CHAPTER 10
The Unlimited Marital Deduction

DISCUSSION QUESTIONS

1. **Explain the theory behind the unlimited marital deduction.**
   The theory behind the unlimited marital deduction is that a married couple should be treated as a single economic unit for estate tax purposes. To the extent that either spouse consumes property during their lifetime, it should not be subject to estate tax. Only the property owned by the couple that remains after the death of the surviving spouse (or, in the eyes of the law, the termination of the economic unit) that passes to some other party should be subject to estate tax. Therefore, property that passes from one spouse to another is not subject to estate tax at the death of the first spouse. To the extent that the surviving spouse did not consume the property before the surviving spouse’s death, however, the property will be subject to estate tax in the surviving spouse’s estate.

2. **List three benefits of the unlimited marital deduction.**
   - The use of the unlimited marital deduction defers the payment of estate tax.
   - The use of the unlimited marital deduction can fund the surviving spouse's applicable estate tax credit.
   - The use of the unlimited marital deduction helps to ensure that the surviving spouse will have sufficient assets to maintain his lifestyle after the death of the first spouse.

3. **Discuss the following statement: “The use of the unlimited marital deduction does not avoid estate tax, it merely postpones it.”**
   If a transfer of property to a surviving spouse qualifies for the unlimited marital deduction, the value of that property will be included in the surviving spouse's gross estate to the extent that the surviving spouse has not consumed the property before her death. Thus, the estate tax is only avoided at the death of the first-to-die spouse. At the death of the surviving spouse, the fair market value (at that time) of the property is included in the surviving spouse's gross estate.

4. **List the three most common methods of leaving property to a spouse and qualifying the transfer for the marital deduction.**
   Outright transfers, General Power of Appointment Trusts, and QTIP Trusts.
5. **What are the three requirements for a transfer of property to qualify for the unlimited marital deduction?**
   First, the property must be included in the decedent’s gross estate. Second, the property must be transferred to the surviving spouse. Third, the interest must not be a nondeductible terminable interest.

6. **Define terminable interest.**
   A terminable interest is any interest in property that will terminate at some point in the future.

7. **List the exceptions to the terminable interest rule.**
   - A six-month survival contingency.
   - A terminable interest, either outright or in trust, over which the surviving spouse has a general power of appointment.
   - A Qualified Terminable Interest Property Trust.
   - A Charitable Remainder Trust where the spouse is the only noncharitable beneficiary.

8. **Since community property is owned between a married couple, will it receive an automatic allocation of the unlimited marital deduction on the federal estate tax return?**
   No. Community property does not typically have a survivorship feature attached to it, the only portion of community property that will qualify for the estate tax marital deduction is that portion that actually passes to the surviving spouse.

9. **Identify the requirements necessary for a General Power of Appointment (GPOA) Trust to qualify for the unlimited marital deduction.**
   A General Power of Appointment (GPOA) Trust must meet the following requirements to qualify for the unlimited marital deduction:
   - The surviving spouse must be entitled to receive all of the income from the trust, at least annually.
   - The general power of appointment granted to the surviving spouse must be exercisable by the surviving spouse alone.
   - No other person other than the surviving spouse may appoint any part of the trust’s property to anyone other than the surviving spouse.

10. **Identify the requirements necessary for a QTIP Trust to qualify for the unlimited marital deduction.**
    In order to qualify as a QTIP Trust, the following requirements must be met:
    - The property transferred to the QTIP trust must qualify for the marital deduction. Consequently, the property must be in the gross estate of the first-to-die spouse and must be transferred to the surviving spouse (in this case, in trust).
    - The surviving spouse must be entitled to all income from the trust for life. The income must be paid at least annually. In the event the trust has income that was earned during the surviving spouse’s lifetime and has not been distributed as of the date of the surviving spouse’s death, the trust must distribute this income to the surviving spouse’s estate (this is referred to as “stub income”).
    - The surviving spouse must have the authority to compel the trustee to sell non-income-producing investments and reinvest those proceeds in income-producing investments.
    - During the surviving spouse’s lifetime, no one can have the right to appoint the property to anyone other than the surviving spouse.
    - The decedent’s executor must file an election to treat the trust as a QTIP Trust with the estate tax return.
11. Discuss the alternatives available for paying the estate taxes incurred at the death of the surviving spouse attributable to the QTIP Trust property.

