PROBLEM AND SOLUTION NUMBER ONE

Based on the facts stated below, determine and/or prepare John P. Kelly's estate’s: Federal estate tax; Federal generation skipping transfer tax; Indiana inheritance tax; Indiana generation skipping transfer tax; each beneficiary’s share of Federal estate tax; each beneficiary's share of Indiana inheritance tax; and, all of the appropriate forms and schedules which should be filed in connection with the determination and payment of these taxes. Thereafter, assume that John P. Kelly died being a resident of the State of Florida, and determine John P. Kelly's Florida death taxes.

Fully display all of the relevant details of your computations on the appropriate forms and schedules.

Facts And Computations Concerning The Estate Of An Individual Who Dies Being Domiciled In The State Of Indiana

John P. Kelly, age 56 and a Marion County, Indiana, resident, died on May 15th of the current year. John was survived by John's wife, Mary M. Kelly, age 54, who was a Marion County, Indiana, resident, and to whom John had been married for over 25 years, and John was survived by John's three children, Sally A. Kelly, age 12, Peter N. Kelly, age 16, and James R. Kelly, age 22. Both John and Mary used the cash method of accounting as their accounting methods for income tax purposes and used the calendar year as their accounting year for income tax purposes. John and Mary owned a home which was separate from the farm property, and a farm manager lived in the farm's farm house.

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 three separate trusts, one each for each child of John and Mary.

During John's life, John made the following gifts (prior to Federal gift tax exclusions and with regard to which Mary consented to split).

1978 - $10,000 of cash to each of Sally, Peter, and James.
1980 - $20,000 of cash to each of Sally, Peter, and James.
1982 - $50,000 of cash to each of Sally, Peter, and James.
1983 - $50,000 of cash to each of Sally, Peter, and James.

Mary did not make any gifts to anyone while John was alive.

In John's last will and testament, John specifically devised all of John's household tangible personal property to Mary; however, John's farm tangible personal property was to pass through John's residuary estate. Further, John's last will and testament devised $100,000 each (a total of $300,000) to Sally, Peter, and James. In addition, John specifically devised $50,000 to the Indiana University School of Law - Indianapolis.

John's assets, stated at date of death values, are as follows. All of the interests in each of the assets were owned

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solely by John, unless these facts or the applicable state law provides otherwise, and John paid all of the consideration for the acquisition of all of the interests.

Bank accounts in Indiana banks ............................................................. $ 100,000
Accrued interest on Indiana bank accounts ........................................... 2,000
Savings accounts in California savings and loan associations ...................... 100,000
Accrued interest on funds in California savings and loan associations .......... 5,000
Savings accounts in Indiana savings and loan associations with Mary, with rights of survivorship 100,000
Accrued interest on Indiana savings accounts ........................................ 5,000
Note due from nephew ........................................................................ 50,000
Accrued interest on nephew's note ...................................................... 2,000
Real property in Indiana, home, with rights of survivorship with Mary ............ 250,000
Real property in Indiana, investment rental ............................................ 600,000
Accrued rent on Indiana investment real property .................................... 10,000
Real property in Florida, condominium, vacation property, with rights of survivorship with Mary 200,000
Real property in Indiana, farm ............................................................ 1,000,000
Accounts receivable from Indiana farm grain sales ................................ 10,000
Tangible personal property in Indiana, farm .......................................... 100,000
Tangible personal property in Indiana, household goods at home ............... 50,000
Tangible personal property in Florida, household goods at condominium ...... 20,000
Common stocks .................................................................................. 300,000
Accrued dividends on common stocks .................................................... 10,000
Bonds .............................................................................................. 200,000
Accrued interest on bonds .................................................................. 10,000
Automobiles with Mary, with rights of survivorship .................................. 20,000
Limited partnership interests in an Illinois real estate investment partnership .... 30,000
Accrued Indiana income tax refund, which accrued during the current year, and the check for which was payable to John and Mary with rights of survivorship ................................. 4,000

John also owned two life insurance policies, each with a face amount of $60,000, and one of which was payable to Mary and the other of which was payable to John's three children, in equal shares.

