

# HS-330<sup>Q&As</sup>

Fundamentals of Estate Planning Test

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**QUESTION 1**

A wife makes outright gifts of \$66,000 this year to her son, and her husband agrees to split the gifts with her. Which of the following correctly states the amount of the taxable gifts?

- A. Wife \$12,000, husband \$32,000
- B. Wife \$32,000, husband \$32,000
- C. Wife \$22,000, husband \$22,000
- D. Wife \$44,000, husband 0

Correct Answer: C

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**QUESTION 2**

Which of the following statements concerning the generation-skipping transfer tax (GSTT) is correct?

- A. The applicable credit amount may be applied against generation-skipping transfers.
- B. An annual exclusion is available for direct skip gifts to a grandchild.
- C. The GSTT is inapplicable to transfers to nonrelated transferees.
- D. The GSTT is imposed only if no federal estate or gift tax applies to a transfer.

Correct Answer: B

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**QUESTION 3**

All the following are conditions that must be met if an otherwise nonqualified terminable interest is to qualify (as QTIP) for the federal estate tax marital deduction EXCEPT:

- A. The surviving spouse must make a qualified disclaimer to all other property in the deceased spouse's estate within 9 months of death.
- B. No person can be given the right to direct that the property go to anyone other than the surviving spouse as long as the surviving spouse is alive.
- C. The surviving spouse must be given a lifetime right to receive all the property's income at least annually.
- D. The deceased spouse's executor must make an irrevocable election to have the property includible in the surviving spouse's gross estate.

Correct Answer: A

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**QUESTION 4**

All the following statements concerning property ownership by a married couple residing in a community-property state are correct EXCEPT:

- A. Income earned by one spouse becomes community property.
- B. Property inherited during the marriage is the separate property of the spouse who inherited it.
- C. All property that is not separate property is community property.
- D. Community property loses its identity when a community-property couple moves to a common-law state.

Correct Answer: D

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#### QUESTION 5

Which of the following statements concerning property is correct?

- A. A tree growing on land is tangible personal property.
- B. A mortgage on real estate is real property.
- C. Any property that is not real property is personal property.
- D. A bond issue secured solely by a corporation assets is tangible personal property.

Correct Answer: C

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#### QUESTION 6

John plans to transfer his life insurance policy to an irrevocable trust for the benefit of his 19-year-old daughter, Jane. Which of the following conditions will enable the gift to qualify for the annual exclusion?

1.  
Jane is the irrevocable beneficiary of the life insurance trust but cannot withdraw from the trust until the death benefits are paid.
  2.  
Jane is given "Crummey" demand powers permitting the withdrawal at her discretion of the annual additions to the trust.
- A. 1 only
  - B. Neither 1 nor 2
  - C. Both 1 and 2
  - D. 2 only

Correct Answer: D

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**QUESTION 7**

Tax benefits of making lifetime gifts in excess of the gift tax annual exclusion include all the following EXCEPT:

- A. Gift taxes are payable at the same tax rate as estate taxes.
- B. Income taxes can be saved if a high-income donor gives income-producing property to a low- income donee.
- C. The gift tax paid on a gift made more than 3 years prior to the death of the donor avoids inclusion the donor's gross estate.
- D. Appreciation in the value of a gift of real property after the date of the gift increases the donor's federal estate tax liability.

Correct Answer: D

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**QUESTION 8**

Which of the following statements concerning the inclusion in a decedent-employee's gross estate of a lump-sum distribution from a qualified retirement plan to a beneficiary other than the employee's estate is (are) correct?

1.  
Lump-sum distributions of payments attributable to the employer's contributions are excluded from the gross estate.
  2.  
Lump-sum distributions of payments attributable to the decedent-employee's contributions are excluded from the gross estate.
- A. Both 1 and 2
  - B. Neither 1 nor 2
  - C. 1 only
  - D. 2 only

Correct Answer: B

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**QUESTION 9**

A widower dies leaving a net probate estate of \$300,000. At the time of his death, his descendants are as follows:

A son, Joe, who has no children;

A deceased daughter, Mary, whose two children, Irene and Sally, survive; and

A daughter, Anne, who has one child, Harry

Assuming that the widower's will provides for the distribution of his assets in equal shares to his children, per stirpes, which of the following correctly states the amounts each descendant will receive?

- A. \$60,000 to Joe, \$60,000 to Irene, \$60,000 to Sally, \$60,000 to Anne, and \$60,000 to Harry
- B. \$100,000 to Joe, \$50,000 to Irene, \$50,000 to Sally, \$50,000 to Anne, and \$50,000 to Harry
- C. \$75,000 to Joe, \$75,000 to Irene, \$75,000 to Sally, and \$75,000 to Anne
- D. \$100,000 to Joe, \$50,000 to Irene, \$50,000 to Sally, and \$100,000 to Anne

Correct Answer: D

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#### QUESTION 10

A man died in February of this year. Last year, when he learned that he had terminal illness, he immediately made the following gifts and filed the required gift tax return: Fair Market Value Gift of listed stock to a

-qualified charity \$200,000

-

Gift of listed bonds to his wife 300,000

-

Gift of a boat to his son 10,000

-

Gift of a sports car to his daughter 10,000

A.

\$200,000

B.

0

C.

\$290,000

D.

\$520,000

Correct Answer: B

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#### QUESTION 11

A man died in February of this year. Last year, when he learned that he had terminal illness, he immediately made the following gifts and filed the required gift tax return:

Fair Market Value

Gift of listed stock to

-a qualified charity \$200,000

-

Gift of listed bonds to his wife 300,000

-

Gift of a boat to his son 10,000

-

Gift of a sports car to his daughter 10,000

A.

\$520,000

B.

\$290,000

C.

\$200,000

D.

0

Correct Answer: D

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### QUESTION 12

All the following statements concerning transfers at death under a will are correct EXCEPT:

- A. Specific bequests of a decedent's property are satisfied prior to distribution of the decedent's residuary estate.
- B. If during lifetime a decedent disposed of property that was the subject of a specific bequest, ademption occurs.
- C. It is common for a will to contain a clause that exempts the executor from posting bond.
- D. The most appropriate way to sever a joint tenancy with right of survivorship is for the joint tenant-decedent to make a specific bequest of the property under a will.

Correct Answer: D

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### QUESTION 13

An executor elects to value the assets of the estate at the alternative valuation date 6 months after death. Which of the following statements concerning the estate tax value of assets included in this estate is correct?

- A. Property distributed under the will before the alternate valuation date is valued at the date of death.
- B. Property that has increased in value since the date of death may be valued at the date of death if the executor so elects.
- C. An annuity included in the gross estate that diminishes with the mere passage of time is includible at the date of death value.
- D. Property sold before the alternate valuation date is valued at the alternate valuation date.

Correct Answer: C

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#### QUESTION 14

Believing that his death was imminent, a widower gave his son some real estate two years ago, and filed a timely gift tax return. The widower died on January 1st of this year. Additional facts are:

-Widower's basis in the real estate \$150,000

-

Value of real estate when gifted 400,000

-

Value of real estate on date of death 800,000

-

Amount of gift tax paid by widower 121,800

A.

The gift tax paid is brought back into the widower's gross estate at \$121,800.

B.

The gift of the real estate is included in the calculation of the widower's federal estate tax as an adjusted taxable gift.

C.

The son's income tax basis in the real estate is \$800,000.

D.

The widower recognized no gain for income tax purposes at the time the gift was made.

Correct Answer: C

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#### QUESTION 15

The following are facts concerning a decedent's estate:

-Taxable estate \$1,800,000

-Pre-1977 taxable gifts 100,000

-

Post-1976 adjusted taxable gifts 150,000

-

Post-1976 gifts made to a qualified charity 200,000

A.

\$1,800,000

B.

\$1,950,000

C.

\$1,650,000

D.

\$2,150,000

Correct Answer: B

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