</tr>
<tr>
<td>Federal income tax on the last taxable year's capital gains, which income tax was assigned to principal (to which the last taxable year's capital gains had been assigned) by the trustee</td>
<td>10,000</td>
</tr>
<tr>
<td>Indiana income tax on the last taxable year's capital gains, which income tax was assigned to principal (to which the last taxable year's capital gains had been assigned) by the trustee</td>
<td>10,000</td>
</tr>
<tr>
<td>Distribution to Peter</td>
<td>50,000</td>
</tr>
</tbody>
</table>

The trustee’s taxable income for the last taxable year is as follows.
   A. None/Zero
   B. $289,900
   C. $289,700
   D. $279,700
   E. None of the above

389. The last taxable year, Mary established an irrevocable trust with Mary's adult child as trustee. The trust agreement provided that the trustee had the right and power to distribute (or not) any amount of the trust's principal or net income to or on behalf of Mary's minor child, for the health, education, maintenance, and support of the minor child. During the current taxable year, the trustee distributed all of the trust's net book income of $18,000 (which net book income consisted of $10,000 of dividends and $10,000 of interest, all of which was gross income, minus trustee fees of $2,000) for the minor child's health. The federal income tax rate which is applicable to any taxable income the trust is 30%. The amount of the trust's federal income tax for the current taxable year is as follows.
   A. None/Zero
390. In Paul's last will and testament, Paul devised $100,000 to the Needy Children's Fund, Inc. on the condition that the organization was qualified under section 501(c)(3) at the time when Paul died, which the organization was. The amount of Paul's federal estate tax charitable deduction is as follows.
A. None/Zero
B. $50,000
C. $100,000
D. None of the above

391. Alan died on July 1 of the current taxable year and the executor of Alan's estate assembled the following information about Alan’s final taxable year: Alan had earned and received $10,000 of fees and Alan had earned, but not actually or constructively received by Alan, fees of $15,000. The executor assembled the following information about the estate’s first taxable year: received Alan’s fees of $15,000 and received dividends of $10,000 not actually or constructively received or accrued by Alan. Alan’s gross income for the current taxable year is as follows.
A. None/Zero
B. $10,000
C. $15,000
D. $25,000
E. None of the above

392. Referring to Question 391, the estate’s gross income for the estate’s first taxable year is as follows.
A. None/Zero
B. $10,000
C. $15,000
D. $25,000
E. None of the above

393. Referring to Question 391, the estate was not required to distribute any net income to any beneficiary during the estate’s first taxable year and the estate did not make any such distribution. The estate’s taxable income for the estate’s first taxable year is as follows.
A. None/Zero
B. $9,700
C. $14,700
D. $24,400
E. None of the above

394. Referring to Question 391, the executor was required to distribute to Paul $5,000 of the estate’s principal during the estate’s first taxable year, which the estate did. The estate’s taxable income for the estate’s first taxable year is as follows.
A. None/Zero
B. $4,700
C. $9,700
D. $24,400
E. None of the above

395. During the last taxable year, Rebecca died. During the current taxable year, the estate had book income (which was also gross income) in the amount of $50,000 from the receipt of dividends. The executor charged executor fees of $1,000 against such gross income. During the current taxable year, the estate made one distribution to one beneficiary, Paul, specifically, the estate distributed to Paul an automobile, which was valued at $20,000 when Rebecca died and which was valued at $22,000 when the estate made the distribution. The automobile was
specifically devised to Paul by Rebecca. The amount of Rebecca's estate's federal taxable income for the current taxable year is as follows.
A. None/Zero
B. $42,400
C. $48,400
D. $49,000
E. None of the above

396. Referring to Question 395, the amount of Paul's gross income for the current taxable year is as follows.
A. None/Zero
B. $1,000
C. $6,000
D. $7,000
E. None of the above

397. Mary died on January 1, of the current taxable year, owning 1,000 shares of Fun Corporation common shares. Mary paid a gross purchase price of $50,000 for the shares in December, of the last taxable year, and the shares had a value of $50,000 at Mary's death and $40,000 on July 1, of the current taxable year. The executor of Mary’s estate elected to value the assets in Mary’s estate at the date of death values, and on December 1, of the current taxable year, the executor of Mary’s estate sold the shares to Tom, for a gross sales price of $60,000, and the executor of Mary’s estate paid selling expenses of $1,000, which selling expenses were elected to be utilized in determining the gain or loss on the federal fiduciary income tax return (Form 1041), rather than being deducted on the federal estate tax return (Form 706). The amount of gross income to Mary’s estate is as follows.
A. None/Zero
B. $9,000
C. $10,000
D. $20,000
E. None of the above

398. Referring to Question 397, the executor of Mary’s estate elected to deduct the selling expenses on the federal estate tax return (Form 706), rather than utilizing the selling expenses in determining the gain or loss on the federal fiduciary income tax return (Form 1041). The amount of gross income to Mary’s estate is as follows.
A. None/Zero
B. $9,000
C. $10,000
D. $19,000
E. None of the above

399. Referring to Question 398, the executor of Mary’s estate elected to value the assets in Mary’s estate at the alternate valuation date. The amount of gross income to Mary’s estate is as follows.
A. None/Zero
B. $9,000
C. $19,000
D. $20,000
E. None of the above

400. Mary died on January 1 of the current taxable year, owning 1,000 common shares of Starbuck Corporation. Mary paid a gross purchase price of $120,000 for the common shares in December, of the last taxable year, and the common shares had a value of $100,000 at Mary's death and $60,000 on July 1 of the current taxable year. The executor of Mary’s estate elected to use the date of death values for estate tax purposes, and on May 1 of the current taxable year, the executor sold the common shares to Paul, for a gross sales price of $80,000, and the executor paid selling expenses of $5,000, which selling expenses were elected to be utilized in determining the gain or loss on the fiduciary income tax return (Form 1041), rather than being deducted on the estate tax return (Form 706). The estate’s long term capital loss for the current taxable year with respect to the sale of the common shares to Paul is as follows.
A. None/Zero  
B. $25,000  
C. $35,000  
D. $45,000  
E. None of the above

401. Referring to Question 400, the executor of Mary’s estate elected to deduction the selling expenses on the estate tax return (Form 706), rather than utilizing the selling expenses in determining the gain or loss on the fiduciary income tax return (Form 1041). The estate’s long term capital loss for the current taxable year with respect to the sale of the common shares to Paul is as follows.
A. None/Zero  
B. $20,000  
C. $30,000  
D. $40,000  
E. None of the above

402. Referring to Question 401, the executor of Mary’s estate elected to use the alternate valuation dates. The estate’s long term capital loss for the current taxable year with respect to the sale of the common shares to Paul is as follows.
A. None/Zero  
B. $5,000  
C. $10,000  
D. $15,000  
E. None of the above

403. Mary died on January 1 of the current taxable year, owning 1,000 common shares of Starbuck Corporation. Mary paid a gross purchase price of $120,000 for the common shares in December, of the last taxable year, and the common shares had a value of $80,000 at Mary's death and $60,000 on July 1 of the current taxable year. The executor of Mary’s estate elected to use the date of death values for estate tax purposes, and on May 1 of the current taxable year, the executor sold the common shares to Paul, for a gross sales price of $65,000, and the executor paid selling expenses of $5,000, which selling expenses were elected to be utilized in determining the gain or loss on the federal fiduciary income tax return (Form 1041), rather than being deducted on the federal estate tax return (Form 706). The estate’s long term capital loss for the current taxable year is as follows.
A. None/Zero  
B. $15,000  
C. $20,000  
D. $55,000  
E. None of the above

404. Referring to Question 403, the executor of Mary’s estate elected to deduction the selling expenses on the estate's federal estate tax return (Form 706), rather than utilizing the selling expenses in determining the gain or loss on the estate's federal fiduciary income tax return (Form 1041). The estate’s long term capital loss for the current taxable year with respect to the sale of the common shares to Paul is as follows.
A. None/Zero  
B. $15,000  
C. $20,000  
D. $55,000  
E. None of the above

405. Referring to Question 403, the executor of Mary’s estate elected to use the alternate valuation dates. The estate’s long term capital loss for the current taxable year with respect to the sale of the common shares to Paul is as follows.
A. None/Zero  
B. $2,500  
C. $5,000  
D. $10,000
406. Mary died on January 1 of the current taxable year, owning 1,000 common shares of Starbuck Corporation. Mary paid $80,000 for the common shares in December, of the last taxable year, and the common shares had a value of $20,000 at Mary's death and $42,000 on July 1 of the current taxable year. The executor of Mary’s estate elected to use the date of death values for estate tax purposes. Mary's last will and testament devised $40,000 of cash to Paul, and on May 1 of the current taxable year, when the value of the common shares was $40,000, the executor transferred the common shares to Paul, under an agreement under which Paul took the common shares in lieu of the cash devise. Mary’s estate’s long term capital gain for the current taxable year with respect to the transfer of the common shares to Paul is as follows.
A. None/Zero
B. $2,000
C. $10,000
D. $20,000
E. None of the above

407. Mary died on January 1 of the current taxable year, owning 1,000 common shares of Starbuck Corporation. Mary paid $80,000 for the common shares in December, of the last taxable year, and the common shares had a value of $20,000 at Mary's death and $42,000 on July 1 of the current taxable year. The executor of Mary’s estate elected to use the alternate valuation date for estate tax purposes. Mary's last will and testament devised $40,000 of cash to Paul, and on May 1 of the current taxable year, when the value of the common shares was $40,000, the executor transferred the common shares to Paul, under an agreement under which Paul took the common shares in lieu of the $40,000 cash devise. Mary’s estate’s long term capital loss for the current taxable year with respect to the transfer of the common shares to Paul is as follows.
A. None/Zero
B. $20,000
C. $30,000
D. $40,000
E. None of the above

408. On January 1 of the current taxable year, John's mother gave John 1,000 common stock of Starbuck Corporation. John's mother purchased the common shares four taxable years ago for a gross purchase price of $50,000 and John's mother paid purchase expenses of $5,000. John's mother did not owe any gift taxes as a result of the gift. At the date of the gift, the common shares had a value of $60,000. John held the common shares until April 1 of the current taxable year, at which time John sold the common shares to Paul for a gross sales price of $65,000. John paid selling expenses of $5,000. John's long term capital gain gross income for the current taxable year is as follows.
A. None/Zero
B. $5,000
C. $10,000
D. $15,000
E. None of the above

409. Referring to Question 408, John sold the common shares to Paul for a gross sales price of $15,000 and John paid selling expenses of $5,000. John's long term capital loss deduction for the current taxable year is as follows.
A. None/Zero
B. $40,000
C. $50,000
D. $45,000
E. None of the above

410. On January 1 of the current taxable year, John's mother gave John 1,000 common shares of Starbuck Corporation. John's mother purchased the common shares for a gross purchase price of $30,000 and John's mother paid purchase expenses of $2,000 on November 10 of the last taxable year. At the date of the gift, the common shares had a value of $40,000 and the mother owed no gift taxes because of the gift. John held the common shares until April 1 of the
current taxable year, at which time John sold the common shares to Peter for a gross sales price of $60,000. John paid selling expenses of $5,000. John's short-term capital gain gross income for the current taxable year is as follows.

A. None/Zero  
B. $8,000  
C. $23,000  
D. $55,000  
E. None of the above

411. Referring to Question 410, John had sold the common shares to Peter on April 1 of the current taxable year, for a gross sales price of $15,000 and that John paid selling expenses of $5,000. John's short term capital loss for the current taxable year is as follows.

A. None/Zero  
B. $40,000  
C. $3,000  
D. $22,000  
E. None of the above

412. Referring to Question 410, John sold the common shares to Peter for a gross sales price of $40,000 and John paid selling expenses of $5,000. John's short term capital loss for the current taxable year is as follows.

A. None/Zero  
B. $5,000  
C. $3,000  
D. $8,000  
E. None of the above

413. On January 1 of the current taxable year, John's mother gave John 1,000 common shares of Starbuck Corporation. John's mother purchased the common shares for a gross purchase price of $65,000 and John's mother paid purchase expenses of $5,000 on November 10 of two taxable years ago. At the date of the gift, the common shares had a value of $60,000 and the mother owed no gift taxes because of the gift. John held the common shares until April 1 of the current taxable year, at which time John sold the common shares to Paul for a gross sales price of $85,000. John paid selling expenses of $5,000. John's federal long term capital gain gross income for the current taxable year with respect to the sale of the common shares to Paul is as follows.

A. None/Zero  
B. $10,000  
C. $15,000  
D. $20,000  
E. None of the above

414. Referring to Question 413, John sold the common shares to Paul on April 1 of the current taxable year, for a gross sales price of $50,000 and that John paid selling expenses of $5,000. John's short term capital loss for the current taxable year with respect to the sale of the common shares to Paul is as follows.

A. None/Zero  
B. $20,000  
C. $15,000  
D. $25,000  
E. None of the above

415. Referring to Question 413, John sold the common shares to Paul for a gross sales price of $70,000 and John paid selling expenses of $5,000. John's short term capital loss for the current taxable year is as follows.

A. None/Zero  
B. $3,000  
C. $5,000  
D. $10,000  
E. None of the above
416. At John's death, John and Peter owned some common stock jointly with rights of survivorship, which stock had been paid for by John (a total of $80,000), and recorded immediately, by John, in John's and Peter's names four taxable years ago. At John's death, the common stock had a value of $40,000. The amount of John’s federal taxable gifts for four taxable years ago is as follows.
A. None/Zero
B. $11,000
C. $29,000
D. $40,000
E. None of the above

417. At John's death, John and Peter owned some common stock jointly with rights of survivorship, which stock had been paid for by Peter (a total of $80,000), and recorded immediately, by Peter, in John's and Peter's names four taxable years ago, with a value of $40,000 at John's death. The amount includable in John’s federal gross estate is as follows.
A. None/Zero
B. $20,000
C. $30,000
D. $40,000
E. None of the above

418. At John’s death, John and Mary owned 200 shares of Tide Corp. common stock, as tenants in common (40% for Mary and 60% for John) when John died. Mary paid $10,000 for the stock, from Mary's own funds, five taxable years ago, and Mary immediately put the title to the stock in John's and Mary's names. On July 1, of the current taxable year, Tide declared a dividend of $2 per share, payable on August 4, of the current taxable year, to shareholders of record on July 31, of the current taxable year. Tide stock "went x-dividend" on the Big Stock Exchange on July 25, of the current taxable year. John died on July 2, of the current taxable year, when the value of the stock, per a quote on the stock exchange, was $30,000. The amount includable in John's federal gross estate is as follows.
A. None/Zero
B. $15,000
C. $18,000
D. $18,240
E. None of the above

419. Referring to Question 418, the amount of income in respect of a decedent is as follows.
A. None/Zero
B. $12,240
C. $12,000
D. $240
E. None of the above

420. Referring to Question 418, John had died on July 28, of the current taxable year, when the value of the stock, per a quote on the stock exchange, was $20,000. The amount includable in John's federal gross estate is as follows.
A. None/Zero
B. $12,000
C. $12,240
D. $20,000
E. None of the above

421. Referring to Question 420, the amount of income in respect of a decedent is as follows.
A. None/Zero
B. $240
C. $12,000
D. $12,240
E. None of the above
422. Referring to Question 418, John had died on August 3, of the current taxable year, at a time when the value of the stock, per a quote on the stock exchange, was $10,000. The amount includable in John's federal gross estate is as follows.
A. None/Zero
B. $9,000
C. $10,240
D. $6,240
E. None of the above

423. Referring to Question 422, the amount of income in respect of a decedent is as follows.
A. None/Zero
B. $240
C. $6,240
D. $3,840
E. None of the above

424. Prior to Mary’s death, Mary was the president and sole shareholder of a corporation, which Mary started ten taxable years ago. Mary died during the current taxable year, when the corporation had $1,500,000 of earnings and profits. Five taxable years ago, Mary made a written agreement with one of the corporation’s employees, who was not related to Mary, which written agreement stated that, at Mary’s death, the employee could purchase the shares for $200,000 and that Mary’s estate had to sell the shares to the employee for $200,000. Mary had the right and power to sell the shares for a higher price (to the employee or to any other person) during Mary’s life. At the time when Mary made the agreement, the price was a fair one. Mary made this agreement with this employee, because Mary wanted to preserve the business as a going concern and because the employee was the best employee in the business and because the employee was capable of managing the business well (after Mary died). When Mary died, the shares had a value of $650,000, without taking into account the purchase agreement. With respect to the shares, Mary’s estates’s gross estate is as follows.
A. None/Zero
B. $200,000
C. $450,000
D. $650,000
E. None of the above

425. On January 1, of the current taxable year, the Nice Corporation declared a dividend which was payable to shareholders who owned Nice Corporation shares on February 1, of the current taxable year. The dividend was payable on April 1, of the current taxable year. Mary died on March 1, of the current taxable year, and the executor of Mary’s estate received the dividend of $2,000 on April 1, of the current taxable year. The amount of gross income to Mary’s estate is as follows.
A. None/Zero
B. $2,000
C. $3,000
D. $1,500
E. None of the above

426. Referring to Question 425, Mary used the accrual method of accounting. The amount of gross income to Mary’s estate is as follows.
A. None/Zero
B. $2,000
C. $3,000
D. $1,500
E. None of the above

427. On January 1 of the current taxable year, Nice Corporation declared a dividend of cash which was payable to
shareholders who owned Nice Corporation common stock on February 1 of the current taxable year. The dividend was payable on April 1 of the current taxable year. Mary died on January 15, of the current taxable year, and the executor of Mary’s estate received the dividend of $250 on April 1 of the current taxable year. The estate's ordinary gross income for the current taxable year with respect to the dividend is as follows.
A. None/Zero
B. $250
C. $125
D. None of the above

428. Referring to Question 427, Mary used the accrual method of accounting. Mary's ordinary gross income for the current taxable year is as follows.
A. None/Zero
B. $250
C. $125
D. None of the above

429. John died on July 1 of the current taxable year. With respect to John's final taxable year, John had no gross income and John had a long term capital loss carryforward (from John's sales of securities in prior taxable years) of $45,000. During the first taxable year of John’s estate, the estate received gross income of $55,000 of long term capital gain (from the estate's sales of securities) and $30,000 of dividends. The estate's deduction for the estate’s first taxable year is as follows.
A. None/Zero
B. $33,000
C. $60
D. $3,000
E. None of the above

430. John purchased a life insurance policy, five taxable years ago, on John's life, payable to Sue, and at John's death, the life insurance company paid Sue: $500,000 face amount of the life insurance policy; $45,000 of accumulated dividends; $3,000 of interest on the accumulated dividends to the date of John's death; $1,500 as a return of part of John's final premium; and, $4,000 of interest on the preceding four amounts from the date of John's death to the date of final payment. The amount of the face amount of the life insurance policy includable in John's federal gross estate is as follows.
A. None/Zero
B. $90,000
C. $410,000
D. $500,000
E. None of the above

431. Referring to Question 430, the amount of the accumulated dividends includable in John's federal gross estate is as follows.
A. None/Zero
B. $90,000
C. $45,000
D. $49,000
E. None of the above

432. Referring to Question 430, the amount of the accumulated dividends includable in John's Indiana gross inheritance is as follows.
A. None/Zero
B. $49,000
C. $90,000
D. $45,000
E. None of the above
433. Referring to Question 430, the amount of the interest on the accumulated dividends includable in John's federal gross estate is as follows.
   A. None/Zero
   B. $4,500
   C. $1,500
   D. $3,000
   E. None of the above

434. Referring to Question 430, the amount of the interest on the accumulated dividends includable in John's Indiana gross inheritance is as follows.
   A. None/Zero
   B. $3,000
   C. $1,500
   D. $4,500
   E. None of the above

435. Referring to Question 430, Sue’s gross income is as follows.
   A. None/Zero
   B. $3,000
   C. $7,000
   D. $8,500
   E. None of the above

436. Referring to Question 430, the amount of income in respect of a decedent is as follows.
   A. None/Zero
   B. $3,000
   C. $4,000
   D. $8,500
   E. None of the above

437. During the current taxable year, Mary died owning one whole (ordinary life) life insurance policy on Mary's life which had a face amount of $1,000,000 and which was payable, in lump sum, to Mary's estate. The life insurance policy had been purchased by Mary, during the current taxable year, for $200,000, from Zesty Corporation of which Mary was president and which corporation was a C corporation, and which corporation had purchased the life insurance policy several taxable years ago from the issuing life insurance company, and which life insurance policy was payable, prior to the sale to Mary, to Zesty Corporation. Mary promptly changed the beneficiary designation of the life insurance policy in order to make Mary's estate be the beneficiary. Initially, Zesty Corporation had purchased the life insurance policy for the benefit of Zesty Corporation, but then, when Mary decided to retire, Zesty Corporation sold the life insurance policy to Mary. Zesty Corporation had paid a total of $100,000 of premiums with respect to the life insurance policy, $10,000 of which was paid during the current taxable year, prior to the sale of the life insurance policy to Mary. Zesty Corporation capitalized each premium payment; that is, Zesty Corporation did not expense the premiums either for book purposes or for earnings and profit purposes. The Table 2001 cost with respect to the payment of the current taxable year's life insurance premium was $500. Zesty Corporation's gross income for the current taxable year with respect to the sale of the life insurance policy to Mary is as follows.
   A. None/Zero
   B. $50,000
   C. $95,000
   D. $100,000
   E. None of the above

438. Referring to Question 437, Mary’s estate's gross income for the current taxable year with respect to the life insurance proceeds is as follows.
   A. None/Zero
439. Referring to Question 437, the amount which the estate must include as an asset in Mary's gross estate on the estate's federal estate tax return (Form 706) is as follows.
A. None/Zero
B. $5,000
C. $1,000,000
D. $200,000
E. None of the above

440. Referring to Question 437, Zesty Corporation did not sell the life insurance policy to Mary, Mary died, and Zesty Corporation received $1,000,000 from the life insurance company due to the life insurance policy. Zesty Corporation's gross income with respect to the receipt of the life insurance proceeds policy, is as follows.
A. None/Zero
B. $950,000
C. $955,000
D. $1,000,000
E. None of the above

441. Referring to Question 437, Zesty Corporation did not sell the life insurance policy to Mary, Mary died, and Zesty Corporation received, during the current taxable year, $1,000,000 from the life insurance company due to the life insurance policy. Zesty Corporation's net increase in earnings and profits for the current taxable year with respect to the receipt of the life insurance proceeds policy, is as follows.
A. None/Zero
B. $950,000
C. $955,000
D. $1,000,000
E. None of the above

442. Referring to Question 437, the last taxable year Peter purchased the life insurance policy for $100,000 from Zesty Corporation, and Peter promptly changed the beneficiary designation of the life insurance policy to be Peter, and Peter paid one life insurance policy premium, of $5,000, with respect to the life insurance policy prior to Mary's death. Then, after all of this, Mary died during the current taxable year and Peter received the $1,000,000 of the life insurance policy's proceeds during the current taxable year. Peter's ordinary gross income for the current taxable year with respect to the receipt of the life insurance proceeds is as follows.
A. None/Zero
B. $995,000
C. $900,000
D. $895,000
E. None of the above

443. Several taxable years ago, Mary acquired a whole (ordinary life) life insurance policy, as an owner, in the normal manner. The life insurance policy, with proceeds of $1,000,000, was payable to John, except as otherwise stated. Sable Corporation (which was Mary's employer) paid a total of $60,000 of premiums ($10,000 per year for six years, including the life insurance premium of the current taxable year, all of which Sable Corporation capitalized, rather than expensed, for book purposes and for earnings and profits purposes) with respect to the life insurance policy, which amount was the total amount paid as life insurance premiums with respect to the life insurance policy through the last taxable year. Mary had an agreement with Sable Corporation and with the life insurance company, which agreement provided that when Mary died, Sable Corporation would be repaid all of the premiums which Sable Corporation had paid on the life insurance policy and that this repayment would come from the proceeds of the life insurance policy. Thus, when Mary died during the current taxable year, Sable Corporation, received $60,000 of the
life insurance proceeds and John received $940,000. The Table 2001 cost (of the $10,000 life insurance premium which Sable Corporation paid the last taxable year) $500. Mary's ordinary gross income for the last taxable year with respect to Sable Corporation's payment of the life insurance premium is as follows.
A. None/Zero
B. $60,000
C. $500
D. $10,000
E. None of the above

444. Referring to Question 443, Sable Corporation's ordinary expense or ordinary loss deduction for the last taxable year with respect to Sable Corporation's payment of the last taxable year's life insurance premium is as follows.
A. None/Zero
B. $10,000
C. $5,000
D. $10,500
E. None of the above

445. Referring to Question 443, Sable Corporation's gross income for the current taxable year with respect to the receipt of the $60,000 of life insurance proceeds is as follows.
A. None/Zero
B. $10,000
C. $10,500
D. $60,000
E. None of the above

446. Referring to Question 443, the amount includable in Mary's gross estate is as follows.
A. None/Zero
B. $60,000
C. $940,000
D. $1,000,000
E. None of the above

447. Referring to Question 443, Mary changed the beneficiary of the life insurance policy from John to Peter. The amount of Mary's federal taxable gifts is as follows.
A. None/Zero
B. $920,000
C. $940,000
D. $1,000,000
E. None of the above

448. During the current taxable year, Special Corporation paid a premium of $1,000 with respect to a group term life insurance policy which insured the life of John, an employee of Special Corporation, which policy was owned by John, and which policy was payable to Peter as the beneficiary, with a face amount of $100,000. The Table 2001 cost was $100. Special Corporation's ordinary expense or ordinary loss deduction for the current taxable year with respect to the payment of the life insurance premium is as follows.
A. None/Zero
B. $10,000
C. $1,000
D. $100,000
E. None of the above

449. Referring to Question 448, John's ordinary gross income for the current taxable year with respect to the payment of the life insurance premium is as follows.
A. None/Zero
B. $500  
C. $100  
D. $50  
E. None of the above

450. Referring to Question 448, when John dies, the amount which the John's estate must include as an asset in John's gross estate on the estate's federal estate tax return (Form 706) is as follows.
   A. None/Zero  
   B. $100  
   C. $1,000  
   D. $100,000  
   E. None of the above

451. At John's death, John was the beneficiary of a corporate qualified retirement plan which John’s employer had established and to which the employer was the only contributor. The retirement trust was payable to John, when John retired, but any funds which had not been paid to John at John death, were payable to Mary, if Mary survived John, and if not, then in equal shares to John's children. John’s employer had contributed $30,000 of income tax deductible contributions to the retirement plan trust, the earnings in the retirement trust totaled was $20,000, and at John’s death, the retirement trust had a value of $50,000, and John had not received any distribution from the retirement fund. After John died, Mary promptly contributed the $50,000, which Mary received from the retirement trust, to a basic individual retirement account which Mary established for Mary. The amount includable in John's federal gross estate is as follows.
   A. None/Zero  
   B. $50,000  
   C. $20,000  
   D. $30,000  
   E. None of the above

452. During April of the current taxable year, Mary died as an employee of Superman Corporation, which had established a qualified retirement plan for Mary. The beneficiary of Mary's corporate qualified retirement plan was John and John was entitled to receive a lump sum distribution under the retirement plan of $300,000 or to rollover the amount (of $300,000). The fund consisted of $200,000 of Superman Corporation contributions and $100,000 of earnings thereon. After John was notified with respect to the amount of the distribution and John’s rights with respect to the distribution, John promptly established a basic individual retirement account in John's name and told the bank, who was the trustee of Mary’s retirement plan, to distribute the funds to the bank, who was the trustee of John's basic individual retirement account, which the bank did. John did not have any other retirement plan during the current taxable year. John's gross income for the current taxable year is as follows.
   A. None/Zero  
   B. $100,000  
   C. $200,000  
   D. $300,000  
   E. None of the above

453. Referring to Question 452, the amount of any excise (or penalty) tax which John must pay with respect to the distribution from the retirement plan trust is as follows.
   A. None/Zero  
   B. $6,000  
   C. $18,000  
   D. $30,000  
   E. None of the above

454. Referring to Question 452, the amount which Mary's estate must include in Mary's federal gross estate is as follows.
   A. None/Zero  
   B. $300,000
455. During April of the current taxable year, Beverly died. The beneficiary of Beverly's corporate qualified retirement plan was Rebecca and Rebecca was entitled to receive a lump sum distribution under the retirement plan of $300,000. Beverly did not make any contribution to the retirement plan trust, only StraightArrow Corporation did. At Beverly’s death, the fund consisted of $100,000 of employer contributions and $200,000 of earnings thereon. Rebecca, who had no other income during the current taxable year and who had no prior retirement fund promptly established a basic individual retirement account in Rebecca's name, but Rebecca did not make a contribution to the basic individual retirement account at that time and Rebecca told the bank, who was the trustee of Beverly’s corporate retirement plan, to distribute the funds to the bank as trustee of Rebecca's basic individual retirement account, which the bank did. Rebecca made no other election with respect to the distribution. Rebecca's gross income for the current taxable year is as follows.