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 Indiana bank on Indiana investment real property .......... 20,000
Accrued interest on Indiana investment 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
Mortgage debt owed to Indiana bank on Indiana farm real property ................. 50,000
Accrued interest on Indiana farm real property debt .................................. 2,000
Last year real property taxes owed on real property in Indiana, home ............... 2,000
Current year real property taxes owed on real property in Indiana, home ............ 2,000
Last year real property taxes owed on real property in Indiana, investment .......... 2,000
Current year real property taxes owed on real property in Indiana, investment .... 2,000
Last year real property taxes owed on real property in Florida, condominium .... 2,000
Current year real property taxes owed on real property in Florida, condominium .... 2,000

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Last year real property taxes owed on real property in Indiana, farm .............................. 2,000
Current year real property taxes owed on real property in Indiana, farm .............................. 2,000
Accrued expenses owed with regard to the Indiana investment real property ...................... 2,000
Accrued expenses owed with regard to the Florida condominium ................................. 2,000
Accrued expenses owed with regard to the farm .................................................... 2,000
Accrued Federal income taxes, which accrued during current year ............................... 2,000
Accrued medical expenses, which accrued during last year ........................................ 2,000
Accrued medical expenses, which accrued during current year ..................................... 2,000

The 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 expenses ....................................................... 20,000
Other Florida expenses ........................................................ 2,000
Computation Of John’s Estate’s Federal Estate Tax Liability

Gross estate:
Bank accounts in Indiana .................................................. $100,000
Accrued interest on Indiana bank accounts .................................. 2,000
Savings accounts in California savings and loan associations ............. 100,000
Accrued interest on funds in California savings and loan associations ....... 5,000
Note receivable ........................................................................... 50,000
Accrued interest on note receivable ............................................... 2,000
Real property in Indiana, rental ................................................. 600,000
Accrued rent on rental real property, Indiana .................................. 10,000
Real property in Indiana, farm ............................................... 1,000,000
Accounts receivable, farm grain sales ........................................... 10,000
Tangible personal property, Indiana farm ...................................... 100,000
Household goods, Florida ...................................................... 20,000
Common stock ........................................................................... 300,000
Accrued dividends on common stock ............................................. 10,000
Bonds ......................................................................................... 200,000
Accrued interest on bonds ....................................................... 10,000
Partnership interest, Illinois .................................................... 30,000
Life insurance payable to spouse ................................................. 60,000
Life insurance payable to children ............................................ 60,000
Savings accounts in Indiana (JPWRS) .......................................... 50,000
Accrued interest on Indiana savings accounts (JPWRS) ................. 2,500
Real property in Indiana, home (JPWRS) ..................................... 125,000
Real property in Florida, condominium (JPWRS) ......................... 100,000
Household goods, Indiana (JPWRS) .......................................... 25,000
Automobiles (JPWRS) ........................................................ 10,000
Accrued income tax refund (JPWRS) ......................................... 2,000
Total gross estate ..................................................................... $2,983,500

Minus allowable deductions:
Funeral ....................................................................................... 2,000
Burial .......................................................................................... 2,000
Headstone .................................................................................. 2,000
Administration expenses - Indiana .................................................. 140,000
Administration expenses - Florida .............................................. 17,000
Claims, unsecured - Indiana ...................................................... 12,000
Claims, unsecured - Florida ...................................................... 1,000
Claims, secured - Indiana .......................................................... 82,000
Claims, secured - Florida .......................................................... 26,000
Charitable transfers ................................................................... 50,000
Marital transfers ....................................................................... 2,091,500
Total allowable deductions ....................................................... $2,425,500
Taxable estate ........................................................................... $ 558,000

Secured claims deductible:
Mortgage debt owed to Indiana bank on Indiana home, jointly owed, real property .... $ 10,000
Accrued interest on Indiana home, jointly owed, real property debt ......................... 1,000
Mortgage debt owed to Indiana bank on Indiana investment real property ................. 20,000
Accrued interest on Indiana investment real property debt ................................ 2,000
Mortgage debt owed to Florida bank on Florida condominium, jointly owed, real property ...... 10,000
Accrued interest on Florida condominium, jointly owed, real property debt ...................... 1,000
Mortgage debt owed to Indiana bank on Indiana farm real property ....................... 50,000
Accrued interest on Indiana farm real property debt .................................. 2,000
Last year real property taxes owed on real property in Indiana, home ..................... 1,000
Current year real property taxes owed on real property in Indiana, home ................. 1,000
Last year real property taxes owed on real property in Indiana, investment .................. 2,000
Current year real property taxes owed on real property in Indiana, investment ............... 2,000
Last year real property taxes owed on real property in Florida, condominium ................. 1,000
Current year real property taxes owed on real property in Florida, condominium ............... 1,000
Last year real property taxes owed on real property in Indiana, farm ........................ 2,000
Current year real property taxes owed on real property in Indiana, farm ....................... 2,000
Total secured claims deductible ......................................................... $ 108,000