Unless otherwise directed by the surviving spouse’s will, the estate tax attributable to the QTIP Trust property is paid from the QTIP Trust. The surviving spouse’s will may direct that estate taxes related to the QTIP Trust property be paid from the residuary of the surviving spouse’s gross estate.

12. Identify the requirements necessary for a Qualified Domestic Trust (QDOT) to qualify for the unlimited marital deduction.

To qualify for the unlimited marital deduction, a QDOT must meet the following requirements:

- At least one of the QDOT trustees must be a U.S. citizen or a U.S. domestic corporation.
- The QDOT must prohibit a distribution of principal unless the U.S. citizen trustee has the right to withhold estate tax on the distribution.
- The trustee must keep a sufficient amount of the trust assets in the United States to ensure the payment of federal estate taxes, or the trustee must have a minimum net worth sufficient to assure the payment of estate taxes upon the death of the noncitizen surviving spouse.
- The executor of the citizen-spouse’s estate must elect to have the marital deduction apply to the trust.

13. How is a bypass trust used in estate planning?

A bypass trust is used to ensure that an individual makes full use of his available applicable estate tax credit at his death. The bypass trust is created, usually in a decedent’s will, to receive an amount equal to the decedent’s available applicable estate tax credit equivalency amount. The remainder beneficiaries of the bypass trust are non-spouse heirs and the spouse can be an income beneficiary if the decedent chooses. Because the property will ultimately transfer to non-spouse heirs, the bypass trust property does not qualify for the unlimited marital deduction and the property is subject to estate tax. By funding the trust with only the amount equal to the decedent’s available applicable estate tax credit equivalency amount, the estate will still not bear any estate tax and the trust property will not be subject to the estate tax at the death of the surviving spouse.

14. What is a qualified disclaimer and how is it used?

A qualified disclaimer allows an individual to refuse property from the estate of a decedent. When a disclaimer is used, the disclaimed property will pass to the next person eligible to receive it under the terms of the decedent’s will, or if no one is listed, under the state intestacy laws. A disclaimer is used so that the determination of the surviving spouse’s needs (after the death of the first-to-die spouse) does not have to be determined at the writing of the first-to-die’s will. If the first-to-die spouse leaves all of his property to his surviving spouse and includes a clause in the will directing that any disclaimed property will transfer to his children, the surviving spouse is able to determine at the first-to-die spouse’s death exactly how much property she needs to survive. Any property that she does not need can be disclaimed and transferred to the decedent’s children. The property she ultimately takes will be eligible for the unlimited marital deduction.

15. Describe how the portability of exemptions works.

TRA 2010 introduced the concept of portability of exemptions for the years 2011 and 2012. The executor of the estate must elect on the deceased spouse’s tax return to donate the unused exemption amount to the surviving spouse. Stacking of unused exemptions is prohibited; and privity is required.
1. When a U.S. citizen dies and bequeaths property to his U.S. citizen spouse, the marital deductions is limited to the following amount:
   a. $0.
   b. $1,360,800.
   c. $5,340,000.
   d. The marital deduction is unlimited.
   The correct answer is d.
   An individual is generally permitted to leave an unlimited amount of property to his U.S. citizen spouse at death without incurring any federal estate tax. For a transfer to qualify for the marital deduction, the property interest must meet three requirements. First, the property must be included in the decedent’s gross estate. Second, the property must be transferred to the surviving spouse. Third, the interest must not be a terminable interest.

2. Jeremy and Rosa were married forty years ago after meeting on the beaches of Cozumel. Rosa moved to the U.S. with Jeremy, but she never applied for U.S. citizenship. If Jeremy is concerned about using the marital deduction for the fair market value of the property he bequeaths to Rosa, which of the following techniques could he use?
   a. Qualified Terminable Interest Trust (QTIP).
   b. Section 2503(b) Trust.
   c. Section 2503(c) Trust.
   d. Qualified Domestic Trust (QDOT).
   The correct answer is d.
   In order to use the unlimited marital deduction for any transfers to Rosa, Jeremy would have to create a Qualified Domestic Trust (QDOT). A QDOT will allow the U.S. government to subject any assets remaining at Rosa’s death to estate taxation. In order to qualify the QDOT for the unlimited marital deduction, the following requirements must be met:
   1. At least one of the QDOT trustees must be a U.S. citizen or U.S. domestic corporation.
   2. The QDOT must prohibit a distribution of principal unless the U.S. citizen trustee has the right to withhold estate tax on the distribution.
   3. The trustee must keep a sufficient amount of the trust assets in the U.S. to ensure the payment of federal estate taxes, or the trustee must have a minimum net worth sufficient to assure the payment of estate taxes upon Rosa’s death.
   4. Jeremy’s executor must elect to have the marital deduction apply to the trust.

