

Table of Contents

CHAPTER 1. THE ESTATE PLANNING PROCESS

A. INITIAL STEPS IN THE ESTATE PLANNING PROCESS

- § 1:1 Attorney liability for estate planning malpractice
- § 1:2 Initial client contact
- § 1:3 Necessary steps before first meeting
- § 1:4 —Conflict of interest check
- § 1:5 —Preliminary information gathering
- § 1:6 —Advice regarding fees for initial conference
- § 1:7 The initial meeting
- § 1:8 —Joint representation
- § 1:9 —Follow up estimate of fees and completion date
- § 1:10 Planning the estate, generally
- § 1:11 —Importance of estate tax issues
- § 1:12 —Necessity of complete information from client
- § 1:13 —State law issues must be considered
- § 1:14 —Certain elder law issues must be reviewed
- § 1:15 —Alternative property disposition without a will
- § 1:16 —Knowledge of correct drafting required
- § 1:17 —Disengagement at end of assignment

B. STATE LAW RESTRICTIONS ON TESTAMENTARY DISPOSITIONS

- § 1:18 Elective share considerations
- § 1:19 —Components of a decedent's net estate
- § 1:20 — —Testamentary substitute element of a net estate
- § 1:21 —Steps in elective share planning
- § 1:22 Community property
- § 1:23 —Spouses may have separate property
- § 1:24 —Presumption of community property
- § 1:25 —Community property rights in New York estates
- § 1:26 Rights of non-marital partners
- § 1:27 —Common law marriage
- § 1:28 —Implied or express contract for services rendered
- § 1:29 —Constructive trust
- § 1:30 —Cohabitation agreement suggested
- § 1:31 No restrictions per se on charitable giving
- § 1:32 Children and grandchildren may be disinherited
- § 1:33 Impact of divorce or annulment on provisions in dispositive document

- § 1:34 Effect of divorce on pension plan beneficiary designation
- § 1:35 Impact of marriage on existing will
- § 1:36 Impact of birth or adoption of a child on a will
- § 1:37 —Assisted reproduction and genetic material

C. PLANNING FOR DISABILITY: REPRESENTATIVE DECISION-MAKING

- § 1:38 Planning for disability—Overview
- § 1:39 —Client with diminished capacity
- § 1:40 —Power of attorney—Progress of recent legislation
- § 1:41 — —Particulars of legislation
- § 1:42 — —Ethical issues
- § 1:43 — —Digital assets
- § 1:44 —Health care proxies
- § 1:45 — —Proxy and power of attorney not to be combined
- § 1:46 — —Who may serve
- § 1:47 — —Alternative agent may be appointed
- § 1:48 — —Medical Orders for Life Sustaining Treatment (MOLST)
- § 1:49 — —Family Health Care Decisions Act
- § 1:50 —Medical Aid in Dying Legislation

D. PLANNING FOR DISABILITY: LONG TERM CARE

- § 1:51 Planning for disability—Long term care—Overview
- § 1:52 — —Medicaid planning by potential Medicaid applicant—
“Medically needy” standard
- § 1:53 — — — —Resources the applicant may retain personally
- § 1:54 — — — —Income and resources the community spouse may
retain
- § 1:55 — — — — —Income first rule
- § 1:56 — — — — —Substantial home equity
- § 1:57 — — — —Possibility of “lookback” disqualification—Penalty
period
- § 1:58 — — — — —Certain transfers do not cause ineligibility
- § 1:59 — — — — —Transfers of homestead
- § 1:60 — — — —Possibility of “lookback” disqualification—Pre-DRA
rule
- § 1:61 — — — — —DRA rule
- § 1:62 — — — —Implications of longer lookback period and start of
penalty period
- § 1:63 — — —Testamentary estate planning implications of DRA

E. NEED FOR A WILL

- § 1:64 Alternate dispositions may obviate need for a will
- § 1:65 —Passing of non-probate assets by operation of law
- § 1:66 —Family exemption
- § 1:67 —Intestacy laws
- § 1:68 — —Intestate share reduced by amount of exempt assets

TABLE OF CONTENTS

F. FORMS

- § 1:69 Sample family information questionnaire
- § 1:70 Sample confidential asset inventory: Shorter version
- § 1:71 Sample confidential asset inventory: Longer version
- § 1:72 Joint representation disclosure and consent for married couple
- § 1:73 Joint representation disclosure and consent for unmarried couple
- § 1:74 Engagement letter
- § 1:75 Disengagement letter
- § 1:76 Health care proxy
- § 1:77 Sample statutory short form general power of attorney (including modification for gifts)
- § 1:78 Sample form to authorize use of stored genetic material
- § 1:79 Sample form to declare parentage of child conceived by assisted reproduction [pursuant to amendment of EPTL § 4-13 (*effective February 15, 2021*)]