A. None/Zero
B. $300,000
C. $500,000
D. $800,000
E. None of the above

456. Referring to Question 455, the amount of Beverly's federal taxable gifts in the year in which Beverly designated Rebecca as the beneficiary is as follows.

A. None/Zero
B. $300,000
C. $500,000
D. $800,000
E. None of the above

457. Referring to Question 455, the amount which Beverly's estate must include in Beverly's federal gross estate is as follows.

A. None/Zero
B. $300,000
C. $500,000
D. $800,000
E. None of the above

458. During the current taxable year, John was a beneficiary of an irrevocable trust which was established by John's father several taxable years ago, and during the current taxable year the trust had the following financial information. All of the gains and losses from the sales of assets were attributable to the principal of the trust. All of the other receipts and expenses were attributable to the net income of the trust. The trustee was required to distribute to John, for each taxable year, including, but not limited to, the current taxable year, the specific amount of $50,000 from the trust's net book income (and from the trust's principal if the trust's net book income was not sufficient for such distribution) and the trustee was required to accumulate the remaining book income, along with the gains and losses from the sales of assets. Upon John's death, all of the remaining funds in the trust were to be distributed to Susan.

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividends received</td>
<td>20,000</td>
</tr>
<tr>
<td>Interest received on savings accounts</td>
<td>20,000</td>
</tr>
<tr>
<td>Capital gains</td>
<td>20,000</td>
</tr>
<tr>
<td>Capital losses</td>
<td>8,000</td>
</tr>
<tr>
<td>Administrative expenses attributable to book income</td>
<td>8,000</td>
</tr>
</tbody>
</table>
John's gross income for the current taxable year is as follows.
A. None/Zero
B. $20,000
C. $50,000
D. $60,000
E. None of the above

459. During the prior taxable year, John was a beneficiary of an irrevocable trust which was established by John's father several taxable years ago, and during the current taxable year the trust had the following financial information. All of the gains and losses from the sales of assets were attributable to the principal of the trust. All of the other receipts and expenses were attributable to the income of the trust. The trustee was required to distribute to John, each year, all of the trust's net book income, during John's life, which the trustee did, and then, to distribute the remaining funds to Mary.

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividends received</td>
<td>10,000</td>
</tr>
<tr>
<td>Interest received on savings accounts</td>
<td>10,000</td>
</tr>
<tr>
<td>Capital gains</td>
<td>10,000</td>
</tr>
<tr>
<td>Capital losses</td>
<td>1,000</td>
</tr>
<tr>
<td>Administrative expenses attributable to book income</td>
<td>1,000</td>
</tr>
</tbody>
</table>

John's gross income for the current taxable year is as follows.
A. None/Zero
B. $19,000
C. $28,000
D. $18,000
E. None of the above

460. Referring to Question 459, the trustee’s taxable income for the current taxable year is as follows.
A. None/Zero
B. $8,700
C. $9,000
D. $10,000
E. None of the above

461. During John’s life, John established a trust under an irrevocable trust under a trust agreement provided that the trustee could distribute any amount of net income to Peter during Peter’s life, remainder to Sue. John transferred cash and securities to the trustee. Under the trust agreement, all of the capital gains and losses of the trust were attributable to the principal of the trust and all of the other receipts and expenses were attributable to the income of the trust. During the current taxable year, the trustee determined the following information about the last taxable year.

<table>
<thead>
<tr>
<th>Taxable interest</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taxable interest</td>
<td>100,000</td>
</tr>
<tr>
<td>Dividends</td>
<td>100,000</td>
</tr>
<tr>
<td>Rent</td>
<td>100,000</td>
</tr>
<tr>
<td>Capital gains</td>
<td>100,000</td>
</tr>
<tr>
<td>Expenses attributable to rent (including depreciation)</td>
<td>10,000</td>
</tr>
<tr>
<td>Administration expenses attributable to income</td>
<td>10,000</td>
</tr>
<tr>
<td>Administration expenses attributable to principal</td>
<td>10,000</td>
</tr>
</tbody>
</table>
Capital losses attributable to principal 10,000
Charitable contribution required to be made each year from the current book income 10,000
Federal income tax on the last taxable year's capital gains, which income tax was assigned to principal (to which the last taxable year's capital gains had been assigned) by the trustee 10,000
Indiana income tax on the last taxable year's capital gains, which income tax was assigned to principal (to which the last taxable year's capital gains had been assigned) by the trustee 10,000
Distribution to Peter 50,000

The trust’s taxable income for the last taxable year is as follows.
A. None/Zero
B. $279,700
C. $289,700
D. $289,900
E. None of the above

462. The last taxable year, Mary established an irrevocable trust and Peter was the sole trustee. The trust agreement provided that the trustee had the right and power to distribute (or not) any amount of the trust's principal or net income to or on behalf of Sue, for the health, education, maintenance, and support of the minor child. During the current taxable year, the trustee distributed none of the trust's net book income of $18,000 (which net book income consisted of $10,000 of dividends and $10,000 of interest, all of which was gross income, minus trustee fees of $2,000) for the minor child's health. The federal income tax rate which is applicable to any taxable income the trust is 30%. The amount of the trust's federal income tax for the current taxable year is as follows.
A. None/Zero
B. $5,400
C. $6,500
D. $6,667
E. None of the above

463. In Paul's last will and testament, Paul devised $100,000 to the Needy Children's Fund, Inc. on the condition that the organization was qualified under section 501(c)(3) at the time when Paul died, which the organization was. The amount of Paul's federal estate tax charitable deduction is as follows.
A. None/Zero
B. $100,000
C. $50,000
D. Need more information
E. None of the above

464. Alan died on July 1 of the current taxable year and the executor of Alan's estate assembled the following information about Alan's final taxable year: Alan had earned and received $15,000 of fees and Alan had earned, but not actually or constructively received by Alan, fees of $10,000. The executor assembled the following information about the estate’s first taxable year: received Alan's fees of $10,000 and received dividends of $15,000 not actually or constructively received or accrued by Alan. Alan's gross income for the current taxable year is as follows.
A. None/Zero
B. $10,000
C. $15,000
D. $25,000
E. None of the above

465. Referring to Question 464, the estate’s gross income for the estate’s first taxable year is as follows.
A. None/Zero
B. $25,000
C. $10,000
466. Referring to Question 464, the estate was not required to distribute any net income to any beneficiary during the estate’s first taxable year and the estate did not make any such distribution. The estate’s taxable income for the estate’s first taxable year is as follows.
   A. None/Zero
   B. $14,700
   C. $24,400
   D. $9,700
   E. None of the above

467. Referring to Question 464, the executor was required to distribute to Paul $5,000 of the estate’s principal during the estate’s first taxable year, which the estate did. The estate’s taxable income for the estate’s first taxable year is as follows.
   A. None/Zero
   B. $24,400
   C. $4,700
   D. $9,700
   E. None of the above

468. John died two taxable years ago and during the final taxable year of the administration of John's estate, the estate had a net operating loss carryover of $10,000. Mary was the sole beneficiary of the estate and Mary had a gross salary $200,000 for the current taxable year, which was the same year in which the estate closed the estate’s administration. Mary's adjusted gross income for the current taxable year is as follows.
   A. None/Zero
   B. $190,000
   C. $200,000
   D. Need more information
   E. None of the above

469. Referring to Question 468, the amount of Paul's gross income for the current taxable year is as follows.
   A. None/Zero
   B. $1,000
   C. $6,000
   D. $7,000
   E. None of the above

470. Mary died on January 1, of the current taxable year, owning 1,000 shares of Fun Corporation common shares. Mary paid a gross purchase price of $50,000 for the shares in December, of the last taxable year, and the shares had a value of $50,000 at Mary's death and $40,000 on July 1, of the current taxable year. The executor of Mary’s estate elected to value the assets in Mary’s estate at the date of death values, and on December 1, of the current taxable year, the executor of Mary’s estate sold the shares to Tom, for a gross sales price of $60,000, and the executor of Mary’s estate paid selling expenses of $1,000, which selling expenses were elected to be utilized in determining the gain or loss on the federal fiduciary income tax return (Form 1041), rather than being deducted on the federal estate tax return (Form 706). The amount of gross income to Mary’s estate is as follows.
   A. None/Zero
   B. $10,000
   C. $9,000
   D. $20,000
   E. None of the above

471. Referring to Question 470, the executor of Mary’s estate elected to deduct the selling expenses on the federal estate tax return (Form 706), rather than utilizing the selling expenses in determining the gain or loss on the federal fiduciary
income tax return (Form 1041). The amount of gross income to Mary’s estate is as follows.
A. None/Zero
B. $10,000
C. $9,000
D. $19,000
E. None of the above

472. Referring to Question 470, the executor of Mary’s estate elected to value the assets in Mary’s estate at the alternate valuation date. The amount of gross income to Mary’s estate is as follows.
A. None/Zero
B. $19,000
C. $20,000
D. $9,000
E. None of the above

473. Mary died on January 1 of the current taxable year, owning 1,000 common shares of Starbuck Corporation. Mary paid a gross purchase price of $120,000 for the common shares in December, of the last taxable year, and the common shares had a value of $100,000 at Mary's death and $60,000 on July 1 of the current taxable year. The executor of Mary’s estate elected to use the date of death values for estate tax purposes, and on August 1 of the current taxable year, the executor sold the common shares to Paul, for a gross sales price of $80,000, and the executor paid selling expenses of $5,000, which selling expenses were elected to be utilized in determining the gain or loss on the fiduciary income tax return (Form 1041), rather than being deducted on the estate tax return (Form 706). The estate’s long term capital loss for the current taxable year with respect to the sale of the common shares to Paul is as follows.
A. None/Zero
B. $45,000
C. $25,000
D. $35,000
E. None of the above

474. Referring to Question 473, the executor of Mary’s estate elected to deduction the selling expenses on the estate tax return (Form 706), rather than utilizing the selling expenses in determining the gain or loss on the fiduciary income tax return (Form 1041). The estate’s long term capital loss for the current taxable year with respect to the sale of the common shares to Paul is as follows.
A. None/Zero
B. $40,000
C. $30,000
D. $20,000
E. None of the above

475. Referring to Question 474, the executor of Mary’s estate elected to use the alternate valuation dates. The estate’s long term capital gain for the current taxable year with respect to the sale of the common shares to Paul is as follows.
A. None/Zero
B. $5,000
C. $10,000
D. $15,000
E. None of the above

476. Mary died on January 1 of the current taxable year, owning 1,000 common shares of Starbuck Corporation. Mary paid a gross purchase price of $120,000 for the common shares in December, of the last taxable year, and the common shares had a value of $80,000 at Mary's death and $60,000 on July 1 of the current taxable year. The executor of Mary’s estate elected to use the date of death values for estate tax purposes, and on May 1 of the current taxable year, the executor sold the common shares to Paul, for a gross sales price of $65,000, and the executor paid selling expenses of $5,000, which selling expenses were elected to be utilized in determining the gain or loss on the federal fiduciary income tax return (Form 1041), rather than being deducted on the federal estate tax return (Form 706). The estate’s
long term capital loss for the current taxable year is as follows.
A. None/Zero
B. $55,000
C. $15,000
D. $20,000
E. None of the above

477. Referring to Question 476, the executor of Mary’s estate elected to deduction the selling expenses on the estate's federal estate tax return (Form 706), rather than utilizing the selling expenses in determining the gain or loss on the estate's federal fiduciary income tax return (Form 1041). The estate’s long term capital loss for the current taxable year with respect to the sale of the common shares to Paul is as follows.
A. None/Zero
B. $20,000
C. $55,000
D. $15,000
E. None of the above

478. Referring to Question 476, the executor of Mary’s estate elected to use the alternate valuation dates. The estate’s long term capital loss for the current taxable year with respect to the sale of the common shares to Paul is as follows.
A. None/Zero
B. $10,000
C. $2,500
D. $5,000
E. None of the above

479. Mary died on January 1 of the current taxable year, owning 1,000 common shares of Starbuck Corporation. Mary paid $80,000 for the common shares in December, of the last taxable year, and the common shares had a value of $20,000 at Mary’s death and $42,000 on July 1 of the current taxable year. The executor of Mary’s estate elected to use the date of death values for estate tax purposes. Mary's last will and testament devised $40,000 of cash to Paul, and on May 1 of the current taxable year, when the value of the common shares was $40,000, the executor transferred the common shares to Paul, under an agreement under which Paul took the common shares in lieu of the cash devise. Mary’s estate’s short term capital gain for the current taxable year with respect to the transfer of the common shares to Paul is as follows.
A. None/Zero
B. $2,000
C. $10,000
D. $20,000
E. None of the above

480. Mary died on January 1 of the current taxable year, owning 1,000 common shares of Starbuck Corporation. Mary paid $80,000 for the common shares in December, of the last taxable year, and the common shares had a value of $20,000 at Mary’s death and $42,000 on July 1 of the current taxable year. The executor of Mary’s estate elected to use the alternate valuation date for estate tax purposes. Mary's last will and testament devised $40,000 of cash to Paul, and on May 1 of the current taxable year, when the value of the common shares was $40,000, the executor transferred the common shares to Paul, under an agreement under which Paul took the common shares in lieu of the $40,000 cash devise. Mary’s estate’s long term capital loss for the current taxable year with respect to the transfer of the common shares to Paul is as follows.
A. None/Zero
B. $20,000
C. $30,000
D. $40,000
E. None of the above

481. When John died, Paul and John each owned, separately, 1,000 issued and outstanding common shares of
LivingTooHigh Corporation, which corporation was a C corporation with $1,000,000 of earnings and profits. John’s gross estate was $2,000,000 and John’s estate had: administration expenses of $20,000; funeral expenses of $20,000; unsecured claims against the estate of $20,000; secured claims against the estate of $20,000; and, state death taxes of $20,000. John devised John’s entire estate to Sue, because Mary and Peter had predeceased John. At John’s death, the fair market value of John’s 1,000 common shares was $1,000,000 ($1,000 per share for 1,000 shares). LivingTooHigh Corporation intends to redeem some of John’s estate’s common shares, but LivingTooHigh only wishes to redeem the minimum number of shares which LivingTooHigh Corporation may redeem from John’s estate without causing John’s estate to have dividend gross income and the executor of John’s estate agrees with this plan. The minimum number of shares which LivingTooHigh Corporation may redeem is as follows.

A. None/Zero
B. 100
C. 80
D. 70
E. None of the above

482. Referring to Question 481, if LivingTooHigh Corporation redeemed all of the shares from John’s estate for $1,000,000, then John’s estate would have capital gain gross income as follows.

A. None/Zero
B. $1,000,000
C. $2,000,000
D. $920,000
E. None of the above

483. Referring to Question 481, Sue (not Paul) owned the 1,000 shares and LivingTooHigh Corporation redeemed all of John’s estate’s shares for $1,000,000. Ignoring a section 303 redemption, John’s estate would have dividend gross income as follows.

A. None/Zero
B. $1,000,000
C. $2,000,000
D. $920,000
E. None of the above

484. John died during the current taxable year, being survived by Mary, Peter, and Sue.

Through John's last will and testament, John devised John's residuary estate to trustee of an revocable trust, which became irrevocable at John's death, specifically, to the Primary Trust under such trust agreement, which trust agreement devised to Trust A the maximum federal estate tax marital deduction after taking into account other transfers to Mary which qualified for the federal estate tax marital deduction and after taking into account all other federal estate tax deductions and after subtracting any amount which could be transferred to Trust B without causing any federal estate tax. Mary was granted a life estate in both Trust A and in Trust B and Mary was granted a lifetime general power of appointment in Trust A over all of the assets in Trust A. At Mary's death, Trust A funds were to be transferred to Trust B and Trust B funds were to be transferred to two separate trusts, one for Peter and one for Sue.

The bank, as executor of John’s estate, elected to value John’s assets for death tax purposes at the date of death values and to deduct all allowable deductions on John’s federal estate tax return.

During John's life, John made taxable gifts in the amount of $400,000, which were split with Mary.

In John's last will and testament, John specifically devised all of John's household tangible personal property to Mary.

John's assets, stated at date of death values, are as follows. All of the interests in each of the assets were owned solely by John and solely paid for by John, except as otherwise stated in the facts or by the applicable state law.

1. Bank accounts ................................................................. $ 100,000
2. Savings accounts in California savings and loan associations ................................ 100,000
3. Bank accounts with Mary, with rights of survivorship ..................................... 100,000
4. Real property in Indiana, home, with rights of survivorship with Mary ...................... 250,000
5. Real property in Florida, condominium, vacation property, with rights of survivorship with Mary ........................................................... 200,000
6. Tangible personal property in Indiana, household goods at home .............................. 50,000
7. Common stocks ................................................................................. 3,000,000

Other financial information is as follows.

1. John owned a life insurance policy, on John’s life, with a face amount of $10,000 and with a policy value, just before John’s death of $2,000, and which was payable to Mary.

2. John owned a life insurance policy, on John’s life, with a face amount of $10,000 and with a policy value, just before John’s death of $2,000, and which was payable to Sue.

3. Another life insurance policy on John's life was payable to Peter or to Peter's estate, and was given to Peter by John, during the year before John died, and the policy value just prior to John's death was $2,000 and the life insurance proceeds totaled $10,000.

4. Another life insurance policy on John's life was payable to Mary or to Mary's estate, and was given to Mary by John, during the year before John died, and the policy value just prior to John's death was $2,000 and the life insurance proceeds totaled $10,000.

5. John established a trust four years ago under an irrevocable trust agreement which granted John a life estate in the trust funds and which granted Peter the remainder interest in the trust funds. John transferred cash and securities to the trustee. At John's death, the value of the trust funds was $10,000, and the actuarial value of the life estate was $1,000 and the actuarial value of the remainder interest was $9,000.

6. John's father established a trust ten years ago under an irrevocable trust agreement which granted John a life estate with respect to the trust funds and which granted Mary or Mary's estate the remainder interest in the trust funds. John’s father transferred cash and securities to the trustee. At John's death, the value of the trust funds was $10,000, and the actuarial value of the life estate was $1,000 and the actuarial value of the remainder interest was $9,000.

7. John had an interest in retirement funds, payable under a revocable designation of the beneficiary to Mary, and in lump sum, under an individual retirement plan (an IRA plan) which was established by John and which fund was 100% funded by John. The amount of the retirement funds payable to Mary was $30,000.

John's debts, at John's death, are as follows. John is solely liable on the debts, unless these facts or the applicable state law provides otherwise.

1. Various personal charge accounts and other personal current debts ................................. $ 2,000
2. Mortgage debt owed to the bank on Indiana home, jointly owed, real property .................. 20,000
3. Mortgage debt owed to Florida bank on Florida condominium, jointly owed, real property ................................................................. 20,000
4. Accrued federal income taxes, which accrued during the current taxable year ........................................... 2,000

The funeral and administration expenses for John's estate are as follows.