3. When a U.S. citizen married to a resident alien dies, what is the maximum value of a specific, outright bequest of property that can qualify for the unlimited marital deduction?
   a. $0.
   b. $1,360,800.
   c. $5,340,000.
   d. The marital deduction is unlimited.
The correct answer is a.
An outright specific bequest of property from a U.S. citizen to his resident alien spouse does not qualify for the marital deduction. As such, the unlimited marital deduction is not available.

4. An executor may elect the unlimited marital deduction for which of the following transfers?

1. Decedent’s will directs the creation of a CRAT and the decedent’s nonresident alien spouse is the income beneficiary. The trustee of the CRAT is a citizen of the United Kingdom.
2. Bequest to U.S. citizen spouse of the right to use property for the remainder of her life. Executor has elected QTIP on the property.
3. A payment of $650,000 to fulfill a specific bequest to decedent’s U.S. citizen spouse. Decedent’s spouse became a U.S. citizen two months before the filing of the decedent’s estate tax return.
4. A payment of $250,000 to fulfill a specific bequest to decedent’s resident alien spouse.
   a. 2 only.
   b. 2 and 3.
   c. 3 and 4.
   d. 1, 2, and 3.

The correct answer is b.
Statement 2 is eligible for the marital deduction because the executor made a QTIP election on the property. Statement 3 is eligible for the marital deduction because at the time of the distribution, the spouse was a U.S. citizen. Statements 1 and 4 are not eligible for the marital deduction because if the spouse is a nonresident or noncitizen, a QDOT must be used for a transfer to qualify for the marital deduction. The CRAT in statement 1 does not qualify as a QDOT because the trustee is not a U.S. citizen.

5. Juan’s will creates a General Power of Appointment Trust (GPOA Trust) that distributes income to his wife annually for life and gives his wife a general power of appointment over the assets in the trust. Which of the following statements concerning a GPOA Trust is correct?

a. The GPOA Trust only qualifies for the unlimited marital deduction if the trustee agrees to make distributions of principal to Juan’s wife.
   b. The unlimited marital deduction cannot be elected over the property transferred to the trust because Juan’s wife cannot appoint assets to herself, her creditors, or to anyone on her behalf.
   c. The unlimited marital deduction is not available because Juan’s wife does not have the current right to the assets in the trust.
   d. The GPOA Trust automatically qualifies for the unlimited marital deduction because Juan’s wife has a general power of appointment over the trust’s assets.

The correct answer is d.
The GPOA Trust gives Juan’s wife a general power of appointment over the trust’s assets and the ability to appoint the assets to herself, her creditors, or to anyone on her behalf. A GPOA trust that gives the surviving spouse these rights will qualify for the unlimited marital deduction. Option a is incorrect because the trustee of the GPOA Trust does not have any influence on Juan’s wife’s general power of appointment over the trust’s assets. Option b is incorrect because Juan’s wife can appoint the assets of a GPOA Trust to herself, her creditors, or anyone on her behalf. Option c is incorrect because Juan’s wife has a current right to the GPOA Trust’s assets through her general power of appointment.
6. If a decedent bequeaths the outright ownership of his house to his children subject to his wife's right to live in that house for the remainder of her life, which of the following statements is correct?

   a. If the wife disclaims her interest in the house, the house is not included in the decedent's taxable estate.

   b. If the children disclaim their interest in the house, the house will automatically transfer to the decedent's spouse as the life estate beneficiary.

   c. If the decedent's wife is a resident alien of the U.S., a QTIP election over the property will allow a marital deduction equal to the fair market value of the property.

   d. If the executor makes a QTIP election on the house, the house is not included in the decedent's taxable estate.

   The correct answer is d.

   Option d is a true statement. Option a is a false statement. If the decedent's wife disclaims her interest in the property, the property will transfer to the children without being subject to the wife's life estate. In this case, the transfer would not be eligible for any deductions and would be fully included in the decedent's taxable estate. Option b is a false statement. If the children disclaim their outright ownership in the house, the outright ownership of the property will transfer according to the disclaimer clause in the will. If the will does not include a disclaimer clause, the outright ownership of the house will transfer according to the residuary heirs of the estate. Option c is a false statement. A QTIP election will not qualify a bequest to a non-U.S. citizen spouse for the unlimited marital deduction. Only a transfer to a qualifying QDOT will qualify a bequest to a non-U.S. citizen spouse for the unlimited marital deduction.