CHAPTER 2. DRAFTING THE WILL

A. GENERAL CONSIDERATIONS

- § 2:1 Prior wills and codicils should be revoked
- § 2:2 Payment of debts and funeral expenses
- § 2:3 Funeral arrangements and burial wishes
- § 2:4 Religious services
- § 2:5 Monuments
- § 2:6 Perpetual care of cemetery plot
- § 2:7 Liquidity needs of estate
- § 2:8 Common disaster survivorship presumed by statute or will
- § 2:9 —Statutory presumption
- § 2:10 —Considerations for selection of survivorship presumption
- § 2:11 Testator's exercise of power of appointment
- § 2:12 Estate taxes apportioned by statute or testator's direction
- § 2:13 Taxes apportioned by statute or testator's direction—Drafting clause apportioning taxes to residuary estate
- § 2:14 — —Effect of clause on testator's intent
- § 2:15 — —Effect on residuary beneficiaries
- § 2:16 — —Effect on charitable and non-charitable beneficiaries
- § 2:17 *In terrorem* clauses
- § 2:18 —Effectiveness may be limited
- § 2:19 — —Discovery permitted under EPTL § 3-3.5 and SCPA § 1404
- § 2:20 — —Discovery where bequest to attorney
- § 2:21 — —Other actions not resulting in forfeiture
- § 2:22 —Drafting considerations

B. DISPOSITIVE PROVISIONS

- § 2:23 Nature of assets affects their disposition

- § 2:24 Real property
- § 2:25 —Devise to two or more children
- § 2:26 —Devise to a minor
- § 2:27 —Payment of mortgage on devised property
- § 2:28 —Inclusion of casualty insurance in a devise
- § 2:29 —Statutory presumptions regarding devise of property
- § 2:30 —Real property located in another state
- § 2:31 —Life estate interest
- § 2:32 Tangible personal property
- § 2:33 —Dispositive language must be carefully chosen
- § 2:34 —Precatory gifts may be advisable
- § 2:35 —Disposition to minors
- § 2:36 Forgiveness of debt
- § 2:37 Legacies
- § 2:38 —General legacies
- § 2:39 —Specific legacies
- § 2:40 — —Probate/Non-probate assets
- § 2:41 —Demonstrative legacies
- § 2:42 —Ademption of legacies
- § 2:43 — —Will should be updated following sale of major asset
- § 2:44 —Payment of legacies when estate is insufficient
- § 2:45 —Conditional legacies
- § 2:46 —Testamentary gifts to attorney-drafter discouraged
- § 2:47 Provision for spouse
- § 2:48 Use of testamentary trusts for younger beneficiaries
- § 2:49 —Common or “Pot” trust for children
- § 2:50 —Separate trusts for children
- § 2:51 —Selection of guardian for minor children
- § 2:52 — —Where parents are separated or divorced
- § 2:53 Trusts for disabled or elderly persons
- § 2:54 —Four specific issues must be considered
- § 2:55 — —Invasion of corpus for health and support costs
- § 2:56 — —Trust’s effect on availability of other resources
- § 2:57 — —“Trigger trust” provisions of EPTL § 7-3.1
- § 2:58 — —Availability of trust principal to creditors
- § 2:59 —Availability of a Supplemental Needs Trust (SNT)
- § 2:60 — —Requirements for SNT creation

C. SELECTION, AUTHORITY AND LIABILITY OF FIDUCIARIES

- § 2:61 Selection of executors and trustees
- § 2:62 —Bond may be required
- § 2:63 —Limitation of powers of trustee/trust beneficiary
- § 2:64 —Beneficiaries may receive power to remove trustee
- § 2:65 — —Tax consequences to beneficiaries may follow
- § 2:66 —Trust protector
- § 2:67 —Attorney-drafter may be designated executor
- § 2:68 — —Client’s choice must not be influenced

TABLE OF CONTENTS

- § 2:69 Statutory powers of fiduciaries
- § 2:70 —Grant of powers in will may be advisable
- § 2:71 — —Potential need for grant of business powers
- § 2:72 — —Potential need for grant of environmental powers
- § 2:73 —Power to adjust and unitrust option—Income and principal definitions
- § 2:74 — —Background
- § 2:75 —Power to adjust
- § 2:76 —Unitrust option
- § 2:77 Statutory liability of fiduciaries for investments
- § 2:78 —Investments made before 1/1/95
- § 2:79 —Investments made on or after 1/1/95
- § 2:80 — —List of factors in investment decisions
- § 2:81 — —Diversification
- § 2:82 — —Proving compliance with the act
- § 2:83 — — —Initial review
- § 2:84 — — —Subsequent reviews
- § 2:85 —Public policy precludes insulating fiduciaries
- § 2:86 —Will or trust modification of responsibility or liability
- § 2:87 —Investments made on or after 1/1/95—Proving compliance with the act—Hiring investment advice
- § 2:88 —Liability for acts of investment agents and advisors

D. ATTESTATION

- § 2:89 Attestation
- § 2:90 —Self-proving affidavit is recommended

E. FORMS

- § 2:91 Separate trusts for children
- § 2:92 Grant of fiduciary powers—Long form
- § 2:93 Grant of business powers
- § 2:94 Grant of environmental powers
- § 2:95 Insurance, annuities and retirement funds
- § 2:96 Trustee discretionary power

CHAPTER 3. LIVING TRUSTS

A. USE OF REVOCABLE TRUST FOR ASSET DISPOSITION AT DEATH

- § 3:1 Many types of revocable trusts
- § 3:2 —One is the living trust
- § 3:3 Benefits of using living trusts for asset disposition
- § 3:4 —Elimination or minimization of probate
- § 3:5 —Continuity of asset management
- § 3:6 —Confidentiality in asset disposition
- § 3:7 —Potential savings in costs of administration
- § 3:8 — —Legal fees