Secured and unsecured claims and expenses deductible:
Funeral, burial, and headstone expense ....................................................... $ 6,000
Administration expenses - Indiana ............................................................ 140,000
Administration expenses - Florida ............................................................ 17,000
Claims, unsecured - Indiana ........................................................................ 12,000
Claims, unsecured - Florida ......................................................................... 1,000
Claims, secured - Indiana ............................................................................ 82,000
Claims, secured - Florida ............................................................................. 26,000
Total secured and unsecured claims and expenses deductible ................................. $ 284,000

Composition of Federal unified estate tax credit:
Taxable estate .......................................................................................... $ 558,000
Plus: adjusted taxable gifts ........................................................................ 117,000
Composition of Federal unified estate tax credit ............................................. $ 675,000

Estate tax payable:
Exemption equivalent to the unified estate tax credit ......................................... $ 675,000
Tentative estate tax on $675,000 (155,800 + 64,750) ......................................... 220,550
Minus gift tax (after credits) on post-1976 taxable gifts ........................................ -0-
Estate tax prior to credits ................................................................................ $ 220,550
Allowable credits against estate tax:
Unified credit ............................................................................................... $ 220,550
State death tax credit ...................................................................................... -0-
Total allowable credits against estate tax ......................................................... 220,550
Estate tax payable .......................................................................................... $ -0-

Determination Of Amount Of Exemption Equivalent Of John’s Unified Gift Tax Credit Used During John’s Life

<table>
<thead>
<tr>
<th>Year</th>
<th>Total</th>
<th>1978</th>
<th>1979</th>
<th>1982</th>
<th>1983</th>
<th>All Years</th>
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<tbody>
<tr>
<td></td>
<td></td>
<td>30,000</td>
<td>60,000</td>
<td>150,000</td>
<td>150,000</td>
<td>6,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>15%</td>
<td>30%</td>
<td>75%</td>
<td>75%</td>
<td>100%</td>
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<tr>
<td></td>
<td></td>
<td>30,000</td>
<td>60,000</td>
<td>150,000</td>
<td>150,000</td>
<td>6,000</td>
</tr>
</tbody>
</table>

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$ 15,000  $ 30,000  $ 75,000  $ 75,000  1982 - 45,000
- 9,000  - 9,000  - 30,000  - 30,000  1983 - 45,000
$  6,000  $ 21,000  $ 45,000  $ 45,000  Total - $117,000

Determination Of Amount Of John’s Taxable Estate Using John’s Estate Tax Marital Deduction Formula Clause

Exemption equivalent of unified estate tax credit ................................. $ 675,000
Minus adjusted taxable gifts ................................................. 117,000
Taxable estate .......................................................... $ 558,000

Computation Of John's Estate’s Indiana Inheritance Tax Liability

Gross estate:
Bank accounts in Indiana .................................................. $ 100,000
Accrued interest on Indiana bank accounts ............................... 2,000
Savings accounts in California savings and loan associations ......... 100,000
Accrued interest on funds in California savings and loan associations 5,000
Note receivable ............................................................. 50,000
Accrued interest on note receivable ........................................ 2,000
Real property in Indiana, rental ........................................... 600,000
Accrued rent on rental real property, Indiana ............................. 10,000
Real property in Indiana, farm .............................................. 1,000,000
Accounts receivable, farm grain sales .................................... 10,000
Tangible personal property, Indiana farm ................................ 100,000
Common stock ............................................................ 300,000
Accrued dividends on common stock .................................... 10,000
Bonds ....................................................................... 200,000
Accrued interest on bonds .................................................. 10,000
Partnership interest, Illinois ................................................ 30,000
Savings accounts in Indiana (JPWRS) ...................................... 100,000
Accrued interest on Indiana savings accounts (JPWRS) ............... 5,000
Real property in Indiana, home (JPWRS) ................................. 250,000
Household goods, Indiana (JPWRS) ..................................... 50,000
Automobiles (JPWRS) ..................................................... 20,000
Accrued income tax refund (JPWRS) ..................................... 4,000
Total gross estate ....................................................... $ 2,958,000