7. Which of the following is not a benefit of the unlimited marital deduction?

   a. The estate tax on property can be deferred until the death of the second-to-die spouse.

   b. The unlimited marital deduction can fund the applicable estate tax credit of the surviving spouse.

   c. The use of the unlimited marital deduction can shelter the future appreciation of an asset from estate taxes at the death of the second-to-die spouse.

   d. The unlimited marital deduction can ensure the surviving spouse has sufficient assets to support her lifestyle.

   The correct answer is c.

   Property that transfers to the second-to-die spouse is eligible for the marital deduction and, to the extent it is not consumed, will be included in the second-to-die spouse's gross estate at the fair market value at his date of death, including any appreciation that may have occurred since the first-to-die spouse's estate. If the first-to-die spouse had transferred the property to other beneficiaries, such as children, at the death of the second-to-die spouse, the assets would have only been subjected to estate tax in the first-to-die spouse's estate. All of the other statements are benefits of the unlimited marital deduction.
8. Of Pablo’s $10,000,000 federal gross estate, his will includes one specific bequest of $7,500,000 to his wife, Ariana, and directs the debts and other expenses of $1,000,000 to be payable from the residuary of the estate. The residuary heirs are Pablo’s children. What is the amount of the marital deduction included on Pablo’s federal estate tax return?

a. $0.

b. $6,500,000.

c. $8,500,000.

d. $7,500,000.

The correct answer is d.

Since the debts and expenses are payable from the residuary of the estate, the marital deduction is equal to the specific bequest to the wife. An allocation of the debts, expenses and taxes only offsets the marital deduction when the wife is the residuary beneficiary or the will directs the bequest to the wife to bear the debts, expenses, and taxes attributable to her share.

9. Given only the following information, which would qualify for the estate tax unlimited marital deduction?

a. Property transferring to a surviving spouse as beneficiary of an irrevocable trust created six years ago. At the time of the trust's creation, the gift was complete, but the decedent did not pay any gift tax as the only beneficiary of the trust was the decedent’s spouse.

b. A bequest of 2,000 shares of Holiday Incorporated stock to a surviving spouse. The surviving spouse is a U.S. citizen.

c. The bequest of the life estate interest in a home to the surviving spouse. The decedent bequeathed the remainder interest to his children.

d. A bequest of property with a fair market value of $10,000 to a surviving spouse. The surviving spouse disclaims the interest and the property transfers to the decedent’s residual heirs, his children.

The correct answer is b.

For a transfer to qualify for the estate tax unlimited marital deduction, the property interest must meet three requirements. First, the property must be included in the decedent's gross estate. Second, the property must be transferred to the surviving spouse. Third, the interest must not be a terminable interest. Utilizing only the information in each of the above options, only option b describes property that would qualify for the unlimited marital deduction. The property is included in the decedent's gross estate, transfers to the surviving spouse, the surviving spouse is a U.S. citizen, and the property interest transferred is outright ownership, not a terminable interest. Option a is incorrect as a completed transfer of property to an irrevocable trust is not included the decedent's gross estate, and therefore will not qualify for the unlimited estate tax marital deduction. Option c is incorrect as the interest transferred is a terminable interest. Option d is incorrect because the surviving spouse disclaims the interest and the property transfers to the decedent's children. To qualify for the unlimited marital deduction, the surviving spouse must inherit the property.
10. Jeff died in the current year. He had inherited the following property from his wife in 1999:

<table>
<thead>
<tr>
<th>Asset</th>
<th>Fair Market Value at Wife’s Date of Death</th>
<th>Fair Market Value at Jeff’s Date of Death</th>
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<tr>
<td>Life Estate* in Home</td>
<td>$240,000</td>
<td>$600,000</td>
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<tr>
<td>Cash</td>
<td>$450,000</td>
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<tr>
<td>1991 Chevrolet</td>
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<td>Sold in year 2000</td>
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<td>IRA</td>
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<td>$500,000</td>
</tr>
</tbody>
</table>

*No QTIP election.