- § 3:9 — —Executor commissions
- § 3:10 Benefits of using living trust for asset disposition—Potential savings in costs of administration—Filing fees
- § 3:11 Neutral or negative effects of using living trusts
- § 3:12 —No estate tax advantage
- § 3:13 —Creditors may reach trust assets
- § 3:14 —Higher start-up legal costs
- § 3:15 —Retention of document trail is necessary

B. DRAFTING AND FUNDING A LIVING TRUST

- § 3:16 Certain considerations are specific to living trusts
- § 3:17 Choice of trustee
- § 3:18 Items affecting administration during grantor's life
- § 3:19 —Power to amend or revoke should be retained
- § 3:20 —Investment authority may be retained
- § 3:21 —Provision for payment of income and principal needed
- § 3:22 — —Estate taxation of gifts within three years of death
- § 3:23 —Standard needed for determining capacity of grantor
- § 3:24 Use of revocable trust and pour-over will
- § 3:25 —Requirements for valid pour-over will
- § 3:26 — —Amendment or termination of trust may affect will
- § 3:27 —Documents' tax apportionment provisions must not conflict
- § 3:28 —Legacies best paid out of trust
- § 3:29 —Trustee may require compensation for executor duties
- § 3:30 Income tax considerations
- § 3:31 —Fiduciary income tax filing requirements
- § 3:32 —Unique tax characteristics of trust at death
- § 3:33 — —Taxation of trust as part of estate—Overview
- § 3:34 — — —Mechanics
- § 3:35 Considerations for joint revocable trust
- § 3:36 —Each contributing spouse must have full revocation power
- § 3:37 —Two subtrusts needed for sufficiently specific records
- § 3:38 —Issues raised by death of one grantor
- § 3:39 —Advantage may not outweigh tax issues
- § 3:40 Considerations for self-trusteed revocable trusts
- § 3:41 —Merger doctrine may defeat trust
- § 3:42 — —Potential cures for merger problem
- § 3:43 —Trustee/beneficiary and EPTL § 10-10.1
- § 3:44 —Attestation
- § 3:45 Living trust may and should specify choice of law
- § 3:46 Grantor's capacity to make valid trust
- § 3:47 Attestation of trust used with pour-over will
- § 3:48 Funding the living trust
- § 3:49 Amending or restating the revocable trust
- § 3:50 Investment advisor

C. RELATED FLORIDA LEGISLATIVE CHANGE

- § 3:51 Revisions to legal fee structure for handling estates

TABLE OF CONTENTS

- § 3:52 —Court can decrease statutory “ordinary compensation”
- § 3:53 —Court can award “extraordinary compensation”
- § 3:54 —Effect of corporate fiduciary as trustee

D. FORMS

- § 3:55 Living Trust—Simple disposition to children
- § 3:56 —Marital deduction gift to spouse’s living trust
- § 3:57 Client instruction letter for funding living trust
- § 3:58 Amendment of revocable trust
- § 3:59 Restatement of revocable trust
- § 3:60 Investment advisor provisions

CHAPTER 4. EXECUTION OF A WILL

A. OVERVIEW OF DUE EXECUTION

- § 4:1 Due execution—Generally
- § 4:2 —Essential elements
- § 4:3 —Will signed in foreign jurisdiction
- § 4:4 Burden to establish due execution
- § 4:5 —Strict construction of statute
- § 4:6 Necessity for a writing
- § 4:7 —Holographic wills
- § 4:8 —Nuncupative wills
- § 4:9 Date not required
- § 4:10 —Date of will and attestation clause may be different

B. REQUIREMENTS FOR TESTATOR’S VALID EXECUTION

- § 4:11 Execution of will during COVID-19 pandemic—Virtual witnessing authorized
- § 4:12 Testator must sign at end of will
- § 4:13 —Requirement designed to prevent fraudulent changes
- § 4:14 —Potential problem with “do-it-yourself” wills
- § 4:15 —Missing page of will does not compel denial of probate
- § 4:16 —Blindness or other disability not a bar
- § 4:17 —Where testator’s native language is not English
- § 4:18 Substitutes allowed for testator’s signature—Testator may sign with initial, mark, name or fingerprint
- § 4:19 — —Higher burden of proof where testator marks will
- § 4:20 — —Attestation clause should note use of mark
- § 4:21 —Agent may sign for testator
- § 4:22 — —Beneficiary may serve as agent
- § 4:23 — —Testator’s mark and agent’s signature not advised
- § 4:24 Testator must sign or acknowledge before two witnesses
- § 4:25 —Acknowledgment must identify signature
- § 4:26 “Publication” by testator required

- § 4:27 —Substantial compliance with publication requirement is sufficient
- § 4:28 —Publication may be inferred
- § 4:29 — —Agent may “publish” on testator’s behalf