1. Funeral ................................................................. $ 2,000
2. Headstone .............................................................. 2,000
3. Indiana lawyer fee ................................................... 80,000
4. Florida executor fee .................................................. 5,000
5. Other Indiana probate expenses .................................. 20,000
6. State of Indiana inheritance taxes (Indiana estate taxes have not yet been paid) .................. 20,000

The amount of John’s federal gross estate is as follows.
A. None/Zero
B. $3,590,000
C. $3,600,000
D. $3,775,000
E. None of the above

485. On January 1 of the current taxable year, John's mother gave John 1,000 common stock of Starbuck Corporation. John's mother purchased the common shares four taxable years ago for a gross purchase price of $45,000 and John's mother paid purchase expenses of $5,000. John's mother did not owe any gift taxes as a result of the gift. At the date of the gift, the common shares had a value of $55,000. John held the common shares until April 1 of the current taxable year, at which time John sold the common shares to Paul for a gross sales price of $65,000. John paid selling expenses of $5,000. John's long term capital gain gross income for the current taxable year is as follows.
A. None/Zero
B. $10,000
C. $5,000
D. $15,000
E. None of the above

486. Referring to Question 485, John sold the common shares to Paul for a gross sales price of $15,000 and John paid selling expenses of $5,000. John's long term capital loss deduction for the current taxable year is as follows.
A. None/Zero
B. $45,000
C. $50,000
D. $40,000
E. None of the above

487. On January 1 of the current taxable year, John's mother gave John 1,000 common shares of Starbuck Corporation. John's mother purchased the common shares for a gross purchase price of $30,000 and John's mother paid purchase expenses of $2,000 on November 10 of the last taxable year. At the date of the gift, the common shares had a value of $40,000 and the mother owed no gift taxes because of the gift. John held the common shares until April 1 of the current taxable year, at which time John sold the common shares to Paul for a gross sales price of $60,000. John paid selling expenses of $5,000. John's long-term capital gain gross income for the current taxable year is as follows.
A. None/Zero
B. $23,000
C. $8,000
D. $55,000
488. Referring to Question 487, John had sold the common shares to Paul on April 1 of the current taxable year, for a gross sales price of $15,000 and that John paid selling expenses of $5,000. John's short term capital loss for the current taxable year is as follows.
A. None/Zero
B. $3,000
C. $22,000
D. $40,000
E. None of the above

489. Referring to Question 487, John sold the common shares to Paul for a gross sales price of $40,000 and John paid selling expenses of $5,000. John's short term capital loss for the current taxable year is as follows.
A. None/Zero
B. $5,000
C. $3,000
D. $8,000
E. None of the above

490. On January 1 of the current taxable year, John's mother gave John 1,000 common shares of Starbuck Corporation. John's mother purchased the common shares for a gross purchase price of $65,000 and John's mother paid purchase expenses of $5,000 on November 10 of the last taxable year. At the date of the gift, the common shares had a value of $60,000 and the mother owed no gift taxes because of the gift. John held the common shares until April 1 of the current taxable year, at which time John sold the common shares to Paul for a gross sales price of $85,000. John paid selling expenses of $5,000. John's federal long term capital gain gross income for the current taxable year with respect to the sale of the common shares to Paul is as follows.
A. None/Zero
B. $10,000
C. $15,000
D. $20,000
E. None of the above

491. Referring to Question 490, John sold the common shares to Paul on April 1 of the current taxable year, for a gross sales price of $50,000 and that John paid selling expenses of $5,000. John's short term capital loss for the current taxable year with respect to the sale of the common shares to Paul is as follows.
A. None/Zero
B. $15,000
C. $20,000
D. $25,000
E. None of the above

492. Referring to Question 490, John sold the common shares to Paul for a gross sales price of $70,000 and John paid selling expenses of $5,000. John's short term capital loss for the current taxable year is as follows.
A. None/Zero
B. $5,000
C. $10,000
D. $3,000
E. None of the above

493. At John's death, John and Peter owned some common stock jointly with rights of survivorship, which stock had been paid for by Peter (a total of $80,000), and recorded immediately, by Peter, in John's and Peter's names four taxable years ago. At John's death, the common stock had a value of $40,000. The amount of Peter's federal taxable gifts for four taxable years ago is as follows.
A. None/Zero
494. At John's death, John and Peter owned some common stock jointly with rights of survivorship, which stock had been paid for by Peter (a total of $80,000), and recorded immediately, by Peter, in John's and Peter's names four taxable years ago, with a value of $40,000 at John's death. The amount includable in John's federal gross estate is as follows.
A. None/Zero
B. $20,000
C. $30,000
D. $40,000
E. None of the above

495. At John's death, John and Mary owned 200 shares of Tide Corp. common stock, as tenants in common (40% for Mary and 60% for John) when John died. Mary paid $10,000 for the stock, from Mary's own funds, five taxable years ago, and Mary immediately put the title to the stock in John's and Mary's names. On July 1, of the current taxable year, Tide declared a dividend of $2 per share, payable on August 4, of the current taxable year, to shareholders of record on July 31, of the current taxable year. Tide stock "went x-dividend" on the Big Stock Exchange on July 25, of the current taxable year. John died on July 2, of the current taxable year, when the value of the stock, per a quote on the stock exchange, was $30,000. The amount includable in John's federal gross estate is as follows.
A. None/Zero
B. $18,000
C. $15,000
D. $18,240
E. None of the above

496. Referring to Question 495, the amount of income in respect of a decedent is as follows.
A. None/Zero
B. $240
C. $12,000
D. $12,240
E. None of the above

497. Referring to Question 495, John had died on July 28, of the current taxable year, when the value of the stock, per a quote on the stock exchange, was $20,000. The amount includable in John's federal gross estate is as follows.
A. None/Zero
B. $12,240
C. $12,000
D. $20,000
E. None of the above

498. Referring to Question 497, the amount of income in respect of a decedent is as follows.
A. None/Zero
B. $240
C. $12,000
D. $12,240
E. None of the above

499. Referring to Question 497, John had died on August 3, of the current taxable year, at a time when the value of the stock, per a quote on the stock exchange, was $6,000. The amount includable in John's federal gross estate is as follows.
A. None/Zero
B. $6,000
500. Referring to Question 499, the amount of income in respect of a decedent is as follows.
   A. None/Zero
   B. $240
   C. $6,240
   D. $3,840
   E. None of the above

501. Prior to Mary’s death, Mary was the president and sole shareholder of a corporation, which Mary started ten taxable years ago. Mary died during the current taxable year, when the corporation had $1,500,000 of earnings and profits. Five taxable years ago, Mary made a written agreement with one of the corporation’s employees, who was not related to Mary, which written agreement stated that, at Mary’s death, the employee could purchase the shares for $200,000 and that Mary’s estate had to sell the shares to the employee for $200,000. Mary did not have the right and power to sell the shares for a higher price (to the employee or to any other person) during Mary’s life. At the time when Mary made the agreement, the price was a fair one. Mary made this agreement with this employee, because Mary wanted to preserve the business as a going concern and because the employee was the best employee in the business and because the employee was capable of managing the business well (after Mary died). When Mary died, the shares had a value of $650,000, without taking into account the purchase agreement. With respect to the shares, Mary’s estates’ gross estate is as follows.
   A. None/Zero
   B. $200,000
   C. $450,000
   D. $650,000
   E. None of the above

502. On January 1, of the current taxable year, the Nice Corporation declared a dividend which was payable to shareholders who owned Nice Corporation shares on February 1, of the current taxable year. The dividend was payable on April 1, of the current taxable year. Mary died on March 1, of the current taxable year, and the executor of Mary’s estate received the dividend of $3,000 on April 1, of the current taxable year. The amount of gross income to Mary’s estate is as follows.
   A. None/Zero
   B. $1,500
   C. $2,000
   D. $3,000
   E. None of the above

503. Referring to Question 502, Mary used the accrual method of accounting. The amount of gross income to Mary’s estate is as follows.
   A. None/Zero
   B. $1,500
   C. $2,000
   D. $3,000
   E. None of the above

504. On January 1 of the current taxable year, Nice Corporation declared a dividend of cash which was payable to shareholders who owned Nice Corporation common stock on February 1 of the current taxable year. The dividend was payable on April 1 of the current taxable year. Mary died on January 15, of the current taxable year, and the executor of Mary’s estate received the dividend of $250 on April 1 of the current taxable year. The estate's ordinary gross income for the current taxable year with respect to the dividend is as follows.
   A. None/Zero
   B. $250
505. Referring to Question 504, Mary used the accrual method of accounting. The estate's ordinary gross income for the current taxable year is as follows.
   A. None/Zero
   B. $250
   C. $125
   D. Need more information
   E. None of the above

506. John died on July 1 of the current taxable year. With respect to John's final taxable year, John had no gross income and John had a long term capital loss carryforward (from John's sales of securities in prior taxable years) of $45,000. During the first taxable year of John's estate, the estate received gross income of $55,000 of long term capital gain (from the estate's sales of securities) and $30,000 of dividends. The estate's deduction for the estate's first taxable year is as follows.
   A. None/Zero
   B. $600
   C. $3,000
   D. $33,000
   E. None of the above

507. John purchased a life insurance policy, five taxable years ago, on John's life, payable to Sue, and at John's death, the life insurance company paid Sue: $500,000 face amount of the life insurance policy; $90,000 of accumulated dividends; $4,000 of interest on the accumulated dividends to the date of John's death; $1,500 as a return of part of John's final premium; and, $3,000 of interest on the preceding four amounts from the date of John's death to the date of final payment. The amount of the face amount of the life insurance policy includable in John's federal gross estate is as follows.
   A. None/Zero
   B. $500,000
   C. $410,000
   D. $90,000
   E. None of the above

508. Referring to Question 507, the amount of the accumulated dividends includable in John's federal gross estate is as follows.
   A. None/Zero
   B. $45,000
   C. $49,000
   D. $90,000
   E. None of the above

509. Referring to Question 507, the amount of the accumulated dividends includable in John's Indiana gross inheritance is as follows.
   A. None/Zero
   B. $45,000
   C. $49,000
   D. $90,000
   E. None of the above

510. Referring to Question 507, the amount of the interest on the accumulated dividends includable in John's federal gross estate is as follows.
   A. None/Zero
   B. $1,500
511. Referring to Question 507, the amount of the interest on the accumulated dividends includable in John's Indiana gross inheritance is as follows.
A. None/Zero
B. $1,500
C. $3,000
D. $4,500
E. None of the above

512. Referring to Question 507, John's estate's gross income is as follows.
A. None/Zero
B. $3,000
C. $7,000
D. $8,500
E. None of the above

513. Referring to Question 507, the amount of income in respect of a decedent is as follows.
A. None/Zero
B. $3,000
C. $4,000
D. $8,500
E. None of the above

514. During the current taxable year, Mary died owning one whole (ordinary life) life insurance policy on Mary's life which had a face amount of $1,000,000 and which was payable, in lump sum, to Mary's estate. The life insurance policy had been purchased by Mary, during the current taxable year, for $100,000, from Zesty Corporation of which Mary was president and which corporation was a C corporation, and which corporation had purchased the life insurance policy several taxable years ago from the issuing life insurance company, and which life insurance policy was payable, prior to the sale to Mary, to Zesty Corporation. Mary promptly changed the beneficiary designation of the life insurance policy in order to make Mary's estate be the beneficiary. Initially, Zesty Corporation had purchased the life insurance policy for the benefit of Zesty Corporation, but then, when Mary decided to retire, Zesty Corporation sold the life insurance policy to Mary. Zesty Corporation had paid a total of $50,000 of premiums with respect to the life insurance policy, $5,000 of which was paid during the current taxable year, prior to the sale of the life insurance policy to Mary. Zesty Corporation capitalized each premium payment; that is, Zesty Corporation did not expense the premiums either for book purposes or for earnings and profit purposes. The Table 2001 cost with respect to the payment of the current taxable year's life insurance premium was $500. Zesty Corporation's gross income for the current taxable year with respect to the sale of the life insurance policy to Mary is as follows.
A. None/Zero
B. $50,000
C. $95,000
D. $100,000
E. None of the above

515. Referring to Question 514, Mary's estate's gross income for the current taxable year with respect to the life insurance proceeds is as follows.
A. None/Zero
B. $900,000
C. $905,000
D. $1,000,000
E. None of the above
516. Referring to Question 514, the amount which the estate must include as an asset in Mary's gross estate on the estate's federal estate tax return (Form 706) is as follows.
   A. None/Zero
   B. $5,000
   C. $1,000,000
   D. Need more information
   E. None of the above

517. Referring to Question 514, Zesty Corporation did not sell the life insurance policy to Mary, Mary died, and Zesty Corporation received $1,000,000 from the life insurance company due to the life insurance policy. Zesty Corporation's gross income with respect to the receipt of the life insurance proceeds policy, is as follows.
   A. None/Zero
   B. $950,000
   C. $955,000
   D. $1,000,000
   E. None of the above

518. Referring to Question 514, Zesty Corporation did not sell the life insurance policy to Mary, Mary died, and Zesty Corporation received, during the current taxable year, $1,000,000 from the life insurance company due to the life insurance policy. Zesty Corporation's net increase in earnings and profits for the current taxable year with respect to the receipt of the life insurance proceeds policy, is as follows.
   A. None/Zero
   B. $950,000
   C. $955,000
   D. $1,000,000
   E. None of the above

519. Referring to Question 514, the last taxable year Peter purchased the life insurance policy for $100,000 from Zesty Corporation, and that Peter promptly changed the beneficiary designation of the life insurance policy to be Peter, and that Peter paid one life insurance policy premium, of $5,000, with respect to the life insurance policy prior to Mary's death. Then, after all of this, Mary died during the current taxable year and Peter received the $1,000,000 of the life insurance policy's proceeds during the current taxable year. Peter's ordinary gross income for the current taxable year with respect to the receipt of the life insurance proceeds is as follows.
   A. None/Zero
   B. $900,000
   C. $895,000
   D. $995,000
   E. None of the above

520. Several taxable years ago, Mary acquired a whole (ordinary life) life insurance policy, as an owner, in the normal manner. The life insurance policy, with proceeds of $1,000,000, was payable to John, except as otherwise stated. Sable Corporation (which was Mary's employer) paid a total of $60,000 of premiums ($10,000 per year for six years, including the life insurance premium of the current taxable year, all of which Sable Corporation capitalized, rather than expensed, for book purposes and for earnings and profits purposes) with respect to the life insurance policy, which amount was the total amount paid as life insurance premiums with respect to the life insurance policy through the last taxable year. Mary had an agreement with Sable Corporation and with the life insurance company, which agreement provided that when Mary died, Sable Corporation would be repaid all of the premiums which Sable Corporation had paid on the life insurance policy and that this repayment would come from the proceeds of the life insurance policy. Thus, when Mary died during the current taxable year, Sable Corporation, received $60,000 of the life insurance proceeds and John received $940,000. The Table 2001 cost (of the $10,000 life insurance premium which Sable Corporation paid the last taxable year) $500. Mary's ordinary gross income for the last taxable year with respect to Sable Corporation's payment of the life insurance premium is as follows.
   A. None/Zero
   B. $500
521. Referring to Question 520, Sable Corporation's ordinary expense or ordinary loss deduction for the last taxable year with respect to Sable Corporation's payment of the last taxable year's life insurance premium is as follows.
A. None/Zero
B. $5,000
C. $10,500
D. $10,000
E. None of the above

522. Referring to Question 520, Sable Corporation's gross income for the current taxable year with respect to the receipt of the $60,000 of life insurance proceeds is as follows.
A. None/Zero
B. $60,000
C. $10,000
D. $10,500
E. None of the above

523. Referring to Question 520, the amount includable in Mary's gross estate is as follows.
A. None/Zero
B. $1,000,000
C. $940,000
D. $60,000
E. None of the above

524. Referring to Question 520, Mary changed the beneficiary of the life insurance policy from John to Peter. The amount of Mary's federal taxable gifts is as follows.
A. None/Zero
B. $940,000
C. $1,000,000
D. $920,000
E. None of the above

525. During the current taxable year, Special Corporation paid a premium of $600 with respect to a group term life insurance policy which insured the life of John, an employee of Special Corporation, which policy was owned by John, and which policy was payable to Peter as the beneficiary, with a face amount of $60,000. The Table 2001 cost was $60. Special Corporation's ordinary expense or ordinary loss deduction for the current taxable year with respect to the payment of the life insurance premium is as follows.
A. None/Zero
B. $600
C. $6,000
D. $60,000
E. None of the above

526. Referring to Question 525, John's ordinary gross income for the current taxable year with respect to the payment of the life insurance premium is as follows.
A. None/Zero
B. $60
C. $600
D. $60,000
E. None of the above
527. Referring to Question 525, when John dies, the amount which the John's estate must include as an asset in John's gross estate on the estate's federal estate tax return (Form 706) is as follows.  
A. None/Zero  
B. $60,000  
C. $600  
D. $60  
E. None of the above  

528. At John's death, John was the beneficiary of a corporate qualified retirement plan which John's employer had established and to which the employer was the only contributor. The retirement trust was payable to John, when John retired, but any funds which had not been paid to John at John death, were payable to Mary, if Mary survived John, and if not, then in equal shares to John's children. John's employer had contributed $30,000 of income tax deductible contributions to the retirement plan trust, the earnings in the retirement trust totaled was $20,000, and at John's death, the retirement trust had a value of $50,000, and John had not received any distribution from the retirement fund. After John died, Mary promptly contributed the $50,000, which Mary received from the retirement trust, to a basic individual retirement account which Mary established for Mary. The amount includable in John's federal gross estate is as follows.  
A. None/Zero  
B. $20,000  
C. $30,000  
D. $50,000  
E. None of the above  

529. During April of the current taxable year, Mary died as an employee of Superman Corporation, which had established a qualified retirement plan for Mary. The beneficiary of Mary's corporate qualified retirement plan was John and John was entitled to receive a lump sum distribution under the retirement plan of $300,000 or to rollover the amount (of $300,000). The fund consisted of $200,000 of Superman Corporation contributions and $100,000 of earnings thereon. After John was notified with respect to the amount of the distribution and John's rights with respect to the distribution, John promptly established a basic individual retirement account in John's name and told the trustee of Mary's retirement fund to distribute the funds to the trustee of John's basic individual retirement account, which the trustee did. John did not have any other retirement plan during the current taxable year. John's gross income for the current taxable year is as follows.  
A. None/Zero  
B. $100,000  
C. $200,000  
D. $300,000  
E. None of the above  

530. Referring to Question 529, the amount of any excise (or penalty) tax which John must pay with respect to the distribution from the retirement plan trust is as follows.  
A. None/Zero  
B. $6,000  
C. $18,000  
D. $30,000  
E. None of the above  

531. Referring to Question 529, the amount which Mary's estate must include in Mary's federal gross estate is as follows.  
A. None/Zero  
B. $100,000  
C. $200,000  
D. $300,000  
E. None of the above  

532. During April of the current taxable year, Beverly died. The beneficiary of Beverly's corporate qualified retirement
plan was Rebecca and Rebecca was entitled to receive a lump sum distribution under the retirement plan of $300,000. Beverly did not make any contribution to the retirement plan trust, only StraightArrow Corporation did. At Beverly’s death, the fund consisted of $100,000 of employer contributions and $200,000 of earnings thereon. Rebecca, who had no other income during the current taxable year and who had no prior retirement fund promptly established a basic individual retirement account in Rebecca's name, but Rebecca did not make a contribution to the basic individual retirement account at that time and Rebecca told the bank, who was the trustee of Beverly’s corporate retirement plan, to distribute the funds to the bank as trustee of Rebecca's basic individual retirement account, which the bank did. Rebecca made no other election with respect to the distribution. Rebecca's gross income for the current taxable year is as follows.
A. None/Zero
B. $300,000
C. $500,000
D. $800,000
E. None of the above

533. Referring to Question 532, the amount of Beverly's federal taxable gifts in the year in which Beverly designated Rebecca as the beneficiary is as follows.
A. None/Zero
B. $300,000
C. $500,000
D. $800,000
E. None of the above

534. Referring to Question 532, the amount which Beverly's estate must include in Beverly's federal gross estate is as follows.
A. None/Zero
B. $300,000
C. $500,000
D. $800,000
E. None of the above

535. During the current taxable year, John was a beneficiary of an irrevocable trust which was established by John's father several taxable years ago, and during the current taxable year the trust had the following financial information. All of the gains and losses from the sales of assets were attributable to the principal of the trust. All of the other receipts and expenses were attributable to the net income of the trust. The trustee was required to distribute to John, for each taxable year, including, but not limited to, the current taxable year, the specific amount of $50,000 from the trust's net book income (and from the trust's principal if the trust's net book income was not sufficient for such distribution) and the trustee was required to accumulate the remaining book income, along with the gains and losses from the sales of assets. Upon John's death, all of the remaining funds in the trust were to be distributed to Susan.

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividends received</td>
<td>20,000</td>
</tr>
<tr>
<td>Interest received on savings accounts</td>
<td>20,000</td>
</tr>
<tr>
<td>Capital gains</td>
<td>20,000</td>
</tr>
<tr>
<td>Capital losses</td>
<td>8,000</td>
</tr>
<tr>
<td>Administrative expenses attributable to book income</td>
<td>8,000</td>
</tr>
</tbody>
</table>

John's gross income for the current taxable year is as follows.
A. None/Zero
B. $20,000
C. $50,000
D. $60,000
E. None of the above

536. During the prior taxable year, John was a beneficiary of an irrevocable trust which was established by John's father several taxable years ago, and during the current taxable year the trust had the following financial information. All of the gains and losses from the sales of assets were attributable to the principal of the trust. All of the other receipts and expenses were attributable to the income of the trust. The trustee was required to distribute to John, each year, all of the trust's net book income, during John's life, which the trustee did, and then, to distribute the remaining funds to Mary.

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividends received</td>
<td>10,000</td>
</tr>
<tr>
<td>Interest received on savings accounts</td>
<td>10,000</td>
</tr>
<tr>
<td>Capital gains</td>
<td>10,000</td>
</tr>
<tr>
<td>Capital losses</td>
<td>1,000</td>
</tr>
<tr>
<td>Administrative expenses attributable to book income</td>
<td>1,000</td>
</tr>
</tbody>
</table>

John's gross income for the current taxable year is as follows.
A. None/Zero
B. $19,000
C. $28,000
D. $18,000
E. None of the above

537. Referring to Question 536, the trustee’s taxable income for the current taxable year is as follows.
A. None/Zero
B. $8,700
C. $9,000
D. $10,000
E. None of the above

538. During John's life, John established a trust under an irrevocable trust under a trust agreement provided that the trustee could distribute any amount of net income to Peter during Peter's life, remainder to Sue. John transferred cash and securities to the trustee. Under the trust agreement, all of the capital gains and losses of the trust were attributable to the principal of the trust and all of the other receipts and expenses were attributable to the income of the trust. During the current taxable year, the trustee determined the following information about the last taxable year.

<table>
<thead>
<tr>
<th>Taxable interest</th>
<th>100,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividends</td>
<td>100,000</td>
</tr>
<tr>
<td>Rent</td>
<td>100,000</td>
</tr>
<tr>
<td>Capital gains</td>
<td>100,000</td>
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<tr>
<td>Expenses attributable to rent (including depreciation)</td>
<td>10,000</td>
</tr>
<tr>
<td>Administration expenses attributable to income</td>
<td>10,000</td>
</tr>
<tr>
<td>Administration expenses attributable to principal</td>
<td>10,000</td>
</tr>
<tr>
<td>Capital losses attributable to principal</td>
<td>10,000</td>
</tr>
<tr>
<td>Charitable contribution required to be made each year from the current book income</td>
<td>10,000</td>
</tr>
</tbody>
</table>
Federal income tax on the last taxable year's capital gains, which income tax was assigned to principal (to which the last taxable year's capital gains had been assigned) by the trustee | 10,000 

Indiana income tax on the last taxable year's capital gains, which income tax was assigned to principal (to which the last taxable year's capital gains had been assigned) by the trustee | 10,000 

Distribution to Peter | 50,000

The trust’s taxable income for the last taxable year is as follows. 
A. None/Zero 
B. $279,700 
C. $289,700 
D. $289,900 
E. None of the above

539. During the current taxable year, John established a revocable trust and transferred some of John's assets to Beverly, who was the sole trustee of the trust. Under the terms of the trust, the trustee was required to distribute all of the trust’s net book income, including, ordinary income and capital gains to Rebecca for Rebecca's life, and the remainder to grandchildren, of which Beverly had two. During the current taxable year, Beverly received gross income of dividends of $20,000 and of long term capital gain of $20,000, and Beverly paid Beverly a trustee a fee of $1,000. Therefore, Beverly distributed $39,000 to Rebecca. Rebecca's gross income is as follows. 
A. None/Zero 
B. $38,700 
C. $39,000 
D. $40,000 
E. None of the above

540. The last taxable year, Mary established an irrevocable trust and Peter was the sole trustee. The trust agreement provided that the trustee had the had the right and power to distribute (or not) any amount of the trust's principal or net income to or on behalf of Sue, for the health, education, maintenance, and support of the minor child. During the current taxable year, the trustee distributed none of the trust's net book income of $18,000 (which net book income consisted of $10,000 of dividends and $10,000 of interest, all of which was gross income, minus trustee fees of $2,000) for the minor child's health. The federal income tax rate which is applicable to any taxable income the trust is 30%. The amount of the trust's federal income tax for the current taxable year is as follows. 
A. None/Zero 
B. $5,400 
C. $6,500 
D. $6,667 
E. None of the above

541. In Paul's last will and testament, Paul devised $100,000 to the Needy Children's Fund, Inc. on the condition that the organization was qualified under section 501(c)(3) at the time when Paul died, which the organization was. The amount of Paul's federal estate tax charitable deduction is as follows. 
A. None/Zero 
B. $100,000 
C. $50,000 
D. Need more information 
E. None of the above

542. Alan died on July 1 of the current taxable year and the executor of Alan's estate assembled the following information about Alan’s final taxable year: Alan had earned and received $15,000 of fees and Alan had earned, but not actually or constructively received by Alan, fees of $10,000. The executor assembled the following information about the estate’s first taxable year: received Alan’s fees of $10,000 and received dividends of $15,000 not actually or constructively received or accrued by Alan. Alan's gross income for the current taxable year is as follows. 
A. None/Zero
543. Referring to Question 542, the estate’s gross income for the estate’s first taxable year is as follows.
A. None/Zero
B. $25,000
C. $10,000
D. $15,000
E. None of the above

544. Referring to Question 542, the estate was not required to distribute any net income to any beneficiary during the estate’s first taxable year and the estate did not make any such distribution. The estate’s taxable income for the estate’s first taxable year is as follows.
A. None/Zero
B. $14,700
C. $24,400
D. $9,700
E. None of the above

545. Referring to Question 542, the executor was required to distribute to Paul $5,000 of the estate’s principal during the estate’s first taxable year, which the estate did. The estate’s taxable income for the estate’s first taxable year is as follows.
A. None/Zero
B. $24,400
C. $4,700
D. $9,700
E. None of the above

546. During the last taxable year, Rebecca died. During the current taxable year, the estate had book income (which was also gross income) in the amount of $50,000 from the receipt of dividends. The executor charged executor fees of $1,000 against such gross income. During the current taxable year, the estate made one distribution to one beneficiary, Paul, specifically, the estate distributed to Paul an automobile, which was valued at $20,000 when Rebecca died and which was valued at $22,000 when the estate made the distribution. The automobile was specifically devised to Paul by Rebecca. The amount of Rebecca's estate's federal taxable income for the current taxable year is as follows.
A. None/Zero
B. $49,000
C. $42,400
D. $48,400
E. None of the above

547. Referring to Question 546, the amount of Paul's gross income for the current taxable year is as follows.
A. None/Zero
B. $1,000
C. $6,000
D. $7,000
E. None of the above

548. Mary died on January 1, of the current taxable year, owning 1,000 shares of Fun Corporation common shares. Mary paid a gross purchase price of $50,000 for the shares in December, of the last taxable year, and the shares had a value of $50,000 at Mary's death and $40,000 on July 1, of the current taxable year. The executor of Mary’s estate elected to value the assets in Mary’s estate at the date of death values, and on December 1, of the current taxable year, the
executor of Mary’s estate sold the shares to Tom, for a gross sales price of $60,000, and the executor of Mary’s estate
paid selling expenses of $1,000, which selling expenses were elected to be utilized in determining the gain or loss on
the federal fiduciary income tax return (Form 1041), rather than being deducted on the federal estate tax return (Form
706). The amount of gross income to Mary’s estate is as follows.
A. None/Zero
B. $10,000
C. $9,000
D. $20,000
E. None of the above

549. Referring to Question 548, the executor of Mary’s estate elected to deduct the selling expenses on the federal estate
tax return (Form 706), rather than utilizing the selling expenses in determining the gain or loss on the federal fiduciary
income tax return (Form 1041). The amount of gross income to Mary’s estate is as follows.
A. None/Zero
B. $10,000
C. $9,000
D. $19,000
E. None of the above

550. Referring to Question 548, the executor of Mary’s estate elected to value the assets in Mary’s estate at the alternate
valuation date. The amount of gross income to Mary’s estate is as follows.
A. None/Zero
B. $19,000
C. $20,000
D. $9,000
E. None of the above

551. Mary died on January 1 of the current taxable year, owning 1,000 common shares of Starbuck Corporation. Mary
paid a gross purchase price of $120,000 for the common shares in December, of the last taxable year, and the common
shares had a value of $100,000 at Mary's death and $60,000 on July 1 of the current taxable year. The executor of
Mary’s estate elected to use the date of death values for estate tax purposes, and on August 1 of the current taxable
year, the executor sold the common shares to Paul, for a gross sales price of $80,000, and the executor paid selling
expenses of $5,000, which selling expenses were elected to be utilized in determining the gain or loss on the fiduciary
income tax return (Form 1041), rather than being deducted on the estate tax return (Form 706). The estate’s long term
capital loss for the current taxable year with respect to the sale of the common shares to Paul is as follows.
A. None/Zero
B. $45,000
C. $25,000
D. $35,000
E. None of the above

552. Referring to Question 550, the executor of Mary’s estate elected to deduct the selling expenses on the estate tax return
(Form 706), rather than utilizing the selling expenses in determining the gain or loss on the fiduciary income tax return
(Form 1041). The estate’s long term capital loss for the current taxable year with respect to the sale of the common
shares to Paul is as follows.
A. None/Zero
B. $40,000
C. $30,000
D. $20,000
E. None of the above

553. Referring to Question 551, the executor of Mary’s estate elected to use the alternate valuation dates. The estate’s long
term capital gain for the current taxable year with respect to the sale of the common shares to Paul is as follows.
A. None/Zero
554. Mary died on January 1 of the current taxable year, owning 1,000 common shares of Starbuck Corporation. Mary paid a gross purchase price of $120,000 for the common shares in December, of the last taxable year, and the common shares had a value of $80,000 at Mary's death and $60,000 on July 1 of the current taxable year. The executor of Mary’s estate elected to use the date of death values for estate tax purposes, and on May 1 of the current taxable year, the executor sold the common shares to Paul, for a gross sales price of $65,000, and the executor paid selling expenses of $5,000, which selling expenses were elected to be utilized in determining the gain or loss on the federal fiduciary income tax return (Form 1041), rather than being deducted on the federal estate tax return (Form 706). The estate’s long term capital loss for the current taxable year is as follows.