Considering only the property listed above, what is the value of the property included in Jeff’s gross estate?

a. $250,000.
b. $704,000.
c. $750,000.
d. $1,350,000.

The correct answer is c.

Property inherited by a surviving spouse is only included in his gross estate to the extent the asset has not been consumed. It is included at the fair market value at his date of death. If a surviving spouse inherits terminable interest property and the QTIP election was made on the property, the surviving spouse must also include the fair market value of the QTIP property. Accordingly, Jeff’s gross estate will include the value of the cash at his date of death and the value of the IRA at his date of death. $250,000 + $500,000 = $750,000. The life estate in the home is a terminable interest, and the QTIP election was not made so the value of the property is not included in Jeff’s gross estate, and Jeff did not own the Chevrolet at his date of death.

11. Which of the following property interests qualifies for the unlimited marital deduction?

a. John dies and leaves his vacation home to his wife as trustee of a testamentary trust created for the sole benefit of his two children.
b. The executor of John’s estate made the QTIP election for the bequest of a life estate interest in his personal residence to Deborah, John’s wife.
c. John bequeaths his interest in community property to his wife subject to his wife surviving him by more than 8 months.
d. At John’s death, his will created a trust for the benefit of his wife. The trust document gives his wife the authority to appoint assets to herself, her creditors, and her heirs with the approval of John’s brother, Colin.
The correct answer is b. Only the property interest detailed in option b would qualify for the marital deduction. Even though a life estate is a terminable interest, which is normally not eligible for the marital deduction, the QTIP election on the property qualifies the transfer for the marital deduction. Option a does not qualify for the unlimited marital deduction because the property does not transfer to the surviving spouse. She only holds an interest as trustee for John’s children. Option c does not qualify for the unlimited marital deduction because the survivorship clause cannot require the spouse to survive the decedent by more than 6 months. Option d does not qualify for the unlimited marital deduction because the surviving spouse cannot act alone to exercise the general power of appointment. To qualify the surviving spouse must be able to exercise the general power of appointment alone.

12. Which of the following is not a requirement for a GPOA Trust to be eligible for the unlimited marital deduction?
   a. No person, other than the surviving spouse, may appoint any part of the trust property to anyone other than the surviving spouse.
   b. The general power of appointment granted to the surviving spouse must be exercisable by the surviving spouse alone.
   c. The surviving spouse’s right to the trust property must be limited to an ascertainable standard, such as health, education, maintenance, and support.
   d. The surviving spouse must be entitled to receive all of the income from the trust, at least annually.

The correct answer is c. Options a, b, and d are the requirements for a general power of appointment trust to be eligible for the unlimited marital deduction. Option c does not describe a requirement of a general power of appointment trust eligible for the marital deduction.

13. Which of the following statements is true?
   a. An estate is described as overqualified when, due to a failure to make proper use of the marital deduction, too much of the property is subject to estate tax at the death of the first spouse.
   b. An estate is described as underqualified when, due to a failure to make proper use of the marital deduction, not enough property is subject to estate tax at the death of the first spouse.
   c. A bypass trust aids in guaranteeing the full use of an individual’s applicable estate tax credit.
   d. An estate that does not take advantage of its available applicable estate tax credit is transferring assets at the lowest possible cost.

The correct answer is c. A bypass trust is generally created in a will to receive, at the decedent’s date of death, the amount of property necessary to utilize the decedent’s available applicable estate tax credit. By creating this trust in his will, the decedent is ensuring that the applicable estate tax credit will be utilized. Options a and b are the definitions of an “underqualified” and “overqualified” estate. The definitions are reversed in each answer. Option d is an incorrect statement. An estate that does not take advantage of its available applicable estate tax credit is transferring assets at a higher overall estate tax cost than necessary. In other words, the assets that are sheltered under the marital deduction could have transferred estate tax free to other heirs.
14. Which of the following statements regarding bypass trusts is false?

   a. A bypass trust can give the surviving spouse the right to distributions of principal for an ascertainable standard without causing inclusion of the trust’s assets in the surviving spouse’s gross estate.

   b. A surviving spouse can demand the greater of $5,000 or 5% of the trust’s principal each year without causing inclusion of the trust’s assets in her gross estate.

   c. Distributions of trust income to the surviving spouse will not create an ownership interest in the trust’s assets.

   d. The right to appoint the assets of the trust to herself, her creditors, or anyone she desires will not create an interest which will cause inclusion of the trust’s assets in the surviving spouse’s gross estate.