C. REQUIREMENTS FOR VALID ATTESTATION

- § 4:30 Attestation clause
- § 4:31 Attesting witness defined
- § 4:32 —Capacity to act as an attesting witness
- § 4:33 —No statutory requirements to qualify as a witness
- § 4:34 —Choose witnesses younger than testator
- § 4:35 —Attorney/witness
- § 4:36 —Use of a beneficiary may pose later problems
- § 4:37 — —Beneficiary/witness cannot avoid statute
- § 4:38 — —Beneficiary/witness may take equivalent distributee share
- § 4:39 — —Tax clause constitutes beneficial interest
- § 4:40 —Notary as attesting witness
- § 4:41 Two witnesses are required but three are recommended
- § 4:42 Testator must ask the witnesses to sign
- § 4:43 —Inference that testator asked witnesses to sign
- § 4:44 Witnesses must see testator’s signature
- § 4:45 —Impact if witnesses cannot recall signature
- § 4:46 Witnesses must sign at the end
- § 4:47 —Witnesses’ signatures should follow testator’s
- § 4:48 —Signature on self-proving affidavit may suffice
- § 4:49 Witnesses may print signatures
- § 4:50 Witnesses not required to affix their address
- § 4:51 Witnesses need not sign simultaneously with testator
- § 4:52 —Witnesses must sign within 30 days of each other
- § 4:53 — —Presumption that witnesses signed within 30 days
- § 4:54 —Witnesses’ authority to sign ends at testator’s death

D. ESTABLISHING DUE EXECUTION

- § 4:55 Presumptions of due execution
- § 4:56 —Attorney supervised execution
- § 4:57 —Effect of attestation clause
- § 4:58 —Attestation clause does not save improper execution
- § 4:59 —Effect of attestation clause in an ancient document
- § 4:60 Self-proving affidavits
- § 4:61 —Option to sign self-proving affidavit at later date
- § 4:62 —Affidavit not sufficient if objections are raised
- § 4:63 Where attesting witnesses forget the execution ceremony
- § 4:64 Where attesting witnesses disagree
- § 4:65 Where recollection of attesting witnesses conflicts or witness refuses to testify
- § 4:66 —Lack of testimony by second witness insufficient to defeat due execution
- § 4:67 —Doctrine of substantial compliance

TABLE OF CONTENTS

E. RECOMMENDED PRACTICES

- § 4:68 Short cuts not advised
- § 4:69 Home vs. office executions
- § 4:70 Consistent procedures advised for will ceremonies
- § 4:71 —Attorney should supervise execution
- § 4:72 — —Danger when attorney does not supervise execution
- § 4:73 —Testator should first read all documents
- § 4:74 —Engage the witnesses in the ceremony
- § 4:75 —Guide the testator carefully through vital steps
- § 4:76 —Guide the witnesses through vital steps
- § 4:77 —Do not make written changes to will
- § 4:78 — —Interlineations presumed made after execution
- § 4:79 —Obliteration causing partial revocation—Kent Rule
- § 4:80 —Execute other documents after will execution
- § 4:81 —Staple the will together
- § 4:82 —Copying the will
- § 4:83 — —Duplicate originals
- § 4:84 — —Wills in two languages
- § 4:85 Executions that involve special circumstances
- § 4:86 —Testator who has a physical or mental disability
- § 4:87 —Testator who is hospitalized
- § 4:88 —Videotaping the will execution
- § 4:89 —Testator referred from a bank
- § 4:90 —Testator referred from an attorney/beneficiary
- § 4:91 Wills signed simultaneously by spouses
- § 4:92 Memorandum of execution
- § 4:93 —Information contained in the memorandum
- § 4:94 — —Detail any unusual event
- § 4:95 Avoid codicils
- § 4:96 —Execution of more than one codicil
- § 4:97 Safeguarding the will
- § 4:98 —Bank vault if bank is executor
- § 4:99 —Safe deposit box if testator has deputy
- § 4:100 —Surrogate's Court as repository of last resort
- § 4:101 —The attorney's will vault
- § 4:102 Pros and cons of retaining prior wills
- § 4:103 —Older will may serve as potential fallback
- § 4:104 —Older will could discourage challengers

CHAPTER 5. THE TRANSFER TAX SYSTEM

A. TRANSFER TAX PRINCIPLES

- § 5:1 Federal transfer taxes applicable to U.S. citizens and residents
- § 5:2 —Tax liability of nonresident, non-U.S. citizens
- § 5:3 Exemptions applicable to annual and lifetime transfers
- § 5:4 —Annual gift tax exclusion
- § 5:5 —Lifetime allowance against gift tax

- § 5:6 — —Potential for transfer tax savings with lifetime allowance for couples
- § 5:7 Gift taxes
- § 5:8 Estate taxes
- § 5:9 —Pre-death transfers subject to estate tax
- § 5:10 —Planning can reduce estate taxes
- § 5:11 “Unified” system applicable to gift and estate taxes
- § 5:12 —Unified tax rate structure
- § 5:13 Economic Growth and Tax Relief Reconciliation Act of 2001
- § 5:14 Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010
- § 5:15 American Taxpayer Relief Act of 2012
- § 5:16 Federal transfer taxes following enactment of the Tax Cuts and Jobs Act of 2017 and the One Big Beautiful Bill Act (2025)
- § 5:17 “Unified” system applicable to gift and estate taxes—Tax rate structure before 1977