Minus allowable deductions:
Funeral ............................................................... $  2,000
Burial ..................................................................... 2,000
Headstone (2,000 -1,000) .................................................. 1,000
Administration expenses - Indiana ........................................ 140,000
Claims, unsecured - Indiana .............................................. 12,000
Claims, secured - Indiana ............................................... 82,000
Survivor’s allowance ............................................... 15,000
Total allowable deductions (not including martial exemption and charitable exemption) . $ 254,000
Amount available for Indiana distribution ................................ $ 2,704,000
<table>
<thead>
<tr>
<th>Distributee</th>
<th>Distribution</th>
<th>Exemption</th>
<th>Tax</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indiana University</td>
<td>$ 50,000</td>
<td>$ 50,000</td>
<td>-0-</td>
</tr>
<tr>
<td>Surviving spouse (Trust A)</td>
<td>1,727,000</td>
<td>1,727,000</td>
<td>-0-</td>
</tr>
<tr>
<td>Surviving spouse (Trust B)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Age 54:</td>
<td>160,487</td>
<td>160,487</td>
<td>-0-</td>
</tr>
<tr>
<td>Surviving spouse:</td>
<td>429,000</td>
<td>429,000</td>
<td>-0-</td>
</tr>
<tr>
<td>(survivorship property)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adult son:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Specific devise and</td>
<td>112,504</td>
<td>100,000</td>
<td></td>
</tr>
<tr>
<td>remainder in Trust B</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(.18946 x 198,000 x 1/3)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Minor son:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Specific devise and</td>
<td>112,504</td>
<td>100,000</td>
<td></td>
</tr>
<tr>
<td>remainder in Trust B</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(.18946 x 198,000 x 1/3)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Minor daughter:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Specific devise and</td>
<td>112,504</td>
<td>100,000</td>
<td></td>
</tr>
<tr>
<td>remainder in Trust B</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(.18946 x 198,000 x 1/3)</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Totals</td>
<td>$2,703,999</td>
<td>$2,666,487</td>
<td>$375</td>
</tr>
</tbody>
</table>

Times 95% (if tax is paid within one year) $36

Amount distributable to Trust B for Indiana inheritance tax purposes:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross estate</td>
<td>$2,958,000</td>
</tr>
<tr>
<td>Minus:</td>
<td></td>
</tr>
<tr>
<td>Charitable transfers</td>
<td>$50,000</td>
</tr>
<tr>
<td>Marital transfers (1,727,000 + 429,000)</td>
<td>2,156,000</td>
</tr>
<tr>
<td>Devises to children</td>
<td>300,000</td>
</tr>
<tr>
<td>Other deductions (5,000 + 140,000 + 12,000 + 82,000 + 15,000)</td>
<td>254,000</td>
</tr>
<tr>
<td>Total</td>
<td>$2,760,000</td>
</tr>
<tr>
<td>Amount distributable to Trust B from Indiana taxable estate</td>
<td>$198,000</td>
</tr>
</tbody>
</table>

State death tax credit $-0-

Minus:

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indiana inheritance tax (assuming that the Indiana tax is paid within one year after death)</td>
<td>$356</td>
</tr>
<tr>
<td>And other allowable state death taxes</td>
<td>-0-</td>
</tr>
<tr>
<td>Total allowable reductions</td>
<td>356</td>
</tr>
</tbody>
</table>

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Indiana estate tax ........................................................ $ -0-

Computation Of John's Estate’s Florida Estate Tax Liability And Federal Credit For Florida Death Taxes Paid

Federal credit for death taxes paid to state and local governments ........................ $ -0-
There is no Federal credit for death taxes paid to state and local governments because there is no Federal tax due and the Federal credit for death taxes paid to state and local governments is a nonrefundable credit. However, the computation of Florida’s death tax is as follows.

Florida gross estate = $ 120,000
Federal gross estate = $2,983,500

Florida estate tax = Florida gross estate x .04 = $120,000
Federal gross estate = $2,983,500

State death tax credit ..................................................... $ -0-

Computation Of John's Estate’s Indiana Estate Tax Liability And Credit For Indiana Death Taxes Paid

Federal credit for death taxes paid to state and local governments ........................ $ -0-
There is no Federal credit for death taxes paid to state and local governments because there is no Federal tax due and the Federal credit for death taxes paid to state and local governments is a nonrefundable credit. However, the computation of Indiana’s death tax is as follows.