A. None/Zero
B. $55,000
C. $15,000
D. $20,000
E. None of the above

555. Referring to Question 554, the executor of Mary’s estate elected to deduction the selling expenses on the estate's federal estate tax return (Form 706), rather than utilizing the selling expenses in determining the gain or loss on the estate's federal fiduciary income tax return (Form 1041). The estate’s long term capital loss for the current taxable year with respect to the sale of the common shares to Paul is as follows.

A. None/Zero
B. $20,000
C. $55,000
D. $15,000
E. None of the above

556. Referring to Question 554, the executor of Mary’s estate elected to use the alternate valuation dates. The estate’s long term capital loss for the current taxable year with respect to the sale of the common shares to Paul is as follows.

A. None/Zero
B. $10,000
C. $2,500
D. $5,000
E. None of the above

557. Mary died on January 1 of the current taxable year, owning 1,000 common shares of Starbuck Corporation. Mary paid $80,000 for the common shares in December, of the last taxable year, and the common shares had a value of $20,000 at Mary's death and $42,000 on July 1 of the current taxable year. The executor of Mary’s estate elected to use the date of death values for estate tax purposes. Mary's last will and testament devised $40,000 of cash to Paul, and on May 1 of the current taxable year, when the value of the common shares was $40,000, the executor transferred the common shares to Paul, under an agreement under which Paul took the common shares in lieu of the cash devise. Mary’s estate’s short term capital gain for the current taxable year with respect to the transfer of the common shares to Paul is as follows.

A. None/Zero
B. $2,000
C. $10,000
D. $20,000
E. None of the above

558. Mary died on January 1 of the current taxable year, owning 1,000 common shares of Starbuck Corporation. Mary paid $80,000 for the common shares in December, of the last taxable year, and the common shares had a value of $20,000 at Mary's death and $42,000 on July 1 of the current taxable year. The executor of Mary’s estate elected to
use the alternate valuation date for estate tax purposes. Mary's last will and testament devised $40,000 of cash to Paul, and on May 1 of the current taxable year, when the value of the common shares was $40,000, the executor transferred the common shares to Paul, under an agreement under which Paul took the common shares in lieu of the $40,000 cash devise. Mary’s estate’s long term capital loss for the current taxable year with respect to the transfer of the common shares to Paul is as follows.

A. None/Zero  
B. $20,000  
C. $30,000  
D. $40,000  
E. None of the above

559. When John died, Paul and John each owned, separately, 1,000 issued and outstanding common shares of LivingTooHigh Corporation, which corporation was a C corporation with $1,000,000 of earnings and profits. John’s gross estate was $2,000,000 and John’s estate had: administration expenses of $20,000; funeral expenses of $20,000; unsecured claims against the estate of $20,000; secured claims against the estate of $20,000; and, state death taxes of $20,000. John devised John’s entire estate to Sue, because Mary and Peter had predeceased John. At John’s death, the fair market value of John’s 1,000 common shares was $1,000,000 ($1,000 per share for 1,000 shares). LivingTooHigh Corporation intends to redeem some of John’s estate’s common shares, but LivingTooHigh only wishes to redeem the minimum number of shares which LivingTooHigh Corporation may redeem from John’s estate without causing John’s estate to have dividend gross income and the executor of John’s estate agrees with this plan. The minimum number of shares which LivingTooHigh Corporation may redeem is as follows.

A. None/Zero  
B. 100  
C. 80  
D. 70  
E. None of the above

560. Referring to Question 559, if LivingTooHigh Corporation redeemed all of the shares from John’s estate for $1,000,000, then the amount of John’s estate’s capital gain gross income is as follows.

A. None/Zero  
B. $1,000,000  
C. $2,000,000  
D. $920,000  
E. None of the above

561. Referring to Question 559, Sue (not Paul) owned the 1,000 shares and LivingTooHigh Corporation redeemed all of John’s estate’s shares for $1,000,000. Ignoring a section 303 redemption, the amount of John’s estate’s dividend gross income is as follows.

A. None/Zero  
B. $1,000,000  
C. $2,000,000  
D. $920,000  
E. None of the above

562. During April of the current taxable year, Beverly died. The beneficiary of Beverly’s corporate qualified retirement plan was Rebecca and Rebecca was entitled to receive a lump sum distribution under the retirement plan of $300,00. Beverly did not make any contribution to the retirement plan trust, only Straightarrow corporation did. At Beverly’s death, the fund consisted of $100,00 of employer contributions and $200,000 of earnings theron. Rebecca, who had no other income during the current taxable year and who had no prior retirement fund promptly established a basic individual retirement account in Rebecca’s name, but Rebecca did not make a contribution to the basic individual retirement account at the time and Rebecca told the bank, who was the trustee of Beverly’s corporate retirement plan, to distribute the funds to the bank trustee of Rebecca’s basic individual retirement account, which the bank did. Rebecca made no other elections with respect to the distribution. Rebecca’s gross income for the current taxable year is as follows.
563. Referring to Question 562, the amount of Beverly’s taxable gifts in the year in which Beverly designated Rebecca as the beneficiary is as follows.

A. None/Zero  
B. $300,000  
C. $500,000  
D. $800,000  
E. None of the above

564. Referring to Question 562, the amount which Beverly’s estate must include in Beverly’s gross estate is as follows

A. None/Zero  
B. $300,000  
C. $500,000  
D. $800,000  
E. None of the above

565. During the current taxable year, John established a revocable trust and transferred all of John's assets to the trustee and the trustee was required to distribute all of the trust's net book income, including ordinary income and capital gains to Peter. During the current taxable year, the trustee had dividends of $20,000 and long term capital gain gross income of $20,000, deductible long term capital loss of $1,000 and the trustee, Indiana Bank, was paid a trustee fee of $2,000. Therefore, the trustee distributed $37,000 to Peter. John’s gross income for the current taxable year is as follows.

A. None/Zero  
B. $37,000  
C. $39,000  
D. $40,000  
E. None of the above

566. During the current taxable year, John was a beneficiary of an irrevocable trust which was established by John's father several taxable years ago, and during the current taxable year the trust had the following financial information. All of the gains and losses from the sales of assets were attributable to the principal of the trust. All of the other receipts and expenses were attributable to the net income of the trust. The trustee was required to distribute to John, for each taxable year, including, but not limited to, the current taxable year, the specific amount of $50,000 from the trust's net book income (and from the trust's principal if the trust's net book income was not sufficient for such distribution) and the trustee was required to accumulate the remaining book income, along with the gains and losses from the sales of assets. Upon John's death, all of the remaining funds in the trust were to be distributed to Susan.

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividends received</td>
<td>20,000</td>
</tr>
<tr>
<td>Interest received on savings accounts</td>
<td>20,000</td>
</tr>
<tr>
<td>Capital gains</td>
<td>20,000</td>
</tr>
<tr>
<td>Capital losses</td>
<td>8,000</td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>8,000</td>
</tr>
</tbody>
</table>

John's gross income for the current taxable year is as follows.

A. None/Zero  
B. $20,000
567. During the prior taxable year, John was a beneficiary of an irrevocable trust which was established by John's father several taxable years ago, and during the current taxable year the trust had the following financial information. All of the gains and losses from the sales of assets were attributable to the principal of the trust. All of the other receipts and expenses were attributable to the income of the trust. The trustee was required to distribute to John, each year, all of the trust's net book income, during John's life, which the trustee did, and then, to distribute the remaining funds to Mary.

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividends received</td>
<td>10,000</td>
</tr>
<tr>
<td>Interest received on savings accounts</td>
<td>10,000</td>
</tr>
<tr>
<td>Capital gains</td>
<td>10,000</td>
</tr>
<tr>
<td>Capital losses</td>
<td>1,000</td>
</tr>
<tr>
<td>Administrative expenses attributable to book income</td>
<td>1,000</td>
</tr>
</tbody>
</table>

John's gross income for the current taxable year is as follows.
A. None/Zero
B. $19,000
C. $28,000
D. $18,000
E. None of the above

568. Referring to Question 567, the trustee’s taxable income for the current taxable year is as follows.
A. None/Zero
B. $8,700
C. $9,000
D. $10,000
E. None of the above

569. During John’s life, John established a trust through an irrevocable trust under a trust agreement provided that the trustee could distribute any amount of net income to Peter during Peter’s life, remainder to Sue. John transferred cash and securities to the trustee. Under the trust agreement, all of the capital gains and losses of the trust were attributable to the principal of the trust and all of the other receipts and expenses were attributable to the income of the trust. During the current taxable year, the trustee determined the following information about the last taxable year.

<table>
<thead>
<tr>
<th>Taxable income</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taxable interest</td>
<td>100,000</td>
</tr>
<tr>
<td>Dividends</td>
<td>100,000</td>
</tr>
<tr>
<td>Rent</td>
<td>100,000</td>
</tr>
<tr>
<td>Capital gains</td>
<td>100,000</td>
</tr>
<tr>
<td>Expenses attributable to rent (including depreciation)</td>
<td>10,000</td>
</tr>
<tr>
<td>Administration expenses attributable to income</td>
<td>10,000</td>
</tr>
<tr>
<td>Administration expenses attributable to principal</td>
<td>10,000</td>
</tr>
<tr>
<td>Capital losses attributable to principal</td>
<td>10,000</td>
</tr>
<tr>
<td>Charitable contribution required to be made each year from the current book income</td>
<td>10,000</td>
</tr>
</tbody>
</table>
Federal Income tax on the last taxable year's capital gains, which income tax was assigned to principal (to which the last taxable year's capital gains had been assigned) by the trustee | 10,000
---|---
Indiana income tax on the last taxable year's capital gains, which income tax was assigned to principal (to which the last taxable year's capital gains had been assigned) by the trustee | 10,000
Distribution to Peter | 50,000

The trust’s taxable income for the last taxable year is as follows.  
A. None/Zero  
B. $279,700  
C. $289,700  
D. $289,900  
E. None of the above

570. During the current taxable year, John established a revocable trust and transferred some of John's assets to Beverly, who was the sole trustee of the trust. Under the terms of the trust, the trustee was required to distribute all of the trust’s net book income, including, ordinary income and capital gains to Rebecca for Rebecca's life, and the remainder to grandchildren, of which Beverly had two. During the current taxable year, Beverly received, as trustee, gross income of dividends of $20,000 and of long term capital gain of $20,000, and Beverly paid Beverly a trustee a fee of $1,000. Therefore, Beverly distributed $39,000 to Rebecca. Rebecca's gross income is as follows.  
A. None/Zero  
B. $38,700  
C. $39,000  
D. $40,000  
E. None of the above

571. The last taxable year, Mary established an irrevocable trust and Peter was the sole trustee. The trust agreement provided that the trustee had the right and power to distribute (or not) any amount of the trust's principal or net income to or on behalf of Sue, for the health, education, maintenance, and support of the minor child. During the current taxable year, the trustee distributed none of the trust's net book income of $18,000 (which net book income consisted of $10,000 of dividends and $10,000 of interest, all of which was gross income, minus trustee fees of $2,000) for the minor child's health. The income tax rate which is applicable to any taxable income the trust is 30%. The amount of the trust's income tax for the current taxable year is as follows.  
A. None/Zero  
B. $5,400  
C. $6,500  
D. $6,667  
E. None of the above

572. In Paul's last will and testament, Paul devised $100,000 to the Needy Children's Fund, Inc. on the condition that the organization was qualified under section 501(c)(3) at the time when Paul died, which the organization was. The amount of Paul's estate tax charitable deduction is as follows.  
A. None/Zero  
B. $100,000  
C. $50,000  
D. Need more information  
E. None of the above

573. Four taxable years ago, Mary's father established an irrevocable trust, during Mary’s father’s life, for the primary benefit of Mary, with the remainder interest given to Mary's children. Mary’s father transferred $1,000,000 to the trust as principal of the trust. The trustee was required to distribute all of the trust’s current net book income to Mary each year. The trustee did not establish a reserve for depreciation, but the trustee computed a depreciation deduction, for income tax purposes, in the amount of $5,000. All of the trustee's capital gains and losses were (and are) assigned to the trust's principal, and all of the trustee's other receipts and expenditures were (and are) assigned to the trust's
book net income, except as otherwise stated below. During the current taxable year, the trust had the following receipts and expenditures.

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taxable interest</td>
<td>100,000</td>
</tr>
<tr>
<td>Dividends</td>
<td>100,000</td>
</tr>
<tr>
<td>Rent</td>
<td>100,000</td>
</tr>
<tr>
<td>Capital gains</td>
<td>100,000</td>
</tr>
<tr>
<td>Expenses attributable to rent (including depreciation)</td>
<td>10,000</td>
</tr>
<tr>
<td>Administration expenses attributable to income</td>
<td>10,000</td>
</tr>
<tr>
<td>Administration expenses attributable to principal</td>
<td>10,000</td>
</tr>
<tr>
<td>Capital losses attributable to principal</td>
<td>10,000</td>
</tr>
<tr>
<td>Charitable contribution required to be made each year from the current book income</td>
<td>10,000</td>
</tr>
<tr>
<td>Federal income tax on the last taxable year's capital gains, which income tax was assigned to principal (to which the last taxable year's capital gains had been assigned) by the trustee</td>
<td>10,000</td>
</tr>
<tr>
<td>Indiana income tax on the last taxable year's capital gains, which income tax was assigned to principal (to which the last taxable year's capital gains had been assigned) by the trustee</td>
<td>10,000</td>
</tr>
<tr>
<td>Distribution to Peter</td>
<td>50,000</td>
</tr>
</tbody>
</table>

The amount of funds which are required to be distributed (or which were distributed) to Mary for the current taxable year is as follows.
A. None/Zero
B. $190,000
C. $195,000
D. $270,00
E. None of the above

574. Referring to Question 573, the amount of the trust’s taxable income before the distribution deduction for the current taxable year is as follows.
A. None/Zero
B. $323,100
C. $339,700
D. $400,000
E. None of the above

575. Referring to Question 573, the amount of the trust’s distributable net income for the current taxable year is as follows.
A. None/Zero
B. $150,000
C. $250,000
D. $270,000
E. None of the above

576. Referring to Question 573, the amount of the trust’s taxable income for the current taxable year is as follows.
A. None/Zero
B. $60,300
C. $89,700
D. $90,100
E. None of the above
577. Referring to Question 573, the amount of Mary’s gross income for the current taxable year is as follows.
A. None/Zero
B. $250,000
C. $260,000
D. $270,000
E. None of the above

578. Alan died on July 1 of the current taxable year and the executor of Alan's estate assembled the following information about Alan’s final taxable year: Alan had earned and received $15,000 of fees and Alan had earned, but not actually or constructively received by Alan, fees of $10,000. The executor assembled the following information about the estate’s first taxable year: received Alan’s fees of $10,000 and received dividends of $15,000 not actually or constructive received or accrued by Alan. Alan's gross income for the current taxable year is as follows.
A. None/Zero
B. $10,000
C. $15,000
D. $25,000
E. None of the above

579. Referring to Question 578, the estate’s gross income for the estate’s first taxable year is as follows.
A. None/Zero
B. $25,000
C. $10,000
D. $15,000
E. None of the above

580. Referring to Question 578, the estate was not required to distribute any net income to any beneficiary during the estate’s first taxable year and the estate did not make any such distribution. The estate’s taxable income for the estate’s first taxable year is as follows.
A. None/Zero
B. $14,700
C. $24,400
D. $9,700
E. None of the above

581. During the last taxable year, Rebecca died. During the current taxable year, the estate had book income (which was also gross income) in the amount of $50,000 from the receipt of dividends. The executor charged executor fees of $1,000 against such gross income. During the current taxable year, the estate made one distribution to one beneficiary, Paul, specifically, the estate distributed to Paul an automobile, which was valued at $20,000 when Rebecca died and which was valued at $22,000 when the estate made the distribution. The automobile was specifically devised to Paul by Rebecca. The amount of Rebecca's estate's taxable income for the current taxable year is as follows.
A. None/Zero
B. $49,000
C. $42,400
D. $48,400
E. None of the above

582. Referring to Question 581, the amount of Paul's gross income for the current taxable year is as follows.
A. None/Zero
B. $1,000
C. $6,000
D. $7,000
E. None of the above
583. During the last taxable year, Rebecca died. During the current taxable year, the estate had book income (which was also gross income) in the amount of $50,000 from the receipt of dividends. The executor charged executor fees of $1,000 against such gross income. During the current taxable year, the estate made one distribution to one beneficiary, Paul, specifically, the estate distributed to Paul an automobile, which was valued at $20,000 when Rebecca died and which was valued at $22,000 when the estate made the distribution. The automobile was specifically devised to Paul by Rebecca. The amount of Rebecca’s estate’s taxable income for the current taxable year is as follows.
A. None/Zero
B. $42,400
C. $48,400
D. $49,000
E. None of the above

584. Mary died on January 1, of the current taxable year, owning 1,000 shares of Fun Corporation common shares. Mary paid a gross purchase price of $50,000 for the shares in December, of the last taxable year, and the shares had a value of $50,000 at Mary's death and $40,000 on July 1, of the current taxable year. The executor of Mary’s estate elected to value the assets in Mary’s estate at the date of death values, and on December 1, of the current taxable year, the executor of Mary’s estate sold the shares to Paul, for a gross sales price of $60,000, and the executor of Mary’s estate paid selling expenses of $1,000, which selling expenses were elected to be utilized in determining the gain or loss on the fiduciary income tax return (Form 1041), rather than being deducted on the estate tax return (IRS Form 706). Mary’s estate’s gross income is as follows.
A. None/Zero
B. $10,000
C. $9,000
D. $20,000
E. None of the above

585. Referring to Question 584, the executor of Mary’s estate elected to deduct the selling expenses on the estate tax return (IRS Form 706), rather than utilizing the selling expenses in determining the gain or loss on the fiduciary income tax return (Form 1041). Mary’s estate’s gross income is as follows.
A. None/Zero
B. $10,000
C. $9,000
D. $19,000
E. None of the above

586. Referring to Question 584, the executor of Mary’s estate elected to value the assets in Mary’s estate at the alternate valuation date. Mary’s estate’s gross income is as follows.
A. None/Zero
B. $19,000
C. $20,000
D. $9,000
E. None of the above

587. Mary died on January 1 of the current taxable year, owning 1,000 common shares of Starbuck Corporation. Mary paid a gross purchase price of $120,000 for the common shares in December, of the last taxable year, and the common shares had a value of $100,000 at Mary's death and $60,000 on July 1 of the current taxable year. The executor of Mary’s estate elected to use the date of death values for estate tax purposes, and on August 1 of the current taxable year, the executor sold the common shares to Paul, for a gross sales price of $80,000, and the executor paid selling expenses of $5,000, which selling expenses were elected to be utilized in determining the gain or loss on the fiduciary income tax return (Form 1041), rather than being deducted on the estate tax return (IRS Form 706). Mary’s estate’s long term capital loss for the current taxable year with respect to the sale of the common shares to Paul is as follows.
A. None/Zero
B. $45,000
C. $25,000  
D. $35,000  
E. None of the above

588. Referring to Question 587, the executor of Mary’s estate elected to deduct the selling expenses on the estate tax return (IRS Form 706), rather than utilizing the selling expenses in determining the gain or loss on the fiduciary income tax return (Form 1041). Mary’s estate’s long term capital loss for the current taxable year with respect to the sale of the common shares to Paul is as follows.
A. None/Zero  
B. $40,000  
C. $30,000  
D. $20,000  
E. None of the above

589. Referring to Question 587, the executor of Mary’s estate elected to use the alternate valuation dates. Mary’s estate’s long term capital gain for the current taxable year with respect to the sale of the common shares to Paul is as follows.
A. None/Zero  
B. $5,000  
C. $10,000  
D. $15,000  
E. None of the above

590. At John’s death, John and Peter owned some common stock jointly with rights of survivorship, which stock had been paid for by Peter (a total of $50,000), and recorded immediately, by Peter, in John’s and Peter's names four taxable years ago, with a value of $20,000 at John's death. The amount of Peter’s taxable gifts for four taxable years ago is as follows.
A. None/Zero  
B. $14,000  
C. $20,000  
D. $9,000  
E. None of the above

591. At John’s death, John and Peter owned some common stock jointly with rights of survivorship, which stock had been paid for by Peter (a total of $50,000), and recorded immediately, by Peter, in John's and Peter's names four taxable years ago, with a value of $20,000 at John's death. The amount includable in John’s gross estate is as follows.
A. None/Zero  
B. $20,000  
C. $40,000  
D. $50,000  
E. None of the above

592. At John’s death, John and Mary owned 100 shares of Tide Corp. common stock, as tenants in common (40% for Mary and 60% for John) when John died. Mary paid $5,000 for the stock, from Mary’s own funds, five taxable years ago, and Mary immediately put the title to the stock in John’s and Mary’s names. On July 1, of the current taxable year, Tide declared a dividend of $1 per share, payable on August 4, of the current taxable year, to shareholders of record on July 31, of the current taxable year. Tide stock "went X-dividend" on the Big Stock Exchange on July 25, of the current taxable year. John had died on July 2, of the current taxable year, when the value of the stock, per a quote on the stock exchange, was $10,000. The amount includable in John’s gross estate is as follows.
A. None/Zero  
B. $3,000  
C. $6,000  
D. $6,060  
E. None of the above
593. Referring to Question 592, The amount of income in respect of a decedent is as follows.
   A. None/Zero
   B. $6,000
   C. $3,000
   D. $6,060
   E. None of the above

594. Referring to Question 592, John died on July 28, of the current taxable year, when the value of the stock, per a quote on the stock exchange, was $6,000. The amount includable in John's gross estate is as follows.
   A. None/Zero
   B. $3,000
   C. $3,660
   D. $6,000
   E. None of the above

595. Referring to Question 594, the amount of income in respect of a decedent is as follows.
   A. None/Zero
   B. $60
   C. $3,000
   D. $3,660
   E. None of the above

596. Referring to Question 592, John died on August 3, of the current taxable year, at a time when the value of the stock, per a quote on the stock exchange, was $5,000. The amount includable in John's gross estate is as follows.
   A. None/Zero
   B. $3,060
   C. $5,000
   D. $5,060
   E. None of the above

597. Referring to Question 596, the amount of income in respect of a decedent is as follows.
   A. None/Zero
   B. $60
   C. $3,000
   D. $3,060
   E. None of the above

598. Prior to Mary’s death, Mary was the president and sole shareholder of a corporation, which Mary started ten taxable years ago. Mary died during the current taxable year. Five taxable years ago, Mary made a written agreement with one of the corporation’s employees, who was not related to Mary, which written agreement stated that, at Mary’s death, the employee could purchase the shares for $100,000 and that Mary’s estate had to sell the shares to the employee for $100,000. However, Mary had the right and power to sell the shares for a higher price (to the employee or to any other person) during Mary’s life. At the time when Mary made the agreement, the price was a fair one. Mary made this agreement with this employee, because Mary wanted to preserve the business as a going concern and because the employee was the best employee in the business and because the employee was capable of managing the business well (after Mary died). When Mary died, the shares had a fair market value of $500,000, without taking into account the purchase agreement, and Mary’s estate sold the shares to the employee for $100,000. With respect to the shares, Mary’s gross income is as follows.
   A. None/Zero
   B. $100,000
   C. $250,000
   D. $500,000
   E. None of the above
599. On January 1, of the current taxable year, the Nice Corporation declared a dividend which was payable to shareholders who owned Nice Corporation shares on February 1, of the current taxable year. The dividend was payable on April 1, of the current taxable year. Mary died on March 1, of the current taxable year, and the executor of Mary’s estate received the dividend of $2,000 on April 1, of the current taxable year. Mary’s gross income is as follows.
A. None/Zero
B. $1,000
C. $1,500
D. $2,000
E. None of the above

600. Referring to Question 599, Mary used the accrual method of accounting. The amount of gross income to Mary’s estate is as follows.
A. None/Zero
B. $1,000
C. $1,500
D. $2,000
E. None of the above

601. On January 1 of the current taxable year, Nice Corporation declared a dividend of cash which was payable to shareholders who owned Nice Corporation common stock on February 1 of the current taxable year. The dividend was payable on April 1 of the current taxable year. Mary died on January 15, of the current taxable year, and the executor of Mary’s estate received the dividend of $100 on April 1 of the current taxable year. The estate's ordinary gross income for the current taxable year with respect to the dividend is as follows.
A. None/Zero
B. $100
C. $50
D. Need more information
E. None of the above

602. Referring to Question 601, Mary used the accrual method of accounting. The estate's ordinary gross income for the current taxable year is as follows.
A. None/Zero
B. $100
C. $50
D. None of the above

603. John died on July 1 of the current taxable year. With respect to John's final taxable year, John had no gross income and John had a long term capital loss carryforward (from John's sales of securities in prior taxable years) of $50,000. During the first taxable year of John’s estate, the estate received gross income of $60,000 of long term capital gain (from the estate's sales of securities) and $40,000 of dividends. The John’s estate's total income tax deductions for the estate’s first taxable year is as follows.
A. None/Zero
B. $300
C. $600
D. $50,400
E. None of the above

604. John purchased a life insurance policy, five taxable years ago, on John's life, payable to Sue, and at John's death, the life insurance company paid Sue: $600,000 face amount of the life insurance policy; $100,000 of accumulated dividends; $5,000 of interest on the accumulated dividends to the date of John's death; $2,000 as a return of part of John's final premium; and, $2,000 of interest on the preceding four amounts from the date of John's death to the date of final payment. The amount of the face amount of the life insurance policy includable in John's gross estate is as follows.
A. None/Zero
605. Referring to Question 604, the amount of the face amount of the life insurance policy includable in John's Indiana gross inheritance is as follows.
A. None/Zero
B. $100,000
C. $300,000
D. $600,000
E. None of the above

606. Referring to Question 604, the amount of the accumulated dividends includable in John's gross estate is as follows.
A. None/Zero
B. $50,000
C. $75,000
D. $100,000
E. None of the above

607. Referring to Question 604, the amount of the accumulated dividends includable in John's Indiana gross inheritance is as follows.
A. None/Zero
B. $50,000
C. $75,000
D. $100,000
E. None of the above

608. Referring to Question 604, the amount of the interest on the accumulated dividends includable in John's gross estate is as follows.
A. None/Zero
B. $2,000
C. $5,000
D. $10,000
E. None of the above.

609. Referring to Question 604, the amount of the interest on the accumulated dividends includable in John's Indiana gross inheritance is as follows.
A. None/Zero
B. $1,000
C. $5,000
D. $10,000
E. None of the above

610. During April of the current taxable year, Mary died as an employee of Superman Corporation, which had established a qualified retirement plan for Mary. The beneficiary of Mary's corporate qualified retirement plan was John and John was entitled to receive a lump sum distribution under the retirement plan of $300,000 or to rollover the amount (of $300,000). The fund consisted of $200,000 of Superman Corporation contributions and $100,000 of earnings thereon. After John was notified with respect to the amount of the distribution and John’s rights with respect to the distribution, John promptly established a basic individual retirement account in John's name and told the trustee of Mary’s retirement fund to distribute the funds to the trustee of John's basic individual retirement account, which the trustee did. John did not have any other retirement plan during the current taxable year. John's gross income for the current taxable year is as follows.
A. None/Zero
B. $100,000
C. $200,000
D. $300,000
E. None of the above

611. During April of the current taxable year, Beverly died. The beneficiary of Beverly's corporate qualified retirement plan was Rebecca and Rebecca was entitled to receive a lump sum distribution under the retirement plan of $300,000. Beverly did not make any contribution to the retirement plan trust, only Arrow Corporation did. At Beverly’s death, the fund consisted of $100,000 of employer contributions and $200,000 of earnings thereon. Rebecca, who had no other income during the current taxable year and who had no prior retirement fund promptly established a basic individual retirement account in Rebecca's name, but Rebecca did not make a contribution to the basic individual retirement account at that time and Rebecca told the bank, who was the trustee of Beverly’s corporate retirement plan, to distribute the funds to the bank as trustee of Rebecca's basic individual retirement account, which the bank did. Rebecca made no other election with respect to the distribution. Rebecca's gross income for the current taxable year is as follows.
A. None/Zero
B. $300,000
C. $500,000
D. $800,000
E. None of the above

612. Referring to Question 611, the amount of Beverly's taxable gifts in the year in which Beverly designated Rebecca as the beneficiary is as follows.
A. None/Zero
B. $300,000
C. $500,000
D. $800,000
E. None of the above

613. Referring to Question 611, the amount which Beverly's estate must include in Beverly's gross estate is as follows.
A. None/Zero
B. $300,000
C. $500,000
D. $800,000
E. None of the above

614. During the current taxable year, John established a revocable trust and transferred all of John's assets to the trustee and the trustee was required to distribute all of the trust’s net book income, including ordinary income and capital gains to Peter. During the current taxable year, the trustee had dividends of $20,000 and long term capital gain gross income of $20,000, deductible long term capital loss of $1,000 and the trustee, Indiana Bank, was paid a trustee fee of $2,000. Therefore, the trustee distributed $37,000 to Peter. John’s gross income for the current taxable year is as follows.
A. None/Zero
B. $37,000
C. $39,000
D. $40,000
E. None of the above

615. During the current taxable year, John was a beneficiary of an irrevocable trust which was established by John's father several taxable years ago, and during the current taxable year the trust had the following financial information. All of the gains and losses from the sales of assets were attributable to the principal of the trust. All of the other receipts and expenses were attributable to the net income of the trust. The trustee was required to distribute to John, for each taxable year, including, but not limited to, the current taxable year, the specific amount of $50,000 from the trust's net book income (and from the trust's principal if the trust's net book income was not sufficient for such distribution)
and the trustee was required to accumulate the remaining book income, along with the gains and losses from the sales of assets. Upon John's death, all of the remaining funds in the trust were to be distributed to Susan.

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividends received</td>
<td>20,000</td>
</tr>
<tr>
<td>Interest received on savings accounts</td>
<td>20,000</td>
</tr>
<tr>
<td>Capital gains</td>
<td>20,000</td>
</tr>
<tr>
<td>Capital losses</td>
<td>8,000</td>
</tr>
<tr>
<td>Administrative expenses attributable to book income</td>
<td>8,000</td>
</tr>
</tbody>
</table>

John's gross income for the current taxable year is as follows.

A. None/Zero
B. $20,000
C. $50,000
D. $60,000
E. None of the above

616. During the prior taxable year, John was a beneficiary of an irrevocable trust which was established by John's father several taxable years ago, and during the current taxable year the trust had the following financial information. All of the gains and losses from the sales of assets were attributable to the principal of the trust. All of the other receipts and expenses were attributable to the income of the trust. The trustee was required to distribute to John, each year, all of the trust's net book income, during John's life, which the trustee did, and then, to distribute the remaining funds to Mary.

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dividends received</td>
<td>10,000</td>
</tr>
<tr>
<td>Interest received on savings accounts</td>
<td>10,000</td>
</tr>
<tr>
<td>Capital gains</td>
<td>10,000</td>
</tr>
<tr>
<td>Capital losses</td>
<td>1,000</td>
</tr>
<tr>
<td>Administrative expenses attributable to book income</td>
<td>1,000</td>
</tr>
</tbody>
</table>

John's gross income for the current taxable year is as follows.

A. None/Zero
B. $19,000
C. $28,000
D. $18,000
E. None of the above

617. Referring to Question 616, the trustee’s taxable income for the current taxable year is as follows.

A. None/Zero
B. $8,700
C. $9,000
D. $10,000
E. None of the above

618. Referring to Question 616, John was not entitled to all of the trust’s net book income but John had the power to require the trustee to distribute any amount of net income, up to $5,000, to John for John’s health and during the current taxable year John exercised the power in order to withdraw $5,000 due to John’s medical expenses. John’s gross income for the current taxable is as follows.

A. None/Zero
619. During John’s life, John established a trust through an irrevocable trust under a trust agreement required the trustee to distribute all of the trust’s net book income to Peter during Peter’s life and which granted the remainder of the trust funds to Sue at the death of Peter. John transferred cash and securities to the trustee. Under the trust agreement, all of the capital gains and losses of the trust were attributable to the principal of the trust and all of the other receipts and expenses were attributable to the income of the trust. During the current taxable year, the trustee determined the following information about the last taxable year.

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Taxable interest</td>
<td>100,000</td>
</tr>
<tr>
<td>Dividends</td>
<td>100,000</td>
</tr>
<tr>
<td>Rent</td>
<td>100,000</td>
</tr>
<tr>
<td>Capital gains</td>
<td>100,000</td>
</tr>
<tr>
<td>Expenses attributable to rent (including depreciation)</td>
<td>10,000</td>
</tr>
<tr>
<td>Administration expenses attributable to income</td>
<td>10,000</td>
</tr>
<tr>
<td>Administration expenses attributable to principal</td>
<td>10,000</td>
</tr>
<tr>
<td>Capital losses attributable to principal</td>
<td>10,000</td>
</tr>
</tbody>
</table>

The trust’s taxable income for the last taxable year is as follows.
A. None/Zero
B. $79,700
C. $89,700
D. $89,900
E. None of the above

620. Referring to Question 619, the amount which the trust was required to distribute to Peter for the last taxable year is as follows.
A. $300,000
B. $290,000
C. $280,000
D. $270,000
E. None of the above

621. Referring to Question 619, the amount of rent which Peter was required to include in Peter’s gross income for the last taxable year is as follows.
A. $100,000
B. $90,000
C. $80,000
D. $70,000
E. None of the above

622. Referring to Question 619, the trustee distributed to Peter the net book income and, in addition, $50,000 of principal of the trust. Peter’s gross income for the last taxable year is as follows.
A. $350,000
B. $340,000
C. $330,000
D. $320,000
E. None of the above
623. Referring to Question 619, the trustee was not required to distribute any amount to Peter for the last taxable year. Nevertheless, the trustee, by exercising a discretionary power, distributed $300,000 to Peter during the last taxable year. The trustee’s taxable income for the last taxable year is as follows.
A. None/Zero
B. $79,700
C. $89,700
D. $89,900
E. None of the above

624. Referring to Question 619, the trustee was not required to distribute any amount to Peter for the last taxable year. Nevertheless, the trustee, by exercising a discretionary power, distributed $100,000 to Peter during the last taxable year. The trustee’s taxable income for the last taxable year is as follows.
A. None/Zero
B. $259,900
C. $320,700
D. $260,700
E. None of the above

625. Referring to Question 619, the trustee was not required to distribute any amount to Peter for the last taxable year. Nevertheless, the trustee, by exercising a discretionary power, distributed $100,000 to Peter during the last taxable year. The amount of interest which Peter was required to include in Peter’s gross income for the last taxable year is as follows.
A. None/Zero
B. $33,333
C. $37,037
D. $29,630
E. None of the above

626. During the current taxable year, John established a revocable trust and transferred some of John's assets to Beverly, who was the sole trustee of the trust. Under the terms of the trust, the trustee was required to distribute all of the trust’s net book income, including, ordinary income and capital gains to Rebecca for Rebecca's life, and the remainder to grandchildren, of which Beverly had two. During the current taxable year, Beverly received, as trustee, gross income of dividends of $20,000 and of long term capital gain of $20,000, and Beverly paid Beverly a trustee a fee of $1,000. Therefore, Beverly distributed $39,000 to Rebecca. Rebecca's gross income is as follows.
A. None/Zero
B. $38,700
C. $39,000
D. $40,000
E. None of the above

627. The last taxable year, Mary established an irrevocable trust and Peter was the sole trustee. The trust agreement provided that the trustee had the the right and power to distribute (or not) any amount of the trust's principal or net income to or on behalf of Sue, for the health, education, maintenance, and support of the minor child. During the current taxable year, the trustee distributed none of the trust's net book income of $18,000 (which net book income consisted of $10,000 of dividends and $10,000 of interest, all of which was gross income, minus trustee fees of $2,000) for the minor child's health. The income tax rate which is applicable to any taxable income the trust is 30%. The amount of the trust's income tax for the current taxable year is as follows.
A. None/Zero
B. $5,400
C. $6,500
D. $6,667
E. None of the above
628. In Paul's last will and testament, Paul devised $100,000 to the Needy Children's Fund, Inc. on the condition that the organization was qualified under section 501(c)(3) at the time when Paul died, which the organization was. The amount of Paul's estate tax charitable deduction is as follows.
A. None/Zero
B. $100,000
C. $50,000
D. Need more information
E. None of the above

629. Four taxable years ago, Mary's father established an irrevocable trust, during Mary’s father’s life, for the primary benefit of Mary, with the remainder interest given to Mary's children. Mary’s father transferred $1,000,000 to the trust as principal of the trust. The trustee was required to distribute all of the trust’s current net book income to Mary each year. The trustee did not establish a reserve for depreciation, but the trustee computed a depreciation deduction, for income tax purposes, in the amount of $5,000. All of the trustee's capital gains and losses were (and are) assigned to the trust's principal, and all of the trustee's other receipts and expenditures were (and are) assigned to the trust's book net income, except as otherwise stated below. During the current taxable year, the trust had the following receipts and expenditures.

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Taxable interest</td>
<td>100,000</td>
</tr>
<tr>
<td>Dividends</td>
<td>100,000</td>
</tr>
<tr>
<td>Rent</td>
<td>100,000</td>
</tr>
<tr>
<td>Capital gains</td>
<td>100,000</td>
</tr>
<tr>
<td>Expenses attributable to rent (including depreciation)</td>
<td>10,000</td>
</tr>
<tr>
<td>Administration expenses attributable to income</td>
<td>10,000</td>
</tr>
<tr>
<td>Administration expenses attributable to principal</td>
<td>10,000</td>
</tr>
<tr>
<td>Capital losses attributable to principal</td>
<td>10,000</td>
</tr>
<tr>
<td>Charitable contribution required to be made each year from the current book income</td>
<td>10,000</td>
</tr>
<tr>
<td>Federal income tax on the last taxable year's capital gains, which income tax was assigned to principal (to which the last taxable year's capital gains had been assigned) by the trustee</td>
<td>10,000</td>
</tr>
<tr>
<td>Indiana income tax on the last taxable year's capital gains, which income tax was assigned to principal (to which the last taxable year's capital gains had been assigned) by the trustee</td>
<td>10,000</td>
</tr>
<tr>
<td>Distribution to Peter</td>
<td>50,000</td>
</tr>
</tbody>
</table>

The amount of funds which are required to be distributed (or which were distributed) to Mary for the current taxable year is as follows.
A. None/Zero
B. $190,000
C. $195,000
D. $270,000
E. None of the above

630. Referring to Question 629, the amount of the trust’s taxable income before the distribution deduction for the current taxable year is as follows.
A. None/Zero
B. $323,100
C. $339,700
D. $400,000
E. None of the above
631. Referring to Question 629, the amount of the trust’s distributable net income for the current taxable year is as follows.
   A. None/Zero
   B. $150,000
   C. $250,000
   D. $270,000
   E. None of the above

632. Referring to Question 629, the amount of the trust’s taxable income for the current taxable year is as follows.
   A. None/Zero
   B. $60,300
   C. $89,700
   D. $90,100
   E. None of the above

633. Referring to Question 629, the amount of Mary’s gross income for the current taxable year is as follows.
   A. None/Zero
   B. $250,000
   C. $260,000
   D. $270,000
   E. None of the above

634. Alan died on July 1 of the current taxable year and the executor of Alan's estate assembled the following information about Alan’s final taxable year: Alan had earned and received $15,000 of fees and Alan had earned, but not actually or constructively received by Alan, fees of $10,000. The executor assembled the following information about the estate’s first taxable year: received Alan’s fees of $10,000 and received dividends of $15,000 not actually or constructively received or accrued by Alan. Alan's gross income for the current taxable year is as follows.
   A. None/Zero
   B. $10,000
   C. $15,000
   D. $25,000
   E. None of the above

635. Referring to Question 634, the estate’s gross income for the estate’s first taxable year is as follows.
   A. None/Zero
   B. $25,000
   C. $10,000
   D. $15,000
   E. None of the above

636. Referring to Question 634, the estate was not required to distribute any net income to any beneficiary during the estate’s first taxable year and the estate did not make any such distribution. The estate’s taxable income for the estate’s first taxable year is as follows.
   A. None/Zero
   B. $14,700
   C. $24,400
   D. $9,700
   E. None of the above

637. Referring to Question 634, the executor was required to distribute to Paul $5,000 of the estate’s principal during the estate’s first taxable year, which the estate did. The estate’s taxable income for the estate’s first taxable year is as follows.
   A. None/Zero
   B. $24,400
638. During the last taxable year, Rebecca died. During the current taxable year, the estate had book income (which was also gross income) in the amount of $50,000 from the receipt of dividends. The executor charged executor fees of $1,000 against such gross income. During the current taxable year, the estate made one distribution to one beneficiary, Paul, specifically, the estate distributed to Paul an automobile, which was valued at $20,000 when Rebecca died and which was valued at $22,000 when the estate made the distribution. The automobile was specifically devised to Paul by Rebecca. The amount of Rebecca's estate's taxable income for the current taxable year is as follows.
A. None/Zero
B. $49,000
C. $42,400
D. $48,400
E. None of the above

639. Referring to Question 638, the amount of Paul's gross income for the current taxable year is as follows.
A. None/Zero
B. $1,000
C. $6,000
D. $7,000
E. None of the above

640. During the last taxable year, Rebecca died. During the current taxable year, the estate had book income (which was also gross income) in the amount of $50,000 from the receipt of dividends. The executor charged executor fees of $1,000 against such gross income. During the current taxable year, the estate made one distribution to one beneficiary, Paul, specifically, the estate distributed to Paul an automobile, which was valued at $20,000 when Rebecca died and which was valued at $22,000 when the estate made the distribution. The automobile was specifically devised to Paul by Rebecca. The amount of Rebecca’s estate’s taxable income for the current taxable year is as follows.
A. None/Zero
B. $42,400
C. $48,400
D. $49,000
E. None of the above

641. Mary died on January 1, of the current taxable year, owning 1,000 shares of Fun Corporation common shares. Mary paid a gross purchase price of $50,000 for the shares in December, of the last taxable year, and the shares had a value of $50,000 at Mary's death and $40,000 on July 1, of the current taxable year. The executor of Mary’s estate elected to value the assets in Mary’s estate at the date of death values, and on December 1, of the current taxable year, the executor of Mary’s estate sold the shares to Paul, for a gross sales price of $60,000, and the executor of Mary’s estate paid selling expenses of $1,000, which selling expenses were elected to be utilized in determining the gain or loss on the fiduciary income tax return (Form 1041), rather than being deducted on the estate tax return (Form 706). The amount of gross income to Mary’s estate is as follows.
A. None/Zero
B. $10,000
C. $9,000
D. $20,000
E. None of the above

642. Referring to Question 641, the executor of Mary’s estate elected to deduct the selling expenses on the estate tax return (Form 706), rather than utilizing the selling expenses in determining the gain or loss on the fiduciary income tax return (Form 1041). The amount of gross income to Mary’s estate is as follows.
643. Referring to Question 641, the executor of Mary’s estate elected to value the assets in Mary’s estate at the alternate valuation date. The amount of gross income to Mary’s estate is as follows.
A. None/Zero
B. $10,000
C. $9,000
D. $19,000
E. None of the above

644. Mary died on January 1 of the current taxable year, owning 1,000 common shares of Starbuck Corporation. Mary paid a gross purchase price of $120,000 for the common shares in December, of the last taxable year, and the common shares had a value of $100,000 at Mary's death and $60,000 on July 1 of the current taxable year. The executor of Mary’s estate elected to use the date of death values for estate tax purposes, and on August 1 of the current taxable year, the executor sold the common shares to Paul, for a gross sales price of $80,000, and the executor paid selling expenses of $5,000, which selling expenses were elected to be utilized in determining the gain or loss on the fiduciary income tax return (Form 1041), rather than being deducted on the estate tax return (Form 706). The estate’s long term capital loss for the current taxable year with respect to the sale of the common shares to Paul is as follows.
A. None/Zero
B. $45,000
C. $25,000
D. $35,000
E. None of the above

645. Referring to Question 644, the executor of Mary’s estate elected to deduct the selling expenses on the estate tax return (Form 706), rather than utilizing the selling expenses in determining the gain or loss on the fiduciary income tax return (Form 1041). The estate’s long term capital loss for the current taxable year with respect to the sale of the common shares to Paul is as follows.
A. None/Zero
B. $40,000
C. $30,000
D. $20,000
E. None of the above

646. Referring to Question 644, the executor of Mary’s estate elected to use the alternate valuation dates. The estate’s long term capital gain for the current taxable year with respect to the sale of the common shares to Paul is as follows.
A. None/Zero
B. $5,000
C. $10,000
D. $15,000
E. None of the above

647. Mary died on January 1 of the current taxable year, owning 1,000 common shares of Starbuck Corporation. Mary paid $80,000 for the common shares in December, of the last taxable year, and the common shares had a value of $20,000 at Mary's death and $42,000 on July 1 of the current taxable year. The executor of Mary’s estate elected to use the date of death values for estate tax purposes. Mary's last will and testament devised $40,000 of cash to Paul, and on May 1 of the current taxable year, when the value of the common shares was $40,000, the executor transferred the common shares to Paul, through an agreement under which Paul took the common shares in lieu of the cash devise. Mary’s estate’s short term capital gain for the current taxable year with respect to the transfer of the common shares to Paul is as follows.
648. At John's death, John and Peter owned some common stock jointly with rights of survivorship, which stock had been paid for by Peter (a total of $50,000), and recorded immediately, by Peter, in John's and Peter's names four taxable years ago, with a value of $20,000 at John's death. The amount of Peter’s taxable gifts for four taxable years ago is as follows.
A. None/Zero  
B. $14,000  
C. $20,000  
D. $9,000  
E. None of the above

649. At John's death, John and Peter owned some common stock jointly with rights of survivorship, which stock had been paid for by Peter (a total of $50,000), and recorded immediately, by Peter, in John's and Peter's names four taxable years ago, with a value of $20,000 at John's death. The amount includable in John’s gross estate is as follows.
A. None/Zero  
B. $20,000  
C. $40,000  
D. $50,000  
E. None of the above

650. At John’s death, John and Mary owned 100 shares of Tide Corp. common stock, as tenants in common (40% for Mary and 60% for John) when John died. Mary paid $5,000 for the stock, from Mary's own funds, five taxable years ago, and Mary immediately put the title to the stock in John's and Mary's names. On July 1, of the current taxable year, Tide declared a dividend of $1 per share, payable on August 4, of the current taxable year, to shareholders of record on July 31, of the current taxable year. Tide stock "went X-dividend" on the Big Stock Exchange on July 25, of the current taxable year. John had died on July 2, of the current taxable year, when the value of the stock, per a quote on the stock exchange, was $10,000. The amount includable in John's gross estate is as follows.
A. None/Zero  
B. $3,000  
C. $6,000  
D. $6,060  
E. None of the above

651. Referring to Question 650, the amount of income in respect of a decedent is as follows.
A. None/Zero  
B. $6,000  
C. $3,000  
D. $6,060  
E. None of the above

652. Referring to Question 650, John died on July 28, of the current taxable year, when the value of the stock, per a quote on the stock exchange, was $6,000. The amount includable in John's gross estate is as follows.
A. None/Zero  
B. $3,000  
C. $3,660  
D. $6,000  
E. None of the above

653. Referring to Question 652, the amount of income in respect of a decedent is as follows.
654. Referring to Question 650, John died on August 3, of the current taxable year, at a time when the value of the stock, per a quote on the stock exchange, was $5,000. The amount includable in John's gross estate is as follows.
A. None/Zero
B. $3,060
C. $5,000
D. $5,060
E. None of the above

655. Referring to Question 654, the amount of income in respect of a decedent is as follows.
A. None/Zero
B. $60
C. $3,000
D. $3,060
E. None of the above

656. On January 1, of the current taxable year, the Nice Corporation declared a dividend which was payable to shareholders who owned Nice Corporation shares on February 1, of the current taxable year. The dividend was payable on April 1, of the current taxable year. Mary died on January 15, of the current taxable year, and the executor of Mary’s estate received the dividend of $2,000 on April 1, of the current taxable year. The amount of gross income to Mary is as follows.
A. None/Zero
B. $1,000
C. $1,500
D. $2,000
E. None of the above

657. Referring to Question 656, Mary used the accrual method of accounting. The amount of gross income to Mary’s estate is as follows.
A. None/Zero
B. $1,000
C. $1,500
D. $2,000
E. None of the above

658. On January 1 of the current taxable year, Nice Corporation declared a dividend of cash which was payable to shareholders who owned Nice Corporation common stock on February 1 of the current taxable year. The dividend was payable on April 1 of the current taxable year. Mary died on January 15, of the current taxable year, and the executor of Mary’s estate received the dividend of $100 on April 1 of the current taxable year. The estate's ordinary gross income for the current taxable year with respect to the dividend is as follows.
A. None/Zero
B. $100
C. $50
D. Need more information
E. None of the above

659. Referring to Question 658, Mary used the accrual method of accounting. The estate's ordinary gross income for the current taxable year is as follows.
A. None/Zero
660. John died on July 1 of the current taxable year. With respect to John's final taxable year, John had no gross income and John had a long term capital loss carryforward (from John's sales of securities in prior taxable years) of $50,000. During the first taxable year of John's estate, the estate received gross income of $60,000 of long term capital gain (from the estate's sales of securities) and $40,000 of dividends. The estate's total income tax deductions for the estate's first taxable year is as follows.

A. None/Zero
B. $300
C. $600
D. $50,400
E. None of the above

661. John purchased a life insurance policy, five taxable years ago, on John's life, payable to Sue, and at John's death, the life insurance company paid Sue: $600,000 face amount of the life insurance policy; $100,000 of accumulated dividends; $5,000 of interest on the accumulated dividends to the date of John's death; $2,000 as a return of part of John's final premium; and, $2,000 of interest on the preceding four amounts from the date of John's death to the date of final payment. The amount of the face amount of the life insurance policy includable in John's gross estate is as follows.

A. None/Zero
B. $100,000
C. $300,000
D. $600,000
E. None of the above

662. Referring to Question 661, the amount of the accumulated dividends includable in John's gross estate is as follows.

A. None/Zero
B. $50,000
C. $75,000
D. $100,000
E. None of the above

663. Referring to Question 661, the amount of the accumulated dividends includable in John's Indiana gross inheritance is as follows.

A. None/Zero
B. $50,000
C. $75,000
D. $100,000
E. None of the above

664. Referring to Question 661, the amount of the interest on the accumulated dividends includable in John's gross estate is as follows.

A. None/Zero
B. $2,000
C. $5,000
D. $10,000
E. None of the above.

665. Referring to Question 661, the amount of the interest on the accumulated dividends includable in John's Indiana gross inheritance is as follows.

A. None/Zero
B. $1,000
666. At John's death, John was the beneficiary of a corporate qualified retirement plan which John’s employer had established and to which the employer was the only contributor. The retirement trust was payable to John, when John retired, but any funds which had not been paid to John at John death, were payable to Mary, if Mary survived John, and if not, then in equal shares to John's children. John’s employer had contributed $30,000 of income tax deductible contributions to the retirement plan trust, the earnings in the retirement trust totaled was $20,000, and at John’s death, the retirement trust had a value of $50,000, and John had not received any distribution from the retirement fund. After John died, Mary promptly contributed the $50,000, which Mary received from the retirement trust, to a basic individual retirement account which Mary established for Mary. The amount includable in John's gross estate is as follows.
A. None/Zero
B. $20,000
C. $30,000
D. $50,000
E. None of the above

667. During April of the current taxable year, Mary died as an employee of Superman Corporation, which had established a qualified retirement plan for Mary. The beneficiary of Mary's corporate qualified retirement plan was John and John was entitled to receive a lump sum distribution under the retirement plan of $300,000 or to rollover the amount (of $300,000). The fund consisted of $200,000 of Superman Corporation contributions and $100,000 of earnings thereon. After John was notified with respect to the amount of the distribution and John’s rights with respect to the distribution, John promptly established a basic individual retirement account in John's name and told the trustee of Mary’s retirement fund to distribute the funds to the trustee of John's basic individual retirement account, which the trustee did. John did not have any other retirement plan during the current taxable year. John's gross income for the current taxable year is as follows.
A. None/Zero
B. $100,000
C. $200,000
D. $300,000
E. None of the above

668. During April of the current taxable year, Beverly died. The beneficiary of Beverly's corporate qualified retirement plan was Rebecca and Rebecca was entitled to receive a lump sum distribution under the retirement plan of $300,000. Beverly did not make any contribution to the retirement plan trust, only Arrow Corporation did. At Beverly’s death, the fund consisted of $100,000 of employer contributions and $200,000 of earnings thereon. Rebecca, who had no other income during the current taxable year and who had no prior retirement fund promptly established a basic individual retirement account in Rebecca's name, but Rebecca did not make a contribution to the basic individual retirement account at that time and Rebecca told the bank, who was the trustee of Beverly’s corporate retirement plan, to distribute the funds to the bank as trustee of Rebecca's basic individual retirement account, which the bank did. Rebecca made no other election with respect to the distribution. Rebecca's gross income for the current taxable year is as follows.
A. None/Zero
B. $300,000
C. $500,000
D. $800,000
E. None of the above

669. Referring to Question 668, the amount of Beverly's taxable gifts in the year in which Beverly designated Rebecca as the beneficiary is as follows.
A. None/Zero
B. $300,000
670. Referring to Question 668, the amount which Beverly's estate must include in Beverly's gross estate is as follows.
A. None/Zero
B. $300,000
C. $500,000
D. $800,000
E. None of the above

671. During the current taxable year, John established a revocable trust and transferred all of John's assets to the trustee and the trustee was required to distribute all of the trust's net book income, including ordinary income and capital gains to Peter. During the current taxable year, the trustee had dividends of $20,000 and long term capital gain gross income of $20,000, deductible long term capital loss of $1,000 and the trustee, Indiana Bank, was paid a trustee fee of $2,000. Therefore, the trustee distributed $37,000 to Peter. John's gross income for the current taxable year is as follows.
A. None/Zero
B. $37,000
C. $39,000
D. $40,000
E. None of the above

672. During the current taxable year, John established a revocable trust and transferred some of John's assets to Beverly, who was the sole trustee of the trust. Under the terms of the trust, the trustee was required to distribute all of the trust's net book income, including ordinary income and capital gains to Rebecca for Rebecca's life, and the remainder to grandchildren, of which Beverly had two. During the current taxable year, Beverly received, as trustee, gross income of dividends of $20,000 and of long term capital gain of $20,000, and Beverly paid Beverly a trustee a fee of $1,000. Therefore, Beverly distributed $39,000 to Rebecca. Rebecca's gross income is as follows.
A. None/Zero
B. $38,700
C. $39,000
D. $40,000
E. None of the above

673. The last taxable year, Mary established an irrevocable trust and Peter was the sole trustee. The trust agreement provided that the trustee had the right and power to distribute (or not) any amount of the trust's principal or net income to or on behalf of Sue, for the health, education, maintenance, and support of the minor child. During the current taxable year, the trustee distributed none of the trust's net book income of $18,000 (which net book income consisted of $10,000 of dividends and $10,000 of interest, all of which was gross income, minus trustee fees of $2,000) for the minor child's health. The income tax rate which is applicable to any taxable income the trust is 30%. The amount of the trust's income tax for the current taxable year is as follows.
A. None/Zero
B. $5,400
C. $6,500
D. $6,667
E. None of the above

674. In Paul's last will and testament, Paul devised $100,000 to the Needy Children's Fund, Inc. on the condition that the organization was qualified under section 501(c)(3) at the time when Paul died, which the organization was. The amount of Paul's estate tax charitable deduction is as follows.
A. None/Zero
B. $100,000
C. $50,000
675. Alan died on July 1 of the current taxable year and the executor of Alan's estate assembled the following information about Alan's final taxable year: Alan had earned and received $15,000 of fees and Alan had earned, but not actually or constructively received by Alan, fees of $10,000. The executor assembled the following information about the estate's first taxable year: received Alan's fees of $10,000 and received dividends of $15,000 not actually or constructively received or accrued by Alan. Alan's gross income for the current taxable year is as follows.
   A. None/Zero
   B. $10,000
   C. $15,000
   D. $25,000
   E. None of the above

676. Referring to Question 675, the estate's gross income for the estate's first taxable year is as follows.
   A. None/Zero
   B. $25,000
   C. $10,000
   D. $15,000
   E. None of the above

677. Referring to Question 675, the estate was not required to distribute any net income to any beneficiary during the estate's first taxable year and the estate did not make any such distribution. The estate's taxable income for the estate's first taxable year is as follows.
   A. None/Zero
   B. $14,700
   C. $24,400
   D. $9,700
   E. None of the above

678. During the last taxable year, Rebecca died. During the current taxable year, the estate had book income (which was also gross income) in the amount of $50,000 from the receipt of dividends. The executor charged executor fees of $1,000 against such gross income. During the current taxable year, the estate made one distribution to one beneficiary, Paul, specifically, the estate distributed to Paul an automobile, which was valued at $20,000 when Rebecca died and which was valued at $22,000 when the estate made the distribution. The automobile was specifically devised to Paul by Rebecca. The amount of Rebecca's estate's taxable income for the current taxable year is as follows.
   A. None/Zero
   B. $49,000
   C. $42,400
   D. $48,400
   E. None of the above

679. During the last taxable year, Rebecca died. During the current taxable year, the estate had book income (which was also gross income) in the amount of $50,000 from the receipt of dividends. The executor charged executor fees of $1,000 against such gross income. During the current taxable year, the estate made one distribution to one beneficiary, Paul, specifically, the estate distributed to Paul an automobile, which was valued at $20,000 when Rebecca died and which was valued at $22,000 when the estate made the distribution. The automobile was specifically devised to Paul by Rebecca. The amount of Rebecca’s estate’s taxable income for the current taxable year is as follows.
   A. None/Zero
   B. $42,400
   C. $48,400
   D. $49,000
E. None of the above

680. Mary died on January 1, of the current taxable year, owning 1,000 shares of Fun Corporation common shares. Mary paid a gross purchase price of $50,000 for the shares in December, of the last taxable year, and the shares had a value of $50,000 at Mary's death and $40,000 on July 1, of the current taxable year. The executor of Mary’s estate elected to value the assets in Mary’s estate at the date of death values, and on December 1, of the current taxable year, the executor of Mary’s estate sold the shares to Paul, for a gross sales price of $60,000, and the executor of Mary’s estate paid selling expenses of $1,000, which selling expenses were elected to be utilized in determining the gain or loss on the fiduciary income tax return (Form 1041), rather than being deducted on the estate tax return (Form 706). The amount of gross income to Mary’s estate is as follows.
A. None/Zero
B. $10,000
C. $9,000
D. $20,000
E. None of the above

681. Referring to Question 680, the executor of Mary’s estate elected to deduct the selling expenses on the estate tax return (Form 706), rather than utilizing the selling expenses in determining the gain or loss on the fiduciary income tax return (Form 1041). The amount of gross income to Mary’s estate is as follows.
A. None/Zero
B. $10,000
C. $9,000
D. $19,000
E. None of the above

682. Referring to Question 680, the executor of Mary’s estate elected to value the assets in Mary’s estate at the alternate valuation date. The amount of gross income to Mary’s estate is as follows.
A. None/Zero
B. $19,000
C. $20,000
D. $9,000
E. None of the above

683. Mary died on January 1 of the current taxable year, owning 1,000 common shares of Starbuck Corporation. Mary paid a gross purchase price of $120,000 for the common shares in December, of the last taxable year, and the common shares had a value of $100,000 at Mary's death and $60,000 on July 1 of the current taxable year. The executor of Mary’s estate elected to use the date of death values for estate tax purposes, and on August 1 of the current taxable year, the executor sold the common shares to Paul, for a gross sales price of $80,000, and the executor paid selling expenses of $5,000, which selling expenses were elected to be utilized in determining the gain or loss on the fiduciary income tax return (Form 1041), rather than being deducted on the estate tax return (Form 706). The estate’s long term capital loss for the current taxable year with respect to the sale of the common shares to Paul is as follows.
A. None/Zero
B. $45,000
C. $25,000
D. $35,000
E. None of the above

684. Referring to Question 683, the executor of Mary’s estate elected to deduct the selling expenses on the estate tax return (Form 706), rather than utilizing the selling expenses in determining the gain or loss on the fiduciary income tax return (Form 1041). The estate’s long term capital loss for the current taxable year with respect to the sale of the common shares to Paul is as follows.
A. None/Zero
B. $40,000
C. $30,000
685. Referring to Question 683, the executor of Mary’s estate elected to use the alternate valuation dates. The estate’s long term capital gain for the current taxable year with respect to the sale of the common shares to Paul is as follows.
   A. None/Zero
   B. $5,000
   C. $10,000
   D. $15,000
   E. None of the above

686. Mary died on January 1 of the current taxable year, owning 1,000 common shares of Starbuck Corporation. Mary paid $80,000 for the common shares in December, of the last taxable year, and the common shares had a value of $20,000 at Mary's death and $42,000 on July 1 of the current taxable year. The executor of Mary’s estate elected to use the date of death values for estate tax purposes. Mary’s last will and testament devised $40,000 of cash to Paul, and on May 1 of the current taxable year, when the value of the common shares was $40,000, the executor transferred the common shares to Paul, through an agreement under which Paul took the common shares in lieu of the cash devise. Mary’s estate’s short term capital gain for the current taxable year with respect to the transfer of the common shares to Paul is as follows.
   A. None/Zero
   B. $2,000
   C. $10,000
   D. $20,000
   E. None of the above

687. At John's death, John and Peter owned some common stock jointly with rights of survivorship, which stock had been paid for by Peter (a total of $50,000), and recorded immediately, by Peter, in John's and Peter's names four taxable years ago, with a value of $20,000 at John's death. The amount of Peter’s taxable gifts for four taxable years ago is as follows.
   A. None/Zero
   B. $14,000
   C. $20,000
   D. $9,000
   E. None of the above

688. At John's death, John and Peter owned some common stock jointly with rights of survivorship, which stock had been paid for by Peter (a total of $50,000), and recorded immediately, by Peter, in John's and Peter's names four taxable years ago, with a value of $20,000 at John's death. The amount includable in John’s gross estate is as follows.
   A. None/Zero
   B. $20,000
   C. $40,000
   D. $50,000
   E. None of the above

689. At John’s death, John and Mary owned 100 shares of Tide Corp. common stock, as tenants in common (40% for Mary and 60% for John) when John died. Mary paid $5,000 for the stock, from Mary's own funds, five taxable years ago, and Mary immediately put the title to the stock in John's and Mary's names. On July 1, of the current taxable year, Tide declared a dividend of $1 per share, payable on August 4, of the current taxable year, to shareholders of record on July 31, of the current taxable year. Tide stock "went X-dividend" on the Big Stock Exchange on July 25, of the current taxable year. John had died on July 2, of the current taxable year, when the value of the stock, per a quote on the stock exchange, was $10,000. The amount includable in John's gross estate is as follows.
   A. None/Zero
   B. $3,000
   C. $6,000
690. Referring to Question 689, the amount of income in respect of a decedent is as follows.
   A. None/Zero
   B. $6,000
   C. $3,000
   D. $6,060
   E. None of the above

691. Referring to Question 689, John died on July 28, of the current taxable year, when the value of the stock, per a quote on the stock exchange, was $6,000. The amount includable in John's gross estate is as follows.
   A. None/Zero
   B. $3,000
   C. $3,660
   D. $6,000
   E. None of the above

692. Referring to Question 691, the amount of income in respect of a decedent is as follows.
   A. None/Zero
   B. $60
   C. $3,000
   D. $3,660
   E. None of the above

693. Referring to Question 689, John died on August 3, of the current taxable year, at a time when the value of the stock, per a quote on the stock exchange, was $5,000. The amount includable in John's gross estate is as follows.
   A. None/Zero
   B. $3,660
   C. $5,000
   D. $5,060
   E. None of the above

694. Referring to Question 693, the amount of income in respect of a decedent is as follows.
   A. None/Zero
   B. $60
   C. $3,000
   D. $3,060
   E. None of the above

695. Prior to Mary’s death, Mary was the president and sole shareholder of a corporation, which Mary started ten taxable years ago. Mary died during the current taxable year. Five taxable years ago, Mary made a written agreement with one of the corporation’s employees, who was not related to Mary, which written agreement stated that, at Mary’s death, the employee could purchase the shares for $100,000 and that Mary’s estate had to sell the shares to the employee for $100,000. However, Mary had the right and power to sell the shares for a higher price (to the employee or to any other person) during Mary’s life. At the time when Mary made the agreement, the price was a fair one. Mary made this agreement with this employee, because Mary wanted to preserve the business as a going concern and because the employee was the best employee in the business and because the employee was capable of managing the business well (after Mary died). When Mary died, the shares had a fair market value of $500,000, without taking into account the purchase agreement, and Mary’s estate sold the shares to the employee for $100,000. With respect to the shares, Mary’s estate’s gross income is as follows.
   A. None/Zero
   B. $100,000
   C. $250,000
696. On January 1, of the current taxable year, the Nice Corporation declared a dividend which was payable to shareholders who owned Nice Corporation shares on February 1, of the current taxable year. The dividend was payable on April 1, of the current taxable year. Mary died on March 1, of the current taxable year, and the executor of Mary’s estate received the dividend of $2,000 on April 1, of the current taxable year. The amount of gross income to Mary is as follows.
A. None/Zero
B. $1,000
C. $1,500
D. $2,000
E. None of the above

697. Referring to Question 696, Mary used the accrual method of accounting. The amount of gross income to Mary’s estate is as follows.
A. None/Zero
B. $1,000
C. $1,500
D. $2,000
E. None of the above

698. On January 1 of the current taxable year, Nice Corporation declared a dividend of cash which was payable to shareholders who owned Nice Corporation common stock on February 1 of the current taxable year. The dividend was payable on April 1 of the current taxable year. Mary died on January 15, of the current taxable year, and the executor of Mary’s estate received the dividend of $100 on April 1 of the current taxable year. The estate's ordinary gross income for the current taxable year with respect to the dividend is as follows.
A. None/Zero
B. $100
C. $50
D. Need more information
E. None of the above

699. Referring to Question 698, Mary used the accrual method of accounting. The estate's ordinary gross income for the current taxable year is as follows.
A. None/Zero
B. $100
C. $50
D. None of the above

700. John died on July 1 of the current taxable year. With respect to John's final taxable year, John had no gross income and John had a long term capital loss carryforward (from John's sales of securities in prior taxable years) of $50,000. During the first taxable year of John’s estate, the estate received gross income of $60,000 of long term capital gain (from the estate's sales of securities) and $40,000 of dividends. The estate's total income tax deductions for the estate’s first taxable year is as follows.
A. None/Zero
B. $300
C. $600
D. $50,400
E. None of the above

701. John purchased a life insurance policy, five taxable years ago, on John's life, payable to Sue, and at John's death, the life insurance company paid Sue: $600,000 face amount of the life insurance policy; $100,000 of accumulated dividends; $5,000 of interest on the accumulated dividends to the date of John's death; $2,000 as a return of part of
John's final premium; and, $2,000 of interest on the preceding four amounts from the date of John's death to the date of final payment. The amount of the face amount of the life insurance policy includable in John's gross estate is as follows.
A. None/Zero  
B. $100,000  
C. $300,000  
D. $600,000  
E. None of the above  

702. Referring to Question 701, the amount of the accumulated dividends includable in John's gross estate is as follows.
A. None/Zero  
B. $50,000  
C. $75,000  
D. $100,000  
E. None of the above  

703. Referring to Question 701, the amount of the accumulated dividends includable in John's Indiana gross inheritance is as follows.
A. None/Zero  
B. $50,000  
C. $75,000  
D. $100,000  
E. None of the above  

704. Referring to Question 701, the amount of the interest on the accumulated dividends includable in John's gross estate is as follows.
A. None/Zero  
B. $2,000  
C. $5,000  
D. $10,000  
E. None of the above  

705. Referring to Question 701, the amount of the interest on the accumulated dividends includable in John's Indiana gross inheritance is as follows.
A. None/Zero  
B. $1,000  
C. $5,000  
D. $10,000  
E. None of the above  

706. At John's death, John was the beneficiary of a corporate qualified retirement plan which John’s employer had established and to which the employer was the only contributor. The retirement trust was payable to John, when John retired, but any funds which had not been paid to John at John death, were payable to Mary, if Mary survived John, and if not, then in equal shares to John's children. John’s employer had contributed $30,000 of income tax deductible contributions to the retirement plan trust, the earnings in the retirement trust totaled was $20,000, and at John’s death, the retirement trust had a value of $50,000, and John had not received any distribution from the retirement fund. After John died, Mary promptly contributed the $50,000, which Mary received from the retirement trust, to a basic individual retirement account which Mary established for Mary. The amount includable in John's gross estate is as follows.
A. None/Zero  
B. $20,000  
C. $30,000  
D. $50,000  
E. None of the above
707. During April of the current taxable year, Mary died as an employee of Superman Corporation, which had established a qualified retirement plan for Mary. The beneficiary of Mary’s corporate qualified retirement plan was John and John was entitled to receive a lump sum distribution under the retirement plan of $300,000 or to rollover the amount (of $300,000). The fund consisted of $200,000 of Superman Corporation contributions and $100,000 of earnings thereon. After John was notified with respect to the amount of the distribution and John’s rights with respect to the distribution, John promptly established a basic individual retirement account in John’s name and told the trustee of Mary’s retirement fund to distribute the funds to the trustee of John’s basic individual retirement account, which the trustee did. John did not have any other retirement plan during the current taxable year. John's gross income for the current taxable year is as follows.

A. None/Zero  
B. $100,000  
C. $200,000  
D. $300,000  
E. None of the above

708. During John’s life, John established a trust through an irrevocable trust under a trust agreement provided that the trustee could distribute any amount of net income to Peter during Peter’s life, with the remainder to Sue at the death of Peter. John transferred cash and securities to the trustee. Under the trust agreement, all of the capital gains and losses of the trust were attributable to the principal of the trust and all of the other receipts and expenses were attributable to the income of the trust. For federal income tax purposes, the trustee allocated all indirect expenses to interest income. During the current taxable year, the trustee determined the following information about the last taxable year and the trustee distributed all of the trust’s net book income to Peter within 60 days after the close of the last taxable year.

<table>
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<th>Description</th>
<th>Amount</th>
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<tr>
<td>Taxable interest</td>
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<td>Rent</td>
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<td>Capital gains</td>
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<td>Expenses attributable to rent (including depreciation)</td>
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</tr>
<tr>
<td>Capital losses attributable to principal</td>
<td>10,000</td>
</tr>
</tbody>
</table>

The trustee distributed the following amount to Peter with respect to the last taxable year.

A. None/Zero  
B. $280,000  
C. $270,000  
D. $260,000  
E. None of the above

709. Referring to Question 708, Peter’s total gross income for the last taxable year is as follows.

A. None/Zero  
B. $280,000  
C. $270,000  
D. $260,000  
E. None of the above

710. Referring to Question 708, Peter’s dividend gross income for the last taxable year is as follows.

A. None/Zero  
B. $100,000
711. Referring to Question 708, the trust’s taxable income for the last taxable year is as follows.
A. None/Zero
B. $79,700
C. $89,900
D. $89,700
E. None of the above

712. Referring to Question 708, the trustee was not required to distribute the trust’s net book income to Peter, but the trustee had the discretionary power to distribute any amount of income and/or principal to Peter. Using this discretionary power, the trustee distributed $300,000 to Peter and the trustee assigned the distribution to the trust’s principal. Peter’s total gross income for the last taxable year is as follows.
A. None/Zero
B. $280,000
C. $270,000
D. $260,000
E. None of the above

713. Referring to Question 712, Peter’s dividend gross income for the last taxable year is as follows.
A. None/Zero
B. $100,000
C. $80,000
D. $90,000
E. None of the above

714. Referring to Question 708, the trustee was not required to distribute the trust’s net book income to Peter, but the trustee had the discretionary power to distribute any amount of income and/or principal to Peter. Using this discretionary power, the trustee distributed $100,000 to Peter and the trustee assigned the distribution to the trust’s principal. Peter’s total gross income for the last taxable year is as follows.
A. None/Zero
B. $80,000
C. $100,000
D. $60,000
E. None of the above

715. Referring to Question 714, Peter’s dividend gross income for the last taxable year is as follows.
A. None/Zero
B. $29,629.63
C. $33,333.33
D. $37,037.04
E. None of the above

716. During the current taxable year, John established a revocable trust and transferred all of John's assets to the trustee and the trustee was required to distribute all of the trust’s net book income, including ordinary income and capital gains to Peter. During the current taxable year, the trustee had dividends of $20,000 and long term capital gain gross income of $20,000, deductible long term capital loss of $1,000 and the trustee, Indiana Bank, was paid a trustee fee of $2,000. Therefore, the trustee distributed $37,000 to Peter. John’s gross income for the current taxable year is as follows.
A. None/Zero
B. $37,000
C. $39,000
717. During the current taxable year, John established a revocable trust and transferred some of John's assets to Beverly, who was the sole trustee of the trust. Under the terms of the trust, the trustee was required to distribute all of the trust’s net book income, including, ordinary income and capital gains to Rebecca for Rebecca's life, and the remainder to grandchildren, of which Beverly had two. During the current taxable year, Beverly received, as trustee, gross income of dividends of $20,000 and of long term capital gain of $20,000, and Beverly paid Beverly a trustee a fee of $1,000. Therefore, Beverly distributed $39,000 to Rebecca. Rebecca's gross income is as follows.

A. None/Zero  
B. $38,700  
C. $39,000  
D. $40,000  
E. None of the above

718. The last taxable year, Mary established an irrevocable trust and Peter was the sole trustee. The trust agreement provided that the trustee had the power to distribute (or not) any amount of the trust's principal or net book income to or on behalf of Sue, for the health, education, maintenance, and support of the minor child. During the current taxable year, the trustee distributed none of the trust's net book income of $18,000 (which net book income consisted of $10,000 of dividends and $10,000 of interest, all of which was gross income, minus trustee fees of $2,000) for the minor child's health. The income tax rate which is applicable to any taxable income the trust is 30%. The amount of the trust's income tax for the current taxable year is as follows.

A. None/Zero  
B. $5,400  
C. $6,500  
D. $6,667  
E. None of the above

719. In Paul's last will and testament, Paul devised $100,000 to the Needy Children's Fund, Inc. on the condition that the organization was qualified under section 501(c)(3) at the time when Paul died, which the organization was. The amount of Paul's estate tax charitable deduction is as follows.

A. None/Zero  
B. $100,000  
C. $50,000  
D. Need more information  
E. None of the above

720. Alan died on July 1 of the current taxable year and the executor of Alan's estate assembled the following information about Alan’s final taxable year: Alan had earned and received $15,000 of fees and Alan had earned, but not actually or constructively received by Alan, fees of $10,000. The executor assembled the following information about the estate’s first taxable year: received Alan’s fees of $10,000 and received dividends of $15,000 not actually or constructively received or accrued by Alan. Alan's gross income for the current taxable year is as follows.

A. None/Zero  
B. $10,000  
C. $15,000  
D. $25,000  
E. None of the above

721. Referring to Question 720, the estate’s gross income for the estate’s first taxable year is as follows.

A. None/Zero  
B. $25,000  
C. $10,000  
D. $15,000  
E. None of the above
722. Referring to Question 720, the estate was not required to distribute any net book income to any beneficiary during the estate’s first taxable year and the estate did not make any such distribution. The estate’s taxable income for the estate’s first taxable year is as follows.
   A. None/Zero
   B. $14,700
   C. $24,400
   D. $9,700
   E. None of the above

723. During the last taxable year, Rebecca died. During the current taxable year, the estate had book income (which was also gross income) in the amount of $50,000 from the receipt of dividends. The executor charged executor fees of $1,000 against such gross income. During the current taxable year, the estate made one distribution to one beneficiary, Paul, specifically, the estate distributed to Paul an automobile, which was valued at $20,000 when Rebecca died and which was valued at $22,000 when the estate made the distribution. The automobile was specifically devised to Paul by Rebecca. The amount of Rebecca’s estate’s taxable income for the current taxable year is as follows.
   A. None/Zero
   B. $42,400
   C. $48,400
   D. $49,000
   E. None of the above

724. Mary died on January 1, of the current taxable year, owning 1,000 shares of Fun Corporation common shares. Mary paid a gross purchase price of $50,000 for the shares in December, of the last taxable year, and the shares had a value of $50,000 at Mary's death and $40,000 on July 1, of the current taxable year. The executor of Mary’s estate elected to value the assets in Mary’s estate at the date of death values, and on December 1, of the current taxable year, the executor of Mary’s estate sold the shares to Paul, for a gross sales price of $60,000, and the executor of Mary’s estate paid selling expenses of $1,000, which selling expenses were elected to be utilized in determining the gain or loss on the fiduciary income tax return (Form 1041), rather than being deducted on the estate tax return (Form 706). The amount of gross income to Mary’s estate is as follows.
   A. None/Zero
   B. $10,000
   C. $9,000
   D. $20,000
   E. None of the above

725. Referring to Question 724, the executor of Mary’s estate elected to deduct the selling expenses on the estate tax return (Form 706), rather than utilizing the selling expenses in determining the gain or loss on the fiduciary income tax return (Form 1041). The amount of gross income to Mary’s estate is as follows.
   A. None/Zero
   B. $10,000
   C. $9,000
   D. $19,000
   E. None of the above

726. Referring to Question 724, the executor of Mary’s estate elected to value the assets in Mary’s estate at the alternate valuation date. The amount of gross income to Mary’s estate is as follows.
   A. None/Zero
   B. $19,000
   C. $20,000
   D. $9,000
   E. None of the above
Mary died on January 1 of the current taxable year, owning 1,000 common shares of Starbuck Corporation. Mary paid a gross purchase price of $120,000 for the common shares in December, of the last taxable year, and the common shares had a value of $100,000 at Mary's death and $60,000 on July 1 of the current taxable year. The executor of Mary’s estate elected to use the date of death values for estate tax purposes, and on August 1 of the current taxable year, the executor sold the common shares to Paul, for a gross sales price of $80,000, and the executor paid selling expenses of $5,000, which selling expenses were elected to be utilized in determining the gain or loss on the fiduciary income tax return (Form 1041), rather than being deducted on the estate tax return (Form 706). The estate’s long term capital loss for the current taxable year with respect to the sale of the common shares to Paul is as follows.

A. None/Zero
B. $45,000
C. $25,000
D. $35,000
E. None of the above

Referring to Question 727, the executor of Mary’s estate elected to deduct the selling expenses on the estate tax return (Form 706), rather than utilizing the selling expenses in determining the gain or loss on the fiduciary income tax return (Form 1041). The estate’s long term capital loss for the current taxable year with respect to the sale of the common shares to Paul is as follows.

A. None/Zero
B. $40,000
C. $30,000
D. $20,000
E. None of the above

Referring to Question 727, the executor of Mary’s estate elected to use the alternate valuation dates. The estate’s long term capital gain for the current taxable year with respect to the sale of the common shares to Paul is as follows.

A. None/Zero
B. $5,000
C. $10,000
D. $15,000
E. None of the above

Mary died on January 1 of the current taxable year, owning 1,000 common shares of Starbuck Corporation. Mary paid $80,000 for the common shares in December, of the last taxable year, and the common shares had a value of $20,000 at Mary's death and $42,000 on July 1 of the current taxable year. The executor of Mary’s estate elected to use the date of death values for estate tax purposes. Mary's last will and testament devised $40,000 of cash to Paul, and on May 1 of the current taxable year, when the value of the common shares was $40,000, the executor transferred the common shares to Paul, through an agreement under which Paul took the common shares in lieu of the cash devise. Mary’s estate’s short term capital gain for the current taxable year with respect to the transfer of the common shares to Paul is as follows.

A. None/Zero
B. $2,000
C. $10,000
D. $20,000
E. None of the above

Several taxable years ago, Mary's father established an irrevocable trust, during Mary’s father’s life, for the primary benefit of Mary, with the remainder interest given to Mary's children. Mary’s father transferred $1,000,000 to the trust as principal of the trust. The trustee was required to distribute all of the trust’s current net book income to Mary each year. The trustee did not establish a reserve for depreciation, but the trustee computed a depreciation deduction, for federal income tax purposes, in the amount of $5,000. All of the trustee's capital gains and losses were (and are) assigned to the trust's principal, and all of the trustee's other receipts and expenditures were (and are) assigned to the trust's net book income, except as otherwise stated below. During the current taxable year, the trust had the following receipts and expenditures.
Taxable interest .................................................................................................................. 50,000
Dividends .......................................................................................................................... 50,000
Rent .................................................................................................................................. 50,000
Capital gains ...................................................................................................................... 50,000
Expenses attributable to rent (other than depreciation) .................................................. 1,000
Administration expenses attributable to income ............................................................. 1,000
Administration expenses attributable to principal ......................................................... 1,000
Capital losses attributable to principal .......................................................................... 1,000
Charitable contribution required to be made each year from the current book income .......................... 1,000

The amount of funds which are required to be distributed (or which were distributed) to Mary for the current taxable year is as follows.

A. None/Zero
B. $148,000
C. $195,000
D. $147,000
E. None of the above

732. Referring to Question 731, the amount of Mary’s dividend gross income for the current taxable year is as follows.
A. None/Zero
B. $50,000
C. $48,000
D. $49,000
E. None of the above

733. John purchased a life insurance policy, five taxable years ago, on John's life, payable to Sue, and at John's death, the life insurance company paid Sue: $600,000 face amount of the life insurance policy; $100,000 of accumulated dividends; $5,000 of interest on the accumulated dividends to the date of John's death; $2,000 as a return of part of John's final premium; and, $2,000 of interest on the preceding four amounts from the date of John's death to the date of final payment. The amount of the face amount of the life insurance policy includable in John's federal gross estate is as follows.
A. None/Zero
B. $100,000
C. $300,000
D. $600,000
E. None of the above

734. Referring to Question 733, the amount of the accumulated dividends includable in John's federal gross estate is as follows.
A. None/Zero
B. $50,000
C. $75,000
D. $100,000
E. None of the above

735. Referring to Question 733, the amount of the accumulated dividends includable in John's Indiana gross inheritance is as follows.
A. None/Zero
B. $50,000
C. $75,000
D. $100,000
E. None of the above

736. Referring to Question 733, the amount of the interest on the accumulated dividends includable in John's federal gross estate is as follows.
A. None/Zero
B. $2,000
C. $5,000
D. $10,000
E. None of the above.

737. Referring to Question 733, the amount of the interest on the accumulated dividends includable in John's Indiana gross inheritance is as follows.
A. None/Zero
B. $1,000
C. $5,000
D. $10,000
E. None of the above

738. Referring to Question 733, John’s estate’s gross income is as follows.
A. None/Zero
B. $2,000
C. $5,000
D. $7,000
E. None of the above

739. Referring to Question 733, the amount of income in respect of a decedent is as follows.
A. None/Zero
B. $2,000
C. $5,000
D. $7,000
E. None of the above

740. John died during the current taxable year, being survived by Mary, Peter, and Sue.

Through John's last will and testament, John devised John's residuary estate to trustee of an revocable trust, which became irrevocable at John's death, specifically, to the Primary Trust under such trust agreement, which trust agreement devised to Trust A the maximum federal estate tax marital deduction after taking into account other transfers to Mary which qualified for the federal estate tax marital deduction and after taking into account all other federal estate tax deductions and after subtracting any amount which could be transferred to Trust B without causing any federal estate tax. Mary was granted a life estate in both Trust A and in Trust B and Mary was granted a lifetime general power of appointment in Trust A over all of the assets in Trust A. At Mary's death, Trust A funds were to be transferred to Trust B and Trust B funds were to be transferred to two separate trusts, one for Peter and one for Sue.

The bank, as executor of John’s estate, elected to value John’s assets for death tax purposes at the date of death values and to deduct all allowable deductions on John’s federal estate tax return.

During John's life, John made taxable gifts in the amount of $400,000, which were split with Mary.

In John's last will and testament, John specifically devised all of John's household tangible personal property to Mary.

John's assets, stated at date of death values, are as follows. All of the interests in each of the assets were owned solely by John and solely paid for by John, except as otherwise stated in the facts or by the applicable state law.

1. Bank accounts ......................................................... $ 100,000
2. Savings accounts in California savings and loan associations ....................... 100,000
3. Bank accounts with Mary, with rights of survivorship ............................. 100,000
4. Real property in Indiana, home, with rights of survivorship with Mary .................. 250,000
5. Real property in Florida, condominium, vacation property, with rights of survivorship with Mary ........................................................................................................ 200,000
6. Tangible personal property in Indiana, household goods at home ...................... 50,000
7. Common stocks .................................................................................................... 3,000,000

Other financial information is as follows.

1. John owned a life insurance policy, on John's life, with a face amount of $10,000 and with a policy value, just before John's death of $2,000, and which was payable to Mary.

2. John owned a life insurance policy, on John's life, with a face amount of $10,000 and with a policy value, just before John's death of $2,000, and which was payable to Sue.

3. Another life insurance policy on John's life was payable to Peter or to Peter's estate, and was given to Peter by John, during the year before John died, and the policy value just prior to John's death was $2,000 and the life insurance proceeds totaled $10,000.

4. Another life insurance policy on John's life was payable to Mary or to Mary's estate, and was given to Mary by John, during the year before John died, and the policy value just prior to John's death was $2,000 and the life insurance proceeds totaled $10,000.

5. John established a trust four years ago under an irrevocable trust agreement which granted John a life estate in the trust funds and which granted Peter the remainder interest in the trust funds. John transferred cash and securities to the trustee. At John's death, the value of the trust funds was $10,000, and the actuarial value of the life estate was $1,000 and the actuarial value of the remainder interest was $9,000.

6. John's father established a trust ten years ago under an irrevocable trust agreement which granted John a life estate with respect to the trust funds and which granted Mary or Mary's estate the remainder interest in the trust funds. John's father transferred cash and securities to the trustee. At John's death, the value of the trust funds was $10,000, and the actuarial value of the life estate was $1,000 and the actuarial value of the remainder interest was $9,000.

7. John had an interest in retirement funds, payable under a revocable designation of the beneficiary to Mary, and in lump sum, under an individual retirement plan (an IRA plan) which was established by John and which fund was 100% funded by John. The amount of the retirement funds payable to Mary was $30,000.

John's debts, at John's death, are as follows. John is solely liable on the debts, unless these facts or the applicable state law provides otherwise.

1. Various personal charge accounts and other personal current debts .................. $ 2,000
2. Mortgage debt owed to the bank on Indiana home, jointly owed, real property ........... 20,000
3. Mortgage debt owed to Florida bank on Florida condominium, jointly owed, real property ........................................................................................................ 20,000
4. Accrued federal income taxes, which accrued during the current taxable
The funeral and administration expenses for John's estate are as follows.

1. **Funeral** ............................................................... $ 2,000
2. **Headstone** .............................................................. 2,000
3. **Indiana lawyer fee** ....................................................... 80,000
4. **Florida executor fee** ....................................................... 5,000
5. **Other Indiana probate expenses** ............................................. 20,000
6. **State of Indiana inheritance taxes (Indiana estate taxes have not yet been paid)** ...... 20,000

The amount of John’s federal gross estate is as follows.

A. None/Zero
B. $3,590,000
C. $3,600,000
D. $3,775,000
E. None of the above


John died on May 15th of the current taxable year. John was survived by Mary, Peter, and Sue. Under John's last will and testament, John devised John's residuary estate to a trustee (The Bank of Indiana), as trustee of a revocable (which became irrevocable at John's death) inter vivos trust, specifically, to the Primary Trust under such trust agreement, which trust agreement devised to Trust A the maximum federal estate tax marital deduction after taking into account other transfers to Mary which qualified for the federal estate tax marital deduction and after taking into account all other federal estate tax deductions and after subtracting any amount which could be transferred to Trust B without causing any federal estate tax. Mary was granted a life estate in both Trust A and in Trust B, and granted a lifetime general power of appointment in Trust A over all of the assets in Trust A. At Mary's death, Trust A funds were to be transferred to Trust B and Trust B funds were to be transferred to two separate trusts, one for Peter and one for Sue.

During John's life, John made taxable gifts in the amount of $200,000, which after being split with Mary, totaled $100,000 of taxable gifts for each of John and Mary.

In John's last will and testament, John specifically devised all of John's household tangible personal property to Mary. In addition, John specifically devised $100,000 to the Indiana University School of Law - Indianapolis.

The executrix of John’s estate elected to deduct all allowable deductions on John's estate tax return. The values of the assets in the estate were constant from the date of John's death through the end of the administration of the estate. John’s last will and testament was a pour over last will and testament, which poured John's probated estate to a Primary Trust from which Trust A and Trust B were funded. The estate tax marital deduction clause and the credit shelter clause, in John's last will and testament, were the ones which were distributed to you during class. Trust A was a general power of appointment trust.

John's assets, stated at date of death values, are as follows. All of the interests in each of the assets were owned solely by John and solely paid for by John, except as otherwise stated in the facts or by the applicable state law.

1. **Bank accounts in Indiana banks** ....................................................... $ 100,000
2. **Accrued interest on Indiana bank accounts** ............................................. 2,000
3. Savings accounts in California savings and loan associations ........................................... 100,000
4. Accrued interest on California bank accounts ................................................................. 2,000
5. Savings accounts in Indiana savings and loan associations with Mary, with rights of survivorship ................................................................. 100,000
6. Accrued interest on Indiana savings accounts ................................................................. 2,000
7. Real property in Indiana, vacant, with Peter as joint tenants with rights of survivorship - - total fair market ................................................................................. 100,000
8. Real property in Indiana, home, with rights of survivorship with Mary ............................. 250,000
9. Real property in Florida, condominium, vacation property, with rights of survivorship with Mary ................................................................. 200,000
10. Tangible personal property in Indiana, household goods at home .................................. 50,000
11. Tangible personal property in Florida, household goods at condominium ...................... 20,000
12. Common stocks .............................................................................................................. 3,000,000
13. Accrued dividends on common stocks ........................................................................... 10,000
14. Limited partnership interests in an Illinois real estate investment partnership .................. 50,000
15. Accrued Indiana income tax refund, which accrued during the current taxable year, and the check for which was payable to John and Mary with rights of survivorship ....... 5,000

Other financial information is as follows.

16. John owned a life insurance policy, on John’s life, with a face amount of $100,000 and with a policy value, just before John’s death of $10,000, and which was payable to Mary.

17. John owned a life insurance policy, on John’s life, with a face amount of $100,000 and with a policy value, just before John’s death of $10,000, and which was payable to Peter and Sue, in equal shares.

18. Another life insurance policy on John's life was payable to Peter or to Peter's estate, and was given to Peter by John, during the year before John died, and the policy value just prior to John's death was $5,000 and the life insurance proceeds totaled $10,000.

19. Another life insurance policy on John's life was payable to Mary or to Mary's estate, and was given to Mary by John, during the year before John died, and the policy value just prior to John's death was $5,000 and the life insurance proceeds totaled $10,000.

20. Another life insurance policy on John's life was payable to Indiana University Foundation, and was given to Indiana University Foundation by John, during the year before John died, and the policy value just prior to John's death was $5,000 and the life insurance proceeds totaled $10,000.

21. Mary received a death benefit from John's employer, which benefit was payable to Mary, under an unfunded death benefit plan, which was maintained by John's employer for all of the employer's corporate executives, in the amount of $20,000.

22. John established a trust four years ago under an irrevocable trust agreement which granted Peter a life estate in the trust funds and which granted John the reversionary interest in the trust funds. John transferred cash and securities to the trustee. At John's death, the value of the trust funds was $100,000, and the actuarial value of the life estate was $70,000 and the actuarial value of the reversionary interest was $30,000.

23. John established a trust four years ago under an irrevocable trust agreement which granted John a life estate in the trust funds and which granted Peter the remainder interest in the trust funds. John transferred cash and securities to the trustee. At John's death, the value of the trust funds was $100,000, and the actuarial value of the life estate was $70,000 and the actuarial value of the remainder interest was $30,000.
24. John established a trust ten years ago under an irrevocable trust agreement which granted John a life estate in the trust funds and which granted Mary the remainder interest in the trust funds. John transferred cash and securities to the trustee. At John's death, the value of the trust funds was $100,000, and the actuarial value of the life estate was $70,000 and the actuarial value of the remainder interest was $30,000.

25. John established a trust ten years ago under an irrevocable trust agreement which granted Mary a life estate in the trust funds and which granted John the reversionary interest in the trust funds. John transferred cash and securities to the trustee. At John's death, the value of the trust funds was $100,000, and the actuarial value of the life estate was $70,000 and the actuarial value of the reversionary interest was $30,000.

26. John's father established a trust ten years ago under an irrevocable trust agreement which granted John a life estate with respect to the trust funds and which granted Mary or Mary's estate the remainder interest in the trust funds. John transferred cash and securities to the trustee. At John's death, the value of the trust funds was $100,000, and the actuarial value of the life estate was $70,000 and the actuarial value of the remainder interest was $30,000.

27. John established a trust two years ago under a revocable trust agreement which granted Sue a life estate with respect to the trust funds and which granted Peter or Peter's estate the remainder interest in the trust funds. John transferred cash and securities to the trustee. At John's death, the value of the trust funds was $100,000, and the actuarial value of the life estate was $70,000 and the actuarial value of the remainder interest was $30,000.

28. John had an interest in retirement funds, payable under a revocable designation of the beneficiary to Mary and Sue, in equal shares, under an individual retirement plan (an IRA plan) which was established by John and which fund was 100% funded by John. The amount of the retirement funds payable to Mary and Sue, equally, was $50,000 ($25,000 each).

When John’s father died one year ago, John’s father devised to John $1,000,000 and the federal estate tax on that amount was $153,000, which was paid by John’s father’s estate. The amount which John received from John’s father is included in the amounts which are stated as being John’s assets, in one form or the other.

John's debts, at John's death, are as follows. John is solely liable on the debts, unless these facts or the applicable state law provides otherwise.

<table>
<thead>
<tr>
<th></th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>29.</td>
<td>Various personal charge accounts and other personal current debts</td>
<td>$2,000</td>
</tr>
<tr>
<td>30.</td>
<td>Mortgage debt owed to Indiana bank on Indiana home, jointly owed, real property</td>
<td>$10,000</td>
</tr>
<tr>
<td>31.</td>
<td>Accrued interest on Indiana home, jointly owed, real property</td>
<td>$2,000</td>
</tr>
<tr>
<td>32.</td>
<td>Mortgage debt owed to Florida bank on Florida condominium, jointly owed, real property</td>
<td>$10,000</td>
</tr>
<tr>
<td>33.</td>
<td>Accrued interest on Florida condominium, jointly owed, real property</td>
<td>$2,000</td>
</tr>
<tr>
<td>34.</td>
<td>Last year real property taxes owed on real property in Indiana, home</td>
<td>$2,000</td>
</tr>
<tr>
<td>35.</td>
<td>Current taxable year real property taxes owed on real property in Indiana, home</td>
<td>$2,000</td>
</tr>
<tr>
<td>36.</td>
<td>Last year real property taxes owed on real property in Florida, condominium</td>
<td>$2,000</td>
</tr>
<tr>
<td>37.</td>
<td>Current taxable year real property taxes owed on real property in Florida, condominium</td>
<td>$2,000</td>
</tr>
<tr>
<td>38.</td>
<td>Accrued maintenance expenses owed with regard to the Florida condominium</td>
<td>$2,000</td>
</tr>
<tr>
<td>39.</td>
<td>Accrued federal income taxes, which accrued during the current taxable year</td>
<td>$2,000</td>
</tr>
<tr>
<td>40.</td>
<td>Accrued medical expenses, which accrued during last year</td>
<td>$2,000</td>
</tr>
</tbody>
</table>

The funeral and administration expenses for John's estate are as follows.

<table>
<thead>
<tr>
<th></th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>41.</td>
<td>Funeral</td>
<td>$3,000</td>
</tr>
</tbody>
</table>
42. Burial lot .............................................................. 3,000
43. Headstone .............................................................. 3,000
44. Indiana lawyer fee .......................................................... 80,000
45. Indiana executor fee ........................................................ 40,000
46. Florida lawyer fee .......................................................... 10,000
47. Florida executor fee ............................................................. 5,000
48. Other Indiana expenses .......................................................... 20,000
49. Other Florida expenses .......................................................... 2,000
50. State of Indiana inheritance taxes (Indiana estate taxes have not yet been paid) ............. 20,000

The amount of John’s federal gross estate is as follows.
A. None/Zero
B. $4,157,500
C. $4,282,500
D. $4,347,500
E. None of the above


John died on May 15th of the current taxable year. John was survived by Mary, Peter, and Sue. Under John's last will and testament, John devised John's residuary estate to the trustee of a revocable (which became irrevocable at John's death) intervivos trust, specifically, to the Primary Trust under such trust agreement, which trust agreement devised to Trust A the maximum federal estate tax marital deduction after taking into account other transfers to Mary which qualified for the federal estate tax marital deduction and after taking into account all other federal estate tax deductions and after subtracting any amount which could be transferred to Trust B without causing any federal estate tax. Mary was granted a life estate in both Trust A and in Trust B, and granted a lifetime general power of appointment in Trust A over all of the assets in Trust A. At Mary's death, Trust A funds were to be transferred to Trust B and Trust B funds were to be transferred to two separate trusts, one for Peter and one for Sue.

During John's life, John made taxable gifts in the amount of $200,000, which after being split with Mary, totaled $100,000 of taxable gifts for each of John and Mary.

In John's last will and testament, John specifically devised all of John's household tangible personal property to Mary. Further, John's last will and testament devised $50,000 each (a total of $100,000) to Peter and Sue. In addition, John specifically devised $100,000 to the Indiana University School of Law - Indianapolis.

The executrix of John’s estate elected to deduct all allowable deductions on John's estate tax return. The values of the assets in the estate were constant from the date of John's death through the end of the administration of the estate. John’s last will and testament was a pour over last will and testament, which poured John's probated estate to a Primary Trust from which Trust A and Trust B were funded. The estate tax marital deduction clause and the credit shelter clause, in John's last will and testament, were the ones which were distributed to you during class. Trust A was a general power of appointment trust.

John's assets, stated at date of death values, are as follows. All of the interests in each of the assets were owned solely by John and solely paid for by John, except as otherwise stated in the facts or by the applicable state law.

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts in Indiana Bank</td>
<td>100,000</td>
</tr>
<tr>
<td>Accrued interest on accounts in Indiana Bank</td>
<td>2,000</td>
</tr>
<tr>
<td>Savings accounts in California savings and loan associations</td>
<td>10,000</td>
</tr>
<tr>
<td>Accrued interest on California bank accounts</td>
<td>2,000</td>
</tr>
<tr>
<td>Asset Description</td>
<td>Value</td>
</tr>
<tr>
<td>----------------------------------------------------------------------------------</td>
<td>-----------</td>
</tr>
<tr>
<td>Savings accounts in Indiana savings and loan associations with Mary, with rights of survivorship</td>
<td>100,000</td>
</tr>
<tr>
<td>Accrued interest on Indiana savings and loan accounts</td>
<td>2,000</td>
</tr>
<tr>
<td>Real property in Indiana, vacant, with Peter as tenants in common, 40% Peter and 60% John - total fair market</td>
<td>100,000</td>
</tr>
<tr>
<td>Real property in Indiana, home, with rights of survivorship with Mary</td>
<td>250,000</td>
</tr>
<tr>
<td>Real property in Florida, condominium, vacation property, with rights of survivorship with Mary</td>
<td>200,000</td>
</tr>
<tr>
<td>Tangible personal property in Indiana, household goods at home</td>
<td>50,000</td>
</tr>
<tr>
<td>Tangible personal property in Florida, household goods at condominium</td>
<td>20,000</td>
</tr>
<tr>
<td>Common stocks</td>
<td>3,000,000</td>
</tr>
<tr>
<td>Accrued dividends on common stocks</td>
<td>10,000</td>
</tr>
<tr>
<td>Limited partnership interests in an Illinois real estate investment partnership</td>
<td>50,000</td>
</tr>
<tr>
<td>Accrued Indiana income tax refund, which accrued during the current taxable year, the check for which was payable to John and Mary with rights of survivorship</td>
<td>5,000</td>
</tr>
</tbody>
</table>

Other financial information is as follows.

1. John owned a life insurance policy, on John’s life, with a face amount of $100,000 and with a policy value, just before John’s death of $10,000, and which was payable to Mary.

2. John owned a life insurance policy, on John’s life, with a face amount of $100,000 and with a policy value, just before John’s death of $10,000, and which was payable to Peter and Sue, in equal shares.

3. Another life insurance policy on John's life was payable to Peter or to Peter's estate, and was given to Peter by John, during the year before John died, and the policy value just prior to John's death was $5,000 and the life insurance proceeds totaled $10,000.

4. Another life insurance policy on John's life was payable to Mary or to Mary's estate, and was given to Mary by John, during the year before John died, and the policy value just prior to John's death was $5,000 and the life insurance proceeds totaled $10,000.

5. Another life insurance policy on John's life was payable to Indiana University Foundation, and was given to Indiana University Foundation by John, during the year before John died, and the policy value just prior to John's death was $5,000 and the life insurance proceeds totaled $10,000.

6. Mary received a death benefit from John's employer, which benefit was payable to Mary, under an unfunded death benefit plan, which was maintained by John's employer for all of the employer's corporate executives, in the amount of $20,000.

7. John established a trust four years ago under an irrevocable trust agreement which granted Peter a life estate in the trust funds and which granted John the reversionary interest in the trust funds. John transferred cash and securities to the trustee. At John's death, the value of the trust funds was $100,000, and the actuarial value of the life estate was $60,000 and the actuarial value of the reversionary interest was $40,000.
8. John established a trust four years ago under an irrevocable trust agreement which granted John a life estate in the trust funds and which granted Peter the remainder interest in the trust funds. John transferred cash and securities to the trustee. At John's death, the value of the trust funds was $100,000, and the actuarial value of the life estate was $60,000 and the actuarial value of the remainder interest was $40,000.

9. John established a trust ten years ago under an irrevocable trust agreement which granted John a life estate in the trust funds and which granted Mary the remainder interest in the trust funds. John transferred cash and securities to the trustee. At John's death, the value of the trust funds was $100,000, and the actuarial value of the life estate was $60,000 and the actuarial value of the remainder interest was $40,000.

10. John established a trust ten years ago under an irrevocable trust agreement which granted Mary a life estate in the trust funds and which granted John the reversionary interest in the trust funds. John transferred cash and securities to the trustee. At John's death, the value of the trust funds was $100,000, and the actuarial value of the life estate was $60,000 and the actuarial value of the reversionary interest was $40,000.

11. John's father established a trust ten years ago under an irrevocable trust agreement which granted John a life estate with respect to the trust funds and which granted Mary or Mary's estate the remainder interest in the trust funds. John transferred cash and securities to the trustee. At John's death, the value of the trust funds was $100,000, and the actuarial value of the life estate was $60,000 and the actuarial value of the remainder interest was $40,000.

12. John established a trust two years ago under an irrevocable trust agreement which granted Sue a life estate with respect to the trust funds and which granted Peter or Peter's estate the remainder interest in the trust funds. John transferred cash and securities to the trustee. At John's death, the value of the trust funds was $100,000, and the actuarial value of the life estate was $60,000 and the actuarial value of the remainder interest was $40,000.

13. John had an interest in retirement funds, payable under a revocable designation of the beneficiary to Peter, and in lump sum, under an individual retirement plan (an IRA plan) which was established by John and which fund was 100% funded by John. The amount of the retirement funds payable was $20,000.

When John’s father died one year ago, John’s father devised to John $1,000,000 and the federal estate tax on that amount was $153,000, which was paid by John’s father’s estate. The amount which John received from John’s father is included in the amounts which are stated as being John’s assets, in one form or the other.

John's debts, at John's death, are as follows. John is solely liable on the debts, unless these facts or the applicable state law provides otherwise.

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Various personal charge accounts and other personal current debts</td>
<td>2,000</td>
</tr>
<tr>
<td>Mortgage debt owed to Indiana Bank on Indiana home, jointly owed, real property</td>
<td>30,000</td>
</tr>
<tr>
<td>Accrued interest on Indiana home, jointly owed, real property debt</td>
<td>2,000</td>
</tr>
<tr>
<td>Mortgage debt owed to Florida Bank on Florida condominium, jointly owed, real property</td>
<td>30,000</td>
</tr>
<tr>
<td>Accrued interest on Florida condominium, jointly owed, real property debt</td>
<td>2,000</td>
</tr>
<tr>
<td>Last year real property taxes owed on real property in Indiana, home</td>
<td>2,000</td>
</tr>
</tbody>
</table>
Current taxable year real property taxes owed on real property in Indiana, home  
Last year real property taxes owed on real property in Florida, condominium  
Current taxable year real property taxes owed on real property in Florida, condominium  
Accrued maintenance expenses owed with regard to the Florida condominium  
Accrued federal income taxes, which accrued during the current taxable year  
Accrued medical expenses, which accrued during last year

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Funeral</td>
<td>4,000</td>
</tr>
<tr>
<td>Burial lot</td>
<td>4,000</td>
</tr>
<tr>
<td>Headstone</td>
<td>4,000</td>
</tr>
<tr>
<td>Indiana lawyer fee</td>
<td>80,000</td>
</tr>
<tr>
<td>Indiana executor fee</td>
<td>40,000</td>
</tr>
<tr>
<td>Florida lawyer fee</td>
<td>10,000</td>
</tr>
<tr>
<td>Florida executor fee</td>
<td>5,000</td>
</tr>
<tr>
<td>Other Indiana probate expenses</td>
<td>20,000</td>
</tr>
<tr>
<td>Other Florida probate expenses</td>
<td>2,000</td>
</tr>
<tr>
<td>State of Indiana inheritance taxes (Indiana estate taxes have not yet been paid)</td>
<td>20,000</td>
</tr>
</tbody>
</table>

The funeral and administration expenses for John's estate are as follows.

The amount of John’s federal gross estate is as follows.
A. None/Zero  
B. $4,197,500  
C. $4,282,500  
D. $4,382,500  
E. None of the above


John died on May 15th of the current taxable year. John was survived by Mary, Peter, and Sue. Under John's last will and testament, John devised John's residuary estate to the trustee, as trustee of a revocable (which became irrevocable at John's death) intervivos trust, specifically, to the Primary Trust under such trust agreement, which trust agreement devised to Trust A the maximum federal estate tax marital deduction after taking into account other transfers to Mary which qualified for the federal estate tax marital deduction and after taking into account all other federal estate tax deductions and after subtracting any amount which could be transferred to Trust B without causing any federal estate tax. Mary was granted a life estate in both Trust A and in Trust B, and granted a lifetime general power of appointment in Trust A over all of the assets in Trust A. At Mary's death, Trust A funds were to be transferred to Trust B and Trust B funds were to be transferred to two separate trusts, one for Peter and one for Sue.

During John's life, John made taxable gifts in the amount of $200,000, which after being split with Mary, totaled $100,000 of taxable gifts for each of John and Mary.
In John's last will and testament, John specifically devised all of John's household tangible personal property to Mary. Further, John's last will and testament devised $50,000 each (a total of $100,000) to Peter and Sue. In addition, John specifically devised $100,000 to the Indiana University School of Law - Indianapolis.

The executrix of John’s estate elected to deduct all allowable deductions on John's estate tax return. The values of the assets in the estate were constant from the date of John’s death through the end of the administration of the estate. John’s last will and testament was a pour over last will and testament, which poured John's probated estate to a Primary Trust from which Trust A and Trust B were funded. The estate tax marital deduction clause and the credit shelter clause, in John's last will and testament, were the ones which were distributed to you during class. Trust A was a general power of appointment trust.

John's assets, stated at date of death values, are as follows. All of the interests in each of the assets were owned solely by John and solely paid for by John, except as otherwise stated in the facts or by the applicable state law.

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank accounts in Indiana banks</td>
<td>$100,000</td>
</tr>
<tr>
<td>Accrued interest on Indiana bank accounts</td>
<td>$2,000</td>
</tr>
<tr>
<td>Savings accounts in California savings and loan associations</td>
<td>$100,000</td>
</tr>
<tr>
<td>Accrued interest on California bank accounts</td>
<td>$2,000</td>
</tr>
<tr>
<td>Savings accounts in Indiana savings and loan associations with Mary, with</td>
<td>$100,000</td>
</tr>
<tr>
<td>rights of survivorship</td>
<td></td>
</tr>
<tr>
<td>Accrued interest on Indiana savings accounts</td>
<td>$2,000</td>
</tr>
<tr>
<td>Real property in Indiana, vacant, with Peter as tenants in common, 60% Peter</td>
<td>$100,000</td>
</tr>
<tr>
<td>and 40% John - total fair market</td>
<td></td>
</tr>
<tr>
<td>Real property in Indiana, home, with rights of survivorship with Mary</td>
<td>$250,000</td>
</tr>
<tr>
<td>Real property in Florida, condominium, vacation property, with rights of</td>
<td>$200,000</td>
</tr>
<tr>
<td>survivorship with Mary</td>
<td></td>
</tr>
<tr>
<td>Tangible personal property in Indiana, household goods at home</td>
<td>$50,000</td>
</tr>
<tr>
<td>Tangible personal property in Florida, household goods at condominium</td>
<td>$20,000</td>
</tr>
<tr>
<td>Common stocks</td>
<td>$3,000,000</td>
</tr>
<tr>
<td>Accrued dividends on common stocks</td>
<td>$10,000</td>
</tr>
<tr>
<td>Limited partnership interests in an Illinois real estate investment</td>
<td>$50,000</td>
</tr>
<tr>
<td>partnership</td>
<td></td>
</tr>
<tr>
<td>Accrued Indiana income tax refund, which accrued during the current taxable</td>
<td>$5,000</td>
</tr>
<tr>
<td>year, and the check for which was payable to John and Mary with rights of</td>
<td></td>
</tr>
<tr>
<td>survivorship</td>
<td></td>
</tr>
</tbody>
</table>

Other financial information is as follows.

1. John owned a life insurance policy, on John’s life, with a face amount of $100,000 and with a policy value, just before John’s death of $10,000, and which was payable to Mary.

2. John owned a life insurance policy, on John’s life, with a face amount of $100,000 and with a policy value, just before John’s death of $10,000, and which was payable to Peter and Sue, in equal shares.

3. Another life insurance policy on John's life was payable to Peter or to Peter's estate, and was given to Peter by John, during the year before John died, and the policy value just prior to John's death was $5,000 and the life insurance proceeds totaled $10,000.

4. Another life insurance policy on John's life was payable to Mary or to Mary's estate, and was given to Mary by John, during the year before John died, and the policy value just prior to John's death was $5,000 and the life insurance proceeds totaled $10,000.

5. Another life insurance policy on John's life was payable to Indiana University Foundation, and was
given to Indiana University Foundation by John, during the year before John died, and the policy value just prior to John's death was $5,000 and the life insurance proceeds totaled $10,000.

6. Mary received a death benefit from John's employer, which benefit was payable to Mary, under an unfunded death benefit plan, which was maintained by John's employer for all of the employer's corporate executives, in the amount of $20,000.

7. John established a trust four years ago under an irrevocable trust agreement which granted Peter a life estate in the trust funds and which granted John the reversionary interest in the trust funds. John transferred cash and securities to the trustee. At John's death, the value of the trust funds was $100,000, and the actuarial value of the life estate was $90,000 and the actuarial value of the reversionary interest was $10,000.

8. John established a trust four years ago under an irrevocable trust agreement which granted John a life estate in the trust funds and which granted Peter the remainder interest in the trust funds. John transferred cash and securities to the trustee. At John's death, the value of the trust funds was $100,000, and the actuarial value of the life estate was $10,000 and the actuarial value of the remainder interest was $90,000.

9. John established a trust ten years ago under an irrevocable trust agreement which granted John a life estate in the trust funds and which granted Mary the remainder interest in the trust funds. John transferred cash and securities to the trustee. At John's death, the value of the trust funds was $100,000, and the actuarial value of the life estate was $40,000 and the actuarial value of the remainder interest was $60,000.

10. John established a trust ten years ago under an irrevocable trust agreement which granted Mary a life estate in the trust funds and which granted John the reversionary interest in the trust funds. John transferred cash and securities to the trustee. At John's death, the value of the trust funds was $100,000, and the actuarial value of the life estate was $60,000 and the actuarial value of the reversionary interest was $40,000.

11. John's father established a trust ten years ago under an irrevocable trust agreement which granted John a life estate with respect to the trust funds and which granted Mary or Mary's estate the remainder interest in the trust funds. John transferred cash and securities to the trustee. At John's death, the value of the trust funds was $100,000, and the actuarial value of the life estate was $40,000 and the actuarial value of the remainder interest was $60,000.

12. John established a trust two years ago under an irrevocable trust agreement which granted Sue a life estate with respect to the trust funds and which granted Peter or Peter's estate the remainder interest in the trust funds. John transferred cash and securities to the trustee. At John's death, the value of the trust funds was $100,000, and the actuarial value of the life estate was $60,000 and the actuarial value of the remainder interest was $40,000.

13. John had an interest in retirement funds, payable under a revocable designation of the beneficiary to Mary, and in lump sum, under an individual retirement plan (an IRA plan) which was established by John and which fund was 100% funded by John. The amount of the retirement funds payable to Mary was $30,000.

When John’s father died one year ago, John’s father devised to John $1,000,000 and the federal estate tax on that amount was $153,000, which was paid by John’s father’s estate. The amount which John received from John’s father is included in the amounts which are stated as being John’s assets, in one form or the other.

John's debts, at John's death, are as follows. John is solely liable on the debts, unless these facts or the applicable state
law provides otherwise.

Various personal charge accounts and other personal current debts ........................................ $ 2,000
Mortgage debt owed to Indiana bank on Indiana home, jointly owed, real property .................. 20,000
Accrued interest on Indiana home, jointly owed, real property debt ........................................ 2,000
Mortgage debt owed to Florida bank on Florida condominium, jointly owed, real property ........ 20,000
Accrued interest on Florida condominium, jointly owed, real property debt ............................. 2,000
Last year real property taxes owed on real property in Indiana, home ....................................... 2,000
Current taxable year real property taxes owed on real property in Indiana, home ..................... 2,000
Last year real property taxes owed on real property in Florida, condominium ......................... 2,000
Current taxable year real property taxes owed on real property in Florida, condominium ......... 2,000
Accrued and unsecured maintenance expenses owed with respect to Florida condominium ........ 2,000
Accrued federal income taxes, which accrued during the current taxable year .......................... 2,000
Accrued medical expenses, which accrued during last year ...................................................... 2,000

The funeral and administration expenses for John's estate are as follows.

Funeral .................................................................................................................................. $ 2,000
Burial lot ..................................................................................................................................... 2,000
Headstone .................................................................................................................................... 2,000
Indiana lawyer fee .................................................................................................................... 80,000
Indiana executor fee .................................................................................................................. 40,000
Florida lawyer fee .................................................................................................................... 10,000
Florida executor fee .................................................................................................................. 5,000
Other Indiana probate expenses ............................................................................................... 20,000
Other Florida probate expenses ............................................................................................... 2,000
State of Indiana inheritance taxes (Indiana estate taxes have not yet been paid) ....................... 20,000

The amount of John’s federal gross estate is as follows.
A. None/Zero
B. $4,157,500
C. $4,282,500
D. $4,382,500
E. None of the above


John died on June 1, of the current taxable year. John was survived by Mary, Peter, and Sue. Through John's last will and testament, John devised John's residuary estate to a trustee (Indiana Bank), as trustee of a revocable (which became irrevocable at John's death) inter vivos trust, specifically, to the Primary Trust through such trust agreement, which trust agreement devised to Trust A the maximum estate tax marital deduction after taking into account other transfers to Mary which qualified for the estate tax marital deduction and after taking into account all other estate tax deductions and after subtracting any amount which could be transferred to Trust B without causing any estate tax. Mary was granted a life estate in both Trust A and in Trust B and granted a lifetime general power of appointment in Trust A over all of the assets in Trust A. At Mary's death, Trust A funds were to be transferred to Trust B and Trust B funds were to be transferred to two separate trusts, one for Peter and one for Sue.

In John's last will and testament, John specifically devised all of John's household tangible personal property to Mary. In addition, John specifically devised $100,000 to the Indiana University School of Law - Indianapolis.

The executrix of John’s estate elected to deduct all allowable deductions on John's estate tax return (IRS Form 706). The values of the assets in John’s estate were constant from the date of John's death through the end of the administration of the estate. John’s last will and testament was a pour over last will and testament, which poured John's probated estate to a Primary Trust from which Trust A and Trust B were funded. The estate tax marital
deduction clause and the credit shelter clause, in John's last will and testament, were the ones which were distributed to you during class.

John's assets, stated at date of death values, are as follows. All of the interests in each of the assets were owned solely by John and solely paid for by John, except as otherwise stated in the facts or by the applicable state law.

| 1. Bank accounts in Indiana banks                      | $ 100,000 |
| 2. Accrued interest on Indiana bank accounts         | 2,000     |
| 3. Savings accounts in California savings and loan associations | 100,000 |
| 4. Accrued interest on California bank accounts       | 2,000     |
| 5. Savings accounts in Indiana savings and loan associations with Mary, with rights of survivorship | 100,000 |
| 6. Accrued interest on Indiana savings accounts       | 2,000     |
| 7. Real property in Indiana, vacant, with Peter as joint tenants with rights of survivorship - - - total fair market | 100,000 |
| 8. Real property in Indiana, home, with rights of survivorship with Mary | 200,000 |
| 9. Real property in Florida, condominium, vacation property, with rights of survivorship with Mary | 200,000 |
| 10. Tangible personal property in Indiana, household goods at home | 50,000 |
| 11. Tangible personal property in Florida, household goods at condominium | 20,000 |
| 12. Common stocks                                     | 2,000,000 |
| 13. Accrued dividends on common stocks                | 10,000    |
| 14. Limited partnership interests in an Illinois real estate investment partnership | 100,000 |
| 15. Accrued Indiana income tax refund, which accrued during the current taxable year, and the check for which was payable to John and Mary | 20,000 |

Other financial information is as follows.

| 16. John owned a life insurance policy, on John’s life, with a face amount of $20,000 and with a policy value, just before John’s death, of $1,000, and which was payable to Mary. |
| 17. John owned a life insurance policy, on John’s life, with a face amount of $20,000 and with a policy value, just before John’s death, of $1,000, and which was payable to Peter and Sue, in equal shares. |
| 18. Another life insurance policy on John's life was payable to Peter or to Peter's estate, and was given to Peter by John, during the year before John died, and the policy value just prior to John's death was $1,000 and the life insurance proceeds totaled $10,000. |
| 19. Another life insurance policy on John's life was payable to Mary or to Mary's estate, and was given to Mary by John, during the year before John died, and the policy value just prior to John's death was $1,000 and the life insurance proceeds totaled $20,000. |
| 20. Another life insurance policy on John's life was payable to Indiana University Foundation, and was given to Indiana University Foundation by John, during the year before John died, and the policy value just prior to John's death was $5,000 and the life insurance proceeds totaled $10,000. |
| 21. John established a trust four taxable years ago through an irrevocable trust agreement which granted Peter a life estate in the trust funds and which granted John the reversionary interest in the trust funds. John transferred cash and securities to the trustee. At John's death, the value of the trust funds was $50,000, and the actuarial value of the life estate was $40,000 and the actuarial value of the reversionary interest was $10,000. |
| 22. John established a trust four taxable years ago through an irrevocable trust agreement which granted John a life estate in the trust funds and which granted Peter the remainder interest in the |
trust funds. John transferred cash and securities to the trustee. At John's death, the value of the trust funds was $50,000, and the actuarial value of the life estate was $10,000 and the actuarial value of the remainder interest was $40,000.

23. John established a trust ten taxable years ago through an irrevocable trust agreement which granted John a life estate in the trust funds and which granted Mary the remainder interest in the trust funds. John transferred cash and securities to the trustee. At John's death, the value of the trust funds was $100,000, and the actuarial value of the life estate was $70,000 and the actuarial value of the remainder interest was $30,000.

24. John established a trust ten taxable years ago through an irrevocable trust agreement which granted Mary a life estate in the trust funds and which granted John the reversionary interest in the trust funds. John transferred cash and securities to the trustee. At John's death, the value of the trust funds was $100,000, and the actuarial value of the life estate was $70,000 and the actuarial value of the reversionary interest was $30,000.

25. John established a trust two taxable years ago through a revocable trust agreement which granted Sue a life estate with respect to the trust funds and which granted Peter or Peter's estate the remainder interest in the trust funds. John transferred cash and securities to the trustee. At John's death, the value of the trust funds was $50,000, and the actuarial value of the life estate was $40,000 and the actuarial value of the remainder interest was $10,000.

26. John had an interest in retirement funds, payable under a revocable designation of the beneficiary to Mary through an individual retirement plan (an IRA plan) which was established by John and which fund was 100% funded by John. The amount of the retirement funds payable to Mary was $100,000.

John's debts, at John's death, are as follows. John is solely liable on the debts, unless these facts or the applicable state law provides otherwise.

<table>
<thead>
<tr>
<th>Number</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>27.</td>
<td>Various personal charge accounts and other personal current debts</td>
<td>$2,000</td>
</tr>
<tr>
<td>28.</td>
<td>Mortgage debt secured by the Indiana home, real property, jointly owed</td>
<td>$10,000</td>
</tr>
<tr>
<td>29.</td>
<td>Accrued interest on mortgage debt, jointly owed</td>
<td>$2,000</td>
</tr>
<tr>
<td>30.</td>
<td>Real property taxes owed with respect to Indiana home which accrued last year</td>
<td>$2,000</td>
</tr>
<tr>
<td>31.</td>
<td>Real property taxes owed with respect to Indiana home which accrued during current taxable year, prior to John’s death</td>
<td>$2,000</td>
</tr>
<tr>
<td>32.</td>
<td>Maintenance expenses owed with respect to the Florida condominium</td>
<td>$2,000</td>
</tr>
<tr>
<td>33.</td>
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John’s gross estate is as follows.

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