B. COMPUTING ESTATE AND GIFT TAXES

- § 5:18 Steps in computing tax liability
- § 5:19 Step 1: Calculating the “gross gift” or “gross estate”
- § 5:20 Step 2: Subtractions yield “taxable gift” or “taxable estate”
- § 5:21 Step 3: Additions yield “taxable amount”
- § 5:22 Step 4: Computation of “tentative tax”
- § 5:23 Step 5: Subtraction yields “gross tax”
- § 5:24 Step 6: Subtraction of credits yields “net tax”
- § 5:25 Sample computation of estate tax liability

C. ASSETS INCLUDED IN THE GROSS ESTATE

- § 5:26 Assets owned by decedent
- § 5:27 —Property located in another country
- § 5:28 —Valuation of assets
- § 5:29 — —Conservation easement
- § 5:30 — — —Land which qualifies for conservation easement
- § 5:31 — —Alternate value defined
- § 5:32 Certain transfers made within three years before death
- § 5:33 —Gifts within three years generally not included
- § 5:34 — —Background on transfers before 1977
- § 5:35 — — —Rules changed again in 1981
- § 5:36 —Transfers within three years that are included
- § 5:37 — —Inclusion of taxes paid on gifts
- § 5:38 — — —Includes federal tax on any “net gift”
- § 5:39 — — —Transferee tax liability
- § 5:40 — — —State gift taxes not included
- § 5:41 — —Inclusion of life insurance transfers
- § 5:42 — —Property formerly subject to retained powers
- § 5:43 Assets in which the decedent retained an interest
- § 5:44 —Retained right to possession, enjoyment or income

TABLE OF CONTENTS

§ 5:45	—Transfers not fully effective until death
§ 5:46	—Revocable transfers
§ 5:47	Retirement plan benefits
§ 5:48	—Evolution of treatment of annuity payments
§ 5:49	—Grandfather provisions for earlier retirees
§ 5:50	Assets held as jointly owned property
§ 5:51	Assets for which decedent had general power of appointment
§ 5:52	—Dates relevant to general powers
§ 5:53	— —General powers created before 10/22/42
§ 5:54	— —General powers created after 10/21/42
§ 5:55	—Power not general if limited by ascertainable standard
§ 5:56	—Power not general if exercisable only with creator
§ 5:57	—Releases and lapses of a general power of appointment
§ 5:58	—Lapse of a general power of appointment—Exception to lapse provisions
§ 5:59	—Withdrawal powers based on <i>Crummey</i> decision
§ 5:60	Life insurance proceeds
§ 5:61	—Test for inclusion of life insurance
§ 5:62	—Planning may exclude life insurance from estate
§ 5:63	Transfers for insufficient consideration
§ 5:64	—Relinquishment of marital rights
§ 5:65	Strategies to avoid including transfers in gross assets
§ 5:66	—Brief life of “enterprise” provision
§ 5:67	—Chapter 14
§ 5:68	— —Freeze transactions
§ 5:69	— —GRITs, GRATs and GRUTs
§ 5:70	— — —QPRTs in popular literature
§ 5:71	Strategies to avoid including transfers in gross assets

D. DEDUCTIONS ALLOWED FROM THE GROSS ESTATE

§ 5:72	Marital deduction: amount of deduction
§ 5:73	Marital deduction: definition of spouse
§ 5:74	Marital deduction—Previous marital deduction rules
§ 5:75	— —The original marital deduction
§ 5:76	— —Initial change: Tax Reform Act of 1976
§ 5:77	— —Passage of the current, full marital deduction
§ 5:78	— — —QTIP trusts
§ 5:79	—Wills before 9/12/81 and the “maximum marital deduction”
§ 5:80	—Allowable gifts to surviving spouse who is U.S. citizen
§ 5:81	—Qualified Domestic Trust for noncitizens spouses
§ 5:82	Charitable deduction
§ 5:83	—Outright gifts to charities must be identifiable
§ 5:84	—Split interest gifts
§ 5:85	— —Only specific split interest gifts qualify
§ 5:86	Funeral and administration expenses
§ 5:87	New closely held business interest deduction—Now repealed
§ 5:88	Deductibility of debts

E. ADDITIONS MADE TO DETERMINE TAXABLE AMOUNT

- § 5:89 “Adjusted taxable gifts”
- § 5:90 —No taxable gifts from 1977 or later added at this stage
- § 5:91 Establishing gift tax value for estate tax purposes

F. SUBTRACTIONS ALLOWED FROM THE TENTATIVE TAX

- § 5:92 Reductions for gift taxes
- § 5:93 —Split gifts

G. CREDITS THAT REDUCE THE GROSS TAX

- § 5:94 Summary of available credits
- § 5:95 —Credits available on federal estate tax returns
- § 5:96 —Credits available on gift tax returns
- § 5:97 Unified Credit
- § 5:98 Portability of Unified Credit
- § 5:99 Unified credit—Use of the Unified Credit
- § 5:100 Unified Credit—Use of the Unified Credit—Gifts made between 9/8/76 and 12/31/76
- § 5:101 Unified credit—Use of the Unified Credit—Background of the Unified Credit
- § 5:102 State death tax credit/deduction for state death tax
- § 5:103 States with “pick-up tax” tied to state death tax credit
- § 5:104 State death tax credit—States with rates higher than “pick-up” schedules
- § 5:105 —No equivalent credit for gift taxes
- § 5:106 Gift tax credit
- § 5:107 Prior transfer tax credit
- § 5:108 —Obtaining the prior transfer tax credit
- § 5:109 Foreign death tax credit
- § 5:110 —Canadian tax on appreciation at death