The correct answer is d.

Option d describes a general power of appointment over the trust’s assets. Anyone dying with a general power of appointment over the assets of a trust will include the fair market value of the trust’s assets in his gross estate. Options a, b, and c are correct statements.

15. Jimmy and Rebecca have been married for 35 years. Jimmy had a net worth of $8,000,000 when he died in 2014. Which of the following scenarios would incur the lowest overall (at Jimmy’s death and Rebecca’s death) estate taxes assuming the property transfers at equal value at the death of both individuals and utilizing 2014 estate tax rates? Assume that portability is not elected.

   a. Jimmy’s will directs that all of his property is transferred to Rebecca.

   b. In his will, Jimmy funds a trust with $5,340,000 for the benefit of his two children. Rebecca will receive an annual income distribution from the trust. All other assets will transfer to Rebecca.

   c. At Jimmy’s death, specific bequests totalling $550,000 are transferred per the direction of the will to individual’s other than Rebecca. The remainder of the assets are transferred to a trust with the income payable to Rebecca for her life and the remainder interest payable to the children at Rebecca’s death. Jimmy’s executor elected to treat this as a QTIP trust.

   d. Jimmy’s will directs the transfer of $1,000,000 to his two children and the remainder of his assets to his wife, Rebecca.
The correct answer is b.

<table>
<thead>
<tr>
<th></th>
<th>Answer A</th>
<th>Answer B</th>
<th>Answer C</th>
<th>Answer D</th>
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As depicted in the table above, Scenario b provides the lowest overall federal estate taxes because the maximum assets are transferred utilizing the available applicable estate tax credit at Jimmy’s death, since portability is not elected.

16. **Which of the following allows an individual to refuse property from the estate of a decedent?**
   
   a. Bypass trust.
   
   b. Exclusionary clause.
   
   c. Disclaimer.
   
   d. Rejection.

   The correct answer is c.

   A qualified disclaimer allows an individual to refuse property from the estate of a decedent. A bypass trust maximizes the use of the available applicable estate tax credit at the death of the first-to-die spouse. The exclusion clause and rejection do not exist.

17. **Within how many months must an heir file a qualified disclaimer for it to be valid?**
   
   a. 6 months.
   
   b. 9 months.
   
   c. 12 months.
   
   d. 15 months.

   The correct answer is b.

   In order for a disclaimer to be valid, the disclaimer must be in writing, must be filed within 9 months of the decedent’s date of death, and the disclaimant must not have benefited from the disclaimed inheritance.
18. Janice died in 2014. She had been married to Thomas for 17 years, and the two had amassed a community property estate of $18,000,000. Janice’s will directs three specific bequests to her mother, brother, and father of $700,000, $450,000, and $200,000, respectively and creates a bypass trust to receive property equal to any remaining applicable estate tax credit available after her specific bequests. The bypass trust gives Thomas the right to income for his life and the remainder of the trust to her two sons and leaves the residual of the estate to Thomas. Janice’s will directs the residual to be used to pay the estate taxes. What is the marital deduction on Janice’s federal estate tax return?

a. $7,650,000.
b. $3,660,000.
c. $3,750,000.
d. $5,340,000.

The correct answer is b.

Since Janice and Thomas own the property as community property, each is deemed to own 1/2 of the property. In this case, Janice would include $9,000,000 in her federal gross estate. The three specific bequests totaling $1,350,000 are directed to non-spouse beneficiaries and are taxable transfers which, including the bypass trust, will utilize the applicable estate tax credit. The bypass trust will receive $3,990,000 ($5,340,000 - $1,350,000), an amount necessary to utilize any remaining available applicable estate tax credit, and will not qualify for the marital deduction. Thomas will receive the remainder of $3,660,000, which will be eligible for the marital deduction.

\[
\begin{array}{ccc}
9,000,000 & \text{Total Estate} \\
1,350,000 & \text{Specific Bequests} \\
3,990,000 & \text{Bypass Trust} \\
\hline
3,660,000 & \text{Marital Deduction}
\end{array}
\]

No estate tax will be due because only an amount equal to the applicable estate tax credit equivalency transfers outside of the marital deduction. The marital deduction on Janice’s estate tax return is $3,660,000 - the gross estate of $9,000,000 reduced by the specific bequests of $1,350,000 and the additional amount transferred to the bypass trust ($3,990,000).