Indiana gross estate = $2,863,500
Federal gross estate = $2,983,500

Indiana estate tax = Indiana gross estate x .9598 = $2,863,500
Federal gross estate = $2,983,500

State death tax credit ..................................................... $ -0-

Indiana share of Federal credit for death taxes paid to state or local governments (.9598 x -0-) = $ -0-
Minus: Indiana inheritance tax
Indiana estate tax ........................................................ $ -0-

Comparison Of John's Estate’s Federal And Indiana Taxable Estates

<table>
<thead>
<tr>
<th>Gross estate</th>
<th>Indiana</th>
<th>Federal</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank accounts in Indiana</td>
<td>$ 100,000</td>
<td>$ 100,000</td>
</tr>
<tr>
<td>Accrued interest on Indiana bank accounts</td>
<td>2,000</td>
<td>2,000</td>
</tr>
<tr>
<td>Savings accounts in California savings and loan associations</td>
<td>100,000</td>
<td>100,000</td>
</tr>
<tr>
<td>Accrued interest on funds in California savings and loan associations</td>
<td>5,000</td>
<td>5,000</td>
</tr>
<tr>
<td>Note receivable</td>
<td>50,000</td>
<td>50,000</td>
</tr>
<tr>
<td>Accrued interest on note receivable</td>
<td>2,000</td>
<td>2,000</td>
</tr>
<tr>
<td>Real property in Indiana, rental</td>
<td>600,000</td>
<td>600,000</td>
</tr>
</tbody>
</table>

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<table>
<thead>
<tr>
<th>Description</th>
<th>Value 1</th>
<th>Value 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accrued rent on rental real property, Indiana</td>
<td>10,000</td>
<td>10,000</td>
</tr>
<tr>
<td>Real property in Indiana, farm</td>
<td>1,000,000</td>
<td>1,000,000</td>
</tr>
<tr>
<td>Accounts receivable, farm grain sales</td>
<td>10,000</td>
<td>10,000</td>
</tr>
<tr>
<td>Tangible personal property on Indiana farm</td>
<td>100,000</td>
<td>100,000</td>
</tr>
<tr>
<td>Household goods - Florida</td>
<td>20,000</td>
<td>-0-</td>
</tr>
<tr>
<td>Common stock</td>
<td>300,000</td>
<td>300,000</td>
</tr>
<tr>
<td>Accrued dividends on common stock</td>
<td>10,000</td>
<td>10,000</td>
</tr>
<tr>
<td>Bonds</td>
<td>200,000</td>
<td>200,000</td>
</tr>
<tr>
<td>Accrued interest on bonds</td>
<td>10,000</td>
<td>10,000</td>
</tr>
<tr>
<td>Partnership interest, Illinois</td>
<td>30,000</td>
<td>30,000</td>
</tr>
<tr>
<td>Life insurance payable to spouse</td>
<td>60,000</td>
<td>-0-</td>
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<tr>
<td>Life insurance payable to children</td>
<td>60,000</td>
<td>-0-</td>
</tr>
<tr>
<td>Savings accounts in Indiana (JPWRS)</td>
<td>50,000</td>
<td>100,000</td>
</tr>
<tr>
<td>Accrued interest on Indiana savings accounts (JPWRS)</td>
<td>2,500</td>
<td>5,000</td>
</tr>
<tr>
<td>Real property in Indiana, home (JPWRS)</td>
<td>125,000</td>
<td>250,000</td>
</tr>
<tr>
<td>Real property in Florida, condominium (JPWRS)</td>
<td>100,000</td>
<td>-0-</td>
</tr>
<tr>
<td>Household goods, Indiana (JPWRS)</td>
<td>25,000</td>
<td>50,000</td>
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<tr>
<td>Automobiles (JPWRS)</td>
<td>10,000</td>
<td>20,000</td>
</tr>
<tr>
<td>Accrued income tax refund (JPWRS)</td>
<td>2,000</td>
<td>4,000</td>
</tr>
<tr>
<td><strong>Total gross estate</strong></td>
<td><strong>$2,983,500</strong></td>
<td><strong>$2,958,000</strong></td>
</tr>
<tr>
<td>Minus allowable deductions:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Funeral</td>
<td>$ 2,000</td>
<td>$ 2,000</td>
</tr>
<tr>
<td>Burial lot</td>
<td>2,000</td>
<td>2,000</td>
</tr>
<tr>
<td>Headstone</td>
<td>2,000</td>
<td>1,000</td>
</tr>
<tr>
<td>Indiana lawyer fee</td>
<td>80,000</td>
<td>80,000</td>
</tr>
<tr>
<td>Indiana executor fee</td>
<td>40,000</td>
<td>40,000</td>
</tr>
<tr>
<td>Florida lawyer fee</td>
<td>10,000</td>
<td>-0-</td>
</tr>
<tr>
<td>Florida executor fee</td>
<td>5,000</td>
<td>-0-</td>
</tr>
<tr>
<td>Other administration expenses, Indiana</td>
<td>20,000</td>
<td>20,000</td>
</tr>
<tr>
<td>Other administration expenses, Florida</td>
<td>2,000</td>
<td>-0-</td>
</tr>
<tr>
<td>Unsecured claim - charge accounts</td>
<td>2,000</td>
<td>2,000</td>
</tr>
<tr>
<td>Unsecured claim - accrued expenses, Indiana investment real property</td>
<td>2,000</td>
<td>2,000</td>
</tr>
<tr>
<td>Unsecured claim - accrued expenses farm</td>
<td>2,000</td>
<td>2,000</td>
</tr>
<tr>
<td>Unsecured claim - accrued expenses Florida condominium</td>
<td>1,000</td>
<td>-0-</td>
</tr>
<tr>
<td>Unsecured claim - Federal income taxes, last year</td>
<td>2,000</td>
<td>2,000</td>
</tr>
<tr>
<td>Unsecured claim - accrued medical expenses, last year</td>
<td>2,000</td>
<td>2,000</td>
</tr>
<tr>
<td>Unsecured claim - accrued medical expenses, current year</td>
<td>2,000</td>
<td>2,000</td>
</tr>
<tr>
<td>Secured claims - mortgage on Indiana home</td>
<td>10,000</td>
<td>-0-</td>
</tr>
<tr>
<td>Secured claims - accrued interest on mortgage on Indiana home</td>
<td>1,000</td>
<td>0</td>
</tr>
<tr>
<td>Secured claims - mortgage on rental property, Indiana</td>
<td>20,000</td>
<td>20,000</td>
</tr>
<tr>
<td>Secured claims - accrued interest on mortgage on rental property</td>
<td>2,000</td>
<td>2,000</td>
</tr>
<tr>
<td>Secured claims - mortgage on Florida condominium</td>
<td>10,000</td>
<td>-0-</td>
</tr>
<tr>
<td>Secured claims - accrued interest on mortgage on Florida condo</td>
<td>1,000</td>
<td>0</td>
</tr>
</tbody>
</table>
Secured claims - mortgage on Indiana farm $50,000  $50,000
Secured claims - accrued interest mortgage on Indiana farm $2,000  $2,000
Secured claims - last year real estate taxes on Indiana home $1,000  $0
Secured claims - current year real estate taxes on Indiana home $1,000  $0
Secured claims - last year real estate taxes on rental property $2,000  $2,000
Secured claims - current year real estate taxes on rental property $2,000  $2,000
Secured claims - last year real estate taxes on Florida condo $1,000  $0
Secured claims - current year real estate taxes on Florida condo $1,000  $0
Secured claims - last year real estate taxes on Indiana farm $2,000  $2,000
Secured claims - current year real estate taxes on Indiana farm $2,000  $2,000
Charitable transfers 50,000  $0
Survivor's allowance 0  15,000
Marital transfers 2,091,500 0

Total allowable deductions $2,425,500 $-

Taxable estate $2,704,000 $558,000

Computation Of John’s Jointly Owned Property With Rights Of Survivorship

<table>
<thead>
<tr>
<th>Description</th>
<th>Federal</th>
<th>Indiana</th>
</tr>
</thead>
<tbody>
<tr>
<td>Savings accounts in Indiana</td>
<td>$50,000</td>
<td>$100,000</td>
</tr>
<tr>
<td>Accrued interest on Indiana savings accounts</td>
<td>2,500</td>
<td>5,000</td>
</tr>
<tr>
<td>Real property in Indiana, home</td>
<td>125,000</td>
<td>250,000</td>
</tr>
<tr>
<td>Real property in Florida, condominium</td>
<td>100,000</td>
<td>0</td>
</tr>
<tr>
<td>Household goods, Indiana</td>
<td>25,000</td>
<td>50,000</td>
</tr>
<tr>
<td>Automobiles</td>
<td>10,000</td>
<td>20,000</td>
</tr>
<tr>
<td>Accrued income tax refund</td>
<td>2,000</td>
<td>4,000</td>
</tr>
<tr>
<td>Total Of John’s Jointly Owned Property With Rights Of Survivorship</td>
<td>$314,500</td>
<td>$429,000</td>
</tr>
</tbody>
</table>

Computation Of John's Estate’s Federal Estate Tax Marital Deduction

Estate tax marital deduction:
50% of savings accounts in Indiana .......................... $50,000
50% of accrued interest on Indiana savings accounts ........................................ 2,500
50% of real property in Indiana, home .......................... 125,000
50% of real property in Florida, condominium .................. 100,000
50% of household goods, Indiana .............................. 25,000
50% of automobiles ........................................... 10,000
50% of accrued income tax refund ............................ 2,000
50% of property held with rights of survivorship with spouse ........................... $314,500

Minus: 50% of related secured claims .......................... (26,000)

Net amount of 50% of property held with rights of survivorship property with spouse $288,500
Life insurance proceeds payable to spouse ........................................... 60,000
Household goods in Florida devised to spouse .......................... 20,000
Spouse's survivorship allowance .............................. 15,000

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Property passing to Trust A ................................................. 1,708,000
Total estate tax marital deduction ................................................ $ 2,091,500

Gross estate for Federal estate tax purposes .......................................................... $ 2,983,500
Minus:
- Funeral and administration expenses ............................................. $ 163,000
- Claims, unsecured ................................................. 13,000
- Claims, secured ................................................. 108,000
- Charitable devise ................................................. 50,000
- Taxable estate for Federal estate tax purposes ........................................... 558,000
- Total deductions except for marital deduction ........................................... $ 892,000
- Estate tax marital deduction ................................................ $ 2,091,500

Amount Which Is Distributable From John's Estate To Trust A

Gross estate ........................................................... $ 2,983,500
Minus:
- Funeral, burial, and headstone expenses ........................................... $ 6,000
- Administration expenses .................................................. 157,000
- Claims, unsecured ................................................. 13,000
- Claims, secured ................................................. 108,000
- Total deductions prior to marital deduction and charitable deduction .................... 284,000
- Adjusted gross estate ..................................................... $ 2,699,500
Minus:
- Charitable transfers ...................................................... $ 50,000
- Marital transfers ......................................................... 2,091,500
- Total ................................................................ $ 2,141,500
- Taxable estate .......................................................... $ 558,000

Marital transfers ........................................................ $ 2,091,500
Minus:
- Life insurance proceeds payable to spouse ........................................... $ 60,000
- 50% of savings accounts in Indiana ................................................. 50,000
- 50% of accrued interest on Indiana savings accounts .......................... 2,500
- 50% of real property in Indiana, home ............................................ 125,000
- 50% of real property in Florida, condominium ................................. 100,000
- 50% of household goods, Indiana .................................................. 125,000
- 50% of automobiles ......................................................... 10,000
- 50% of accrued income tax refund .................................................. 2,000
- Total of 50% of property held with rights of survivorship with spouse ................ $ 314,500
Minus: 50% of related secured claims .................................................. (26,000)
- 50% of net survivorship property with spouse ........................................ 288,500
- Household goods, Florida ...................................................... 20,000
- Spouse's survivorship allowance .................................................. 15,000
- Property which passes to surviving spouse outside of Trust A ...................... $ 383,500
- Amount which is distributable to Trust A ......................................... $ 1,708,000

Amount treated as being transferred to Trust A for Indiana inheritance purposes which is in addition

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to the amount which is treated as being transferred to Trust A for Federal estate tax purposes:
Deductions allowable for Federal purposes (other than marital deduction and charitable
deduction) ............................................................ $284,000
Plus: spousal allowance deducted for Federal marital deduction purposes) .................... 15,000
Minus: deductions allowable for Indiana purposes (5,000 + 140,000 + 12,000 +
82,000 + 15,000) ........................................................ 254,000
Minus: disallowed secured claims on Indiana property for Indiana inheritance tax
purposes ............................................................. 26,000
Amount treated as being transferred to Trust A for Indiana inheritance purposes
which is in addition to the amount which is treated as being transferred to Trust A
for Federal estate tax purposes .............................................. $19,000

Reconciliation Of Amounts Treated As Being Distributable From John's Estate To Trust B For Federal
Estate Tax Purposes And For Indiana Inheritance Tax Purposes

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exemption equivalent to the unified estate tax credit</td>
<td>$675,000</td>
</tr>
<tr>
<td>Insurance proceeds payable to children</td>
<td>$60,000</td>
</tr>
<tr>
<td>Devises to children</td>
<td>300,000</td>
</tr>
<tr>
<td>Adjusted taxable gifts to children</td>
<td>117,000</td>
</tr>
<tr>
<td>Total amounts which are not distributable to Trust B</td>
<td>$477,000</td>
</tr>
<tr>
<td>Amount distributable to Trust B from estate for Federal estate tax purposes</td>
<td>$198,000</td>
</tr>
<tr>
<td>Gross estate (not including out of state property or life insurance proceeds)</td>
<td>$2,958,000</td>
</tr>
<tr>
<td>Charitable transfers</td>
<td>$50,000</td>
</tr>
<tr>
<td>Marital transfers</td>
<td>2,091,500</td>
</tr>
<tr>
<td>Devises to children</td>
<td>300,000</td>
</tr>
<tr>
<td>Other deductions (5,000 + 140,000 + 12,000 + 82,000 + 15,000)</td>
<td>254,000</td>
</tr>
<tr>
<td>Total</td>
<td>$2,760,000</td>
</tr>
<tr>
<td>Amount distributable to Trust B from estate for Indiana inheritance tax purposes</td>
<td>$198,000</td>
</tr>
</tbody>
</table>

Computation Of John's Federal Estate Tax Credit For State Death Taxes

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal taxable estate</td>
<td>$558,000</td>
</tr>
<tr>
<td>Plus adjusted taxable gifts</td>
<td>117,000</td>
</tr>
<tr>
<td>Total</td>
<td>$675,000</td>
</tr>
<tr>
<td>Tentative tax on above amount</td>
<td>$220,550</td>
</tr>
<tr>
<td>Minus gift tax (after credits) on post-1976 taxable gifts</td>
<td>-0-</td>
</tr>
<tr>
<td>Gross estate tax</td>
<td>$220,550</td>
</tr>
<tr>
<td>Minus unified credit against estate tax</td>
<td>220,550</td>
</tr>
<tr>
<td>Estate tax due after deducting unified credit</td>
<td>-0-</td>
</tr>
<tr>
<td>Federal taxable estate</td>
<td>$558,000</td>
</tr>
<tr>
<td>Minus base amount</td>
<td>60,000</td>
</tr>
</tbody>
</table>

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Federal adjustable taxable estate ............................................. $ 498,000
Credit on $440,000 ............................................................... $ 10,000
Credit on $58,000 ............................................................... 2,320
Total Federal credit for state death taxes ................................. $ 12,320

Total Federal credit for state death taxes ............................................. $ 12,320
Estate tax due after deducting unified estate tax credit ....................... $ -0-
Lesser of: Federal credit for state death taxes and estate tax minus unified estate tax credit ............................................. $ -0-

Computation Of The Point At Which John's Estate’s Federal Estate Tax Equals The State Death Tax Credit

Federal taxable estate .......................................................... $ 727,174
Tentative tax on above amount (155,800 + 84,054) ............................... $ 239,854
Minus unified estate credit .................................................... 220,550
Amount available for state death tax credit .................................. $ 19,304

Computation of state death tax credit:
Federal taxable estate .......................................................... $ 727,174
Minus previous exemption ...................................................... 60,000
Adjusted taxable estate ....................................................... $ 667,173
State death tax credit on above amount (18,000 + 1,304) ...................... $ 19,304
Taxable estate ................................................................. $ 727,174
Minus credit equivalent ......................................................... 675,000
Amount required to offset state death tax credit .............................. $ 52,174