H. TRANSFER TAXES APPLICABLE TO NON-U.S. CITIZENS

- § 5:111 Nonresident aliens’ property subject to federal estate tax
- § 5:112 —Property must be in United States
- § 5:113 — —“Portfolio interest” exemption applied strictly
- § 5:114 — —Other exempt items
- § 5:115 —Special rules for expatriates
- § 5:116 — —Taxation of expatriates’ estates
- § 5:117 — —Gift tax rules for expatriates
- § 5:118 Rates and credits for noncitizens and nonresidents
- § 5:119 —Background
- § 5:120 Deductions

CHAPTER 6. MARITAL DEDUCTION PLANNING

A. OPTIMAL USE OF THE MARITAL DEDUCTION AND UNIFIED CREDIT

- § 6:1 Definition of spouse for marital deduction purposes
- § 6:2 Unified Credit available at death
- § 6:3 —Gifts made before 9/8/76
- § 6:4 —Gifts between 9/8/76 and 12/31/76
- § 6:5 —Gifts made on or after 1/1/77
- § 6:6 Marital deduction amount
- § 6:7 —Includible in the decedent's estate
- § 6:8 —Passing from the decedent
- § 6:9 — —Spouse's interest based on settlement agreement
- § 6:10 —Marital deduction vehicles for U.S. citizens
- § 6:11 —Marital deduction vehicles for non-U.S. citizens
- § 6:12 Interplay of Unified Credit and marital deduction
- § 6:13 Overview of portability of Unified Credit
- § 6:14 Implications of portability
- § 6:15 Interplay of Unified Credit and marital deduction—Use of a disclaimer trust or credit shelter trust
- § 6:16 — —New York estate tax
- § 6:17 —Options for a disclaimer trust or credit shelter trust
- § 6:18 —Options for a credit shelter trust—Provisions for trust income
- § 6:19 —Options for a credit shelter trust and disclaimer trust—Provisions for trust principal
- § 6:20 — —Lifetime power of appointment limited by ascertainable standard
- § 6:21 —Options for a credit shelter trust—Lifetime power limited by ascertainable standard—Ascertainable standard
- § 6:22 — — —Importance of ascertainable standard
- § 6:23 —Options for a credit shelter trust and disclaimer trust—Lifetime power limited to \$5,000 or 5% per year
- § 6:24 —Options for a credit shelter trust—Testamentary limited power of appointment

B. SELECTING ASSETS FOR A CREDIT SHELTER TRUST OR A DISCLAIMER TRUST

- § 6:25 Selecting assets for a credit shelter trust or disclaimer trust
- § 6:26 Assets must be available
- § 6:27 —Changing beneficiary designations
- § 6:28 —Life estate in residence
- § 6:29 — —Alternative to life estate interest
- § 6:30 Avoid placing IRD assets in a credit shelter trust or a disclaimer trust
- § 6:31 —Minimizing IRD in credit shelter trusts and disclaimer trust—IRD property in marital trust
- § 6:32 Use appreciating assets if possible

C. SELECTING THE MARITAL DEDUCTION VEHICLE

- § 6:33 Marital deduction vehicles for U.S. citizen spouses
- § 6:34 Outright gifts
- § 6:35 Life estates with general power of appointment
- § 6:36 —Qualifying income interests
- § 6:37 — —Life income interest
- § 6:38 — —Income from entire property or a specific portion
- § 6:39 — —Beneficial enjoyment
- § 6:40 —No power of appointment to any other person
- § 6:41 —General power of appointment by spouse
- § 6:42 Annuities with general power of appointment
- § 6:43 Qualified Terminable Interest Property (QTIP) trusts
- § 6:44 —“Terminable interest” defined
- § 6:45 — —“Six-month survivorship” exception
- § 6:46 — —“Exhausted interest” exception
- § 6:47 — —General power of appointment exception
- § 6:48 —Trusts for which a QTIP election can be made
- § 6:49 — —New York Only QTIP election
- § 6:50 — —Interplay of QTIP rules with qualified plan/IRA rules
- § 6:51 — —Stub income
- § 6:52 — —No power of appointment to any other person
- § 6:53 —Life estates for which QTIP election can be made
- § 6:54 — —Deduction not invalidated by “note in trust”
- § 6:55 —Effect of QTIP election
- § 6:56 — —“Disposition” of trust or property defined
- § 6:57 Charitable remainder unitrusts and annuity trusts
- § 6:58 —No double deduction
- § 6:59 —Potential alternative to other marital trust vehicles
- § 6:60 — —Qualified contingency
- § 6:61 — — —Valuation of qualified contingency
- § 6:62 Estate trusts

