




Review Questions & Final Exam

Course name:	Survivors, Executors, and Administrators—Tax Year 2008
Course number:	1007N.08
Number of questions:	Review 30 Final exam 30
Prerequisite:	None
Course level:	Basic
Recommended CPE credit:	6 CPE hours
Recommended study time:	6 hours
Course format:	Interactive self study CPE credit calculated as 100% of total study time (i.e. 50 minute hour)
Reference text:	IRS 2008 Publication 559 Survivors, Executors, and Administrators (free download)  46 Pages www.irs.gov
Course updated:	May 29, 2009
Subject classification:	Taxation
Learning objective:	Review the tax implications related to the property (estate) of an individual who has died (decedent). Also review how to complete and file related federal income tax returns and pay any taxes due.
Instructions:	This copy of the exam can be used to answer questions while offline . Please note that you will still need to enter your answers online by logging into the course system with your User ID and Password.

Exam Name: Survivors Executors Course ID: 1007N.08

- 1) The primary duties of a personal representative do NOT include:
 - a) Collecting all the decedent's assets
 - b) Paying the creditors
 - c) Distributing the remaining assets to the heirs or other beneficiaries
 - d) Filing a wrongful death lawsuit on behalf of the survivors

- 2) The term fiduciary means any person acting on his own behalf.
True
False

- 3) Generally, if a decedent's estate is insufficient to pay all the decedent's debts, the debts due his CPA must be paid first.
True
False

- 4) Personal representatives should include any fees paid to them from an estate in their gross income.
True
False

- 5) The decedent's income includible on the final return is generally determined as if the person were still alive except that the taxable period is usually shorter because it ends on the date of death.
True
False

- 6) All interest income received during the year of the decedent's death is considered taxable income to the estate.
True
False

- 7) If the decedent qualified as your dependent for the part of the year before death, you can claim the exemption for the dependent on your tax return, regardless of when death occurred during the year.
True
False

- 8) If you do not itemize deductions on the final return, you must determine a pro-rated standard deduction based on the decedent's date of death.
True
False

- 9) A decedent's net operating loss from a prior year and any capital losses can be deducted on both the decedent's final income tax return and on the estate's income tax return.
True
False
- 10) You can claim any tax credits that applied to the decedent before death (such as credit for the elderly or the disabled) on the final income tax return.
True
False
- 11) If a member of the Armed Forces of the dies while in active service in a combat zone, the decedent's income tax liability is forgiven for the entire year in which death occurred.
True
False
- 12) If you transfer your right to income in respect of a decedent, you must include in your income the greater of the amount you receive for the right or the fair market value of the right you transfer.
True
False
- 13) If a beneficiary receives a lump-sum distribution from a traditional IRA he or she inherited, the entire amount received is always nontaxable.
True
False
- 14) Income that a decedent had a right to receive is included in the decedent's gross estate and is subject to estate tax.
True
False
- 15) When a beneficiary claims an estate tax deduction, this deduction is subject to the 2% limit on miscellaneous itemized deductions.
True
False
- 16) Your basis in property you inherit from a decedent could be:
a) The FMV of the property at the date of the individual's death
b) The FMV on the alternate valuation date
c) The value under the special-use valuation method for real property used in farming or other closely held business
d) The decedent's adjusted basis in land to the extent of the value that is excluded from the decedent's taxable estate as a qualified conservation easement
e) Any of the above
- 17) If you can depreciate property you inherited, you generally must use MACRS to determine depreciation.
True
False

- 18) Salary or wages paid AFTER the employee's death are subject to federal income tax withholding.
True
False
- 19) The person designated or appointed to administer property in a state other than that of the decedent's permanent home is called an ancillary representative.
True
False
- 20) Appreciated property that is transferred to a political organization is treated as sold by the estate.
True
False
- 21) The allowable deductions for depreciation and depletion that accrue after the decedent's death must be apportioned between the estate and the beneficiaries, depending on the income of the estate that is allocable to each.
True
False
- 22) If an estate distributes property in kind, the estate's deduction ordinarily is the lesser of its basis in the property or the property's FMV when distributed.
True
False
- 23) You can deduct funeral expenses when figuring the estate's taxable income on the estate's income tax return (Form 1041).
True
False
- 24) The estate's income tax liability must be paid in full when the return is filed.
True
False
- 25) The personal representative can elect to treat distributions paid or credited by the estate within 65 days after the close of the estate's tax year as having been paid or credited on the last day of that tax year.
True
False
- 26) An amount distributed to a beneficiary for inclusion in gross income retains the same character for the beneficiary that it had for the estate.
True
False
- 27) The termination of an estate generally is marked by the end of the period of administration and by the distribution of the assets to the beneficiaries under the terms of the will or under the laws of succession of the state if there is no will.
True
False

28) If you must file Form 706, it has to be done within how many months (maximum) after the date of the decedent's death if you do not receive an extension of time to file:

- a) 6
- b) 9
- c) 12
- d) 18

29) Schedule B of Form 1041 (U. S. Income Tax Return for Estates and Trusts) is used to report charitable contributions.

- True
- False

30) Income reported on the estate tax return (Form 1041) is subject to alternative minimum tax.

- True
- False

Exam Name: Survivors, Executors and Administrators
--Final Exam

1) A personal representative of an estate can be:

- a) An executor
- b) An administrator
- c) Anyone who is in charge of the decedent's property
- d) Any of the above

2) The first action a personal representative for the decedent should take is to apply for an EIN for the estate using Form SS-4.

- True
- False

3) A personal representative may request a prompt assessment of tax after the income tax return has been filed to permit a quicker settlement of the tax liability of the estate and an earlier final distribution of the assets to the beneficiaries.

- True
- False

4) If you are a professional executor or administrator, you may have to pay self-employment tax as well as income tax on fees received from an estate for your services.

- True
- False

5) A final joint return with the decedent can still be filed if the surviving spouse remarried before the end of the year of the decedent's death.

True
False

6) You should separate out any interest income earned after the decedent's death and report that interest as income to the proper recipient or the estate.

True
False

7) Generally, if the decedent received accelerated death benefits either on his or her own life or on the life of another person, those benefits are not included in the decedent's income if the insured was a terminally or chronically ill individual.

True
False

8) Qualified medical expenses are not deductible if paid with a tax-free distribution from an Archer MSA.

True
False

9) The decedent's final return CANNOT claim any tax credits because tax credits must be calculated on the basis of a full year of income.

True
False

10) Income tax liability may be forgiven for each of the following deceased individuals EXCEPT:

- a) Jim, a civilian, has heart failure while working in a medical capacity at a stateside veteran's hospital
- b) Mary gets typhoid while serving in the military in a combat zone
- c) George, a civilian, was in a building in California which was bombed by terrorists
- d) Ann was an astronaut on a space mission

11) One of the requirements for claiming the filing status of qualifying widow(er) with dependent child is that you must have a child, stepchild, or foster child who qualified as your dependent for the tax year.

True
False

12) Income in respect of a decedent must be included in the income of which of the following:

- a) The decedent's estate, if the estate receives it
- b) The beneficiary, if the right to income is passed directly to the beneficiary and the beneficiary receives it
- c) Any person to whom the estate properly distributes the right to receive it
- d) The decedent's final income tax return
- e) A, B, and C

13) When you cash a U.S. savings bond that you acquired from a decedent, the bank or other payer that redeems it must give you a Form 1099-INT if the interest part of the payment you receive is \$10 or more.

- True
- False

14) Qualified distributions from a decedent's Roth IRA are not subject to tax.

- True
- False

15) Individual beneficiaries are allowed to deduct only 50% of the estate tax paid for any income received that was also included in the decedent's gross estate.

- True
- False

16) Which of the following must be included in the beneficiary's income?

- a) Property received as a gift, bequest, or inheritance
- b) Veteran's insurance proceeds
- c) The proceeds from a decedent's life insurance policy paid by reason of his or her death
- d) Rental income received from property you inherited

17) A qualified heir includes an ancestor, the spouse, the next-door neighbor, or a lineal descendant of the decedent.

- True
- False

18) If you sell or dispose of inherited property that is a capital asset, you have a long-term gain or loss from the property, regardless of how long you held the property.

- True
- False

19) Every domestic estate with gross income of \$600 or more during a tax year must file a Form 1041.

- True
- False

20) The character of an asset in the hands of an estate determines whether gain or loss on its sale or other disposition is capital or ordinary.

- True
- False

21) Expenses of administering an estate can be deducted on either Form 706 or Form 1041, but not both.

- True
- False

22) If the estate pays alimony and separate maintenance payments that must be included in the spouse's or former spouse's income, this is money down the drain and cannot be deducted anywhere.

True
False

23) No deduction can be taken for funeral expenses or medical and dental expenses for determining the taxable estate for federal estate tax purposes on Form 706.

True
False

24) An estate may be liable for the alternative minimum tax.

True
False

25) If you are the beneficiary of an estate that must distribute all its income currently, you must report your share of the distributable net income whether or not you have actually received it.

True
False

26) If an estate, under the terms of a will, discharges a legal obligation of a beneficiary, the discharge is excluded from that beneficiary's income.

True
False

27) The act of giving or leaving property to another through the last will and testament is a bequest.

True
False

28) Famed science fiction author Arthur C. Clarke once said,

"Any sufficiently advanced technology is indistinguishable from magic."

Since Mr. Clarke died in 2008, an estate tax return (Form 706) must be filed if his gross estate exceeds \$1,200,000.

True
False

29) Fiduciary fees are deducted on Form 1041.

True
False

30) The beneficiary's share of income, deductions, credits, etc. is reported on Schedule K-1.

True
False