D. USE OF QUALIFIED DOMESTIC TRUSTS BY NON-U.S. CITIZENS

- § 6:63 Deduction available with Qualified Domestic Trust (QDOT)
- § 6:64 —No QDOT counterpart in gift tax law
- § 6:65 Requirements for establishing a QDOT
- § 6:66 —Regulations applicable to QDOTs
- § 6:67 Estate tax on QDOT distributions
- § 6:68 —Hardship distributions
- § 6:69 —Nature of estate tax under I.R.C. § 2056A
- § 6:70 — —Rate of tax
- § 6:71 — —When tax is due
- § 6:72 — —Prior tax credit
- § 6:73 Making a timely QDOT election
- § 6:74 —New York rule when no federal return filed
- § 6:75 —Transfers to a QDOT trust by the spouse

TABLE OF CONTENTS

§ 6:76 —Final regulations on annuity payments

E. DEFINING THE MARITAL DEDUCTION SHARE

- § 6:77 Formula used to express marital deduction share
- § 6:78 —Size of the credit shelter trust
- § 6:79 —Possible strategy where state estate tax exceeds credit
- § 6:80 Placement of the credit shelter trust
- § 6:81 —Advantage to defining credit shelter first
- § 6:82 —Advantage to defining marital portion first
- § 6:83 Choosing between fraction of residue or pecuniary amount
- § 6:84 —Marital share as fraction of residue
- § 6:85 —Marital share defined as true worth pecuniary amount
- § 6:86 — —Disadvantages of true worth pecuniary method
- § 6:87 — — —Recognition of gain
- § 6:88 — — —Recognition of loss
- § 6:89 — —Risk of market decline
- § 6:90 — — —Drafting advantage in use of fractional share
- § 6:91 — — —Potential advantages of pecuniary formula
- § 6:92 — —Need to watch for changes in value of estate assets
- § 6:93 Hybrid pecuniary option
- § 6:94 Consequences of treatment of administration expenses charged to income

F. FORMS

- § 6:95 Portability provision
- § 6:96 Disclaimer QDOT will
- § 6:97 Rollover agreement
- § 6:98 Agreement to pay tax on installments
- § 6:99 Optional unitrust provisions

CHAPTER 7. THE USE OF DISCLAIMERS

A. REASONS FOR DISCLAIMERS

- § 7:1 The disclaimer concept
- § 7:2 —Rights frequently disclaimed in estates practice
- § 7:3 —Non-tax reasons for disclaimers
- § 7:4 — —Property interests with clean-up liability
- § 7:5 — —Inability to enjoy property interest
- § 7:6 Federal tax liens
- § 7:7 Disclaimers must meet federal and state requirements

B. FEDERAL DISCLAIMER REQUIREMENTS

- § 7:8 Regulations changed effective January 1, 1977
- § 7:9 —Interests created before 1977
- § 7:10 — —Potential difficulty in applying pre-1977 rules today
- § 7:11 Federal requirements for “qualified disclaimers”

- § 7:12 —Interests created from 1977 through 1981
- § 7:13 —Interests created in or after 1982
- § 7:14 Disclaimer must identify interest and be signed
- § 7:15 Delivery required to transferor of the interest
- § 7:16 Timeliness gauged by nine-month rule
- § 7:17 —Nine months run from the date a gift is completed
- § 7:18 —Property passing by exercise or lapse of a general power
- § 7:19 —Property passing by QTIP trust
- § 7:20 —Property passing by exercise or lapse of a limited power
- § 7:21 —Property passing by joint tenancy
- § 7:22 — —Bank accounts
- § 7:23 — —Stocks and bonds
- § 7:24 — —Real property—Case law
- § 7:25 — —IRS general rule on disclaimer
- § 7:26 Disclaimer must be before acceptance of property or benefits
- § 7:27 —Recipient must accept disclaimed property voluntarily
- § 7:28 Entire interest, or entire portion, must be disclaimed
- § 7:29 —Separate interests, defined
- § 7:30 —Income disclaimed, right to principal retained
- § 7:31 —Principal disclaimed, right to income retained
- § 7:32 —Appointment power disclaimed, income/principal retained
- § 7:33 —Specific assets from bequest or trust disclaimed
- § 7:34 —Pecuniary amount may be disclaimed
- § 7:35 —Undivided fractional interests may be disclaimed
- § 7:36 Property must pass without direction
- § 7:37 —May not pass in another form, unless to spouse

C. NEW YORK DISCLAIMER REQUIREMENTS

- § 7:38 Basic requirements for disclaimers in New York
- § 7:39 Necessity to file/Effect of filing: Valid disclaimer is irrevocable
- § 7:40 Delivery of disclaimer
- § 7:41 No timeliness exception for beneficiaries under 21
- § 7:42 —Court discretion to extend filing time
- § 7:43 No timeliness exception—Court discretion to extend filing time
- § 7:44 Property interests that may be disclaimed
- § 7:45 Disclaimer by guardian or personal representative
- § 7:46 Disclaimer by attorney-in-fact
- § 7:47 Effect of disclaimer

D. USE OF DISCLAIMERS IN ESTATE PLANNING AND ADMINISTRATION

- § 7:48 Tax reasons for disclaiming property interests
- § 7:49 —Planned disclaimers
- § 7:50 —Unplanned disclaimers

E. FORMS

- § 7:51 Notice of renunciation, petition and supporting affidavit

TABLE OF CONTENTS

§ 7:52 Living trust with disclaimer provisions

CHAPTER 8. THE GENERATION-SKIPPING TRANSFER TAX

A. OVERVIEW OF THE GENERATION-SKIPPING TRANSFER TAX

- § 8:1 Nature of the Generation-Skipping Transfer tax
- § 8:2 —Evolution of GST tax
- § 8:3 —Objective of the GST tax
- § 8:4 Applicable to most transfers after 9/25/85
- § 8:5 —Not applicable to some wills executed before 10/22/86
- § 8:6 —Not applicable to some trusts irrevocable on 9/25/85
- § 8:7 — —Trusts includable in transferor's estate not eligible
- § 8:8 —Not applicable to some revocable direct skip trusts
- § 8:9 Ongoing exemption from the GST tax
- § 8:10 —Time-limited \$2 million per grandchild exemption

B. TRANSACTIONS COVERED BY THE GST TAX

- § 8:11 Taxable events
- § 8:12 —Taxable terminations
- § 8:13 — —Skip person
- § 8:14 — —Generations defined in terms of relationship
- § 8:15 — — —Non-lineal generations defined by 25-year intervals
- § 8:16 —Taxable distributions
- § 8:17 —Taxability of direct skips
- § 8:18 Effect on interest in a trust
- § 8:19 Use of income or principal to satisfy obligations
- § 8:20 —Exception for support obligations
- § 8:21 —Interests for postponement or avoidance disregarded
- § 8:22 Persons responsible for paying the tax
- § 8:23 Tax computation based on flat rate
- § 8:24 —Computation for taxable terminations
- § 8:25 —Computation for taxable distributions
- § 8:26 —Computation for direct skips
- § 8:27 —Credit for state GST tax
- § 8:28 Assignment of persons to generations
- § 8:29 —Lineal descendants
- § 8:30 —Non-lineal descendants
- § 8:31 —Resolving potential assignments to multiple generations
- § 8:32 —Assignment of entities to generations

C. COMPUTATION AND EFFECT OF THE INCLUSION RATIO

- § 8:33 Role of the “inclusion ratio” and “applicable fraction”
- § 8:34 —Computation of the applicable fraction

- § 8:35 —Computation of the inclusion ratio
- § 8:36 Valuation of property for determining inclusion ratio
- § 8:37 —Special rules for charitable lead annuity trusts
- § 8:38 —Options during estate tax inclusion period (ETIP)
- § 8:39 — —Treatment of spousal interests in ETIP
- § 8:40 Interplay of inclusion ratio and the GST exemption
- § 8:41 Effect of ratio on multiple skips

D. RULES AFFECTING EXCLUSIONS FROM GST TAXES

- § 8:42 Exclusions from GST coverage
- § 8:43 Exclusion for “grandfathered” trusts can be lost
- § 8:44 —Additions to a grandfathered trust
- § 8:45 —Constructive additions to a grandfathered trust—Powers of appointment
- § 8:46 — —Modification of trust
- § 8:47 —Constructive addition through assumption of liability
- § 8:48 Exemptions governed by predeceased child rule
- § 8:49 Exemption if no taxable termination occurs
- § 8:50 Exemption for transfers eligible for the annual exclusion
- § 8:51 Exclusion of medical and tuition expense gifts

E. PLANNING TO USE THE GST EXEMPTIONS OF BOTH SPOUSES

- § 8:52 Challenge to drafters
- § 8:53 Lifetime gifts
- § 8:54 —Potential drawback in strategy
- § 8:55 — —Annual exclusion gifts as an alternative
- § 8:56 Testamentary planning
- § 8:57 —Building up the “GST estate” of the surviving spouse
- § 8:58 —The three-trust will
- § 8:59 Reverse QTIP election
- § 8:60 —Reformation of a QTIP trust
- § 8:61 Impact of predeceased child rule

F. ALLOCATION OF THE GST EXEMPTION

- § 8:62 Exemption applicable only to taxable transfers
- § 8:63 Valuation of transferred property
- § 8:64 —Exceptions to valuation rule
- § 8:65 Effective date of allocation
- § 8:66 Timely allocations by donor
- § 8:67 —Late allocations by donor
- § 8:68 Timely allocation by executor
- § 8:69 —Late allocation by executor
- § 8:70 — —Transfers included in donor’s gross estate
- § 8:71 — —Transfers not included in donor’s gross estate
- § 8:72 — —Exception for ETIP property and charitable lead annuity trusts

TABLE OF CONTENTS

- § 8:73 Deemed allocation during lifetime
- § 8:74 —Expansion of automatic allocation of GST exemption under EGTRRA
- § 8:75 —Electing out of deemed allocation rules during lifetime
- § 8:76 Deemed allocation at death
- § 8:77 —Electing out of deemed allocation rules at death
- § 8:78 Retroactive allocations of GST exemption
- § 8:79 Severance of trusts
- § 8:80 Relief provisions
- § 8:81 Application of Chapter 13 to nonresident aliens

G. FORMS

- § 8:82 Three-trust will

CHAPTER 9. CHARITABLE PLANNING

A. CHARITABLE GIVING

- § 9:1 State law considerations
- § 9:2 Limitations on charitable gifts
- § 9:3 —Appropriation rules
- § 9:4 Tax apportionment rules
- § 9:5 Drafting considerations
- § 9:6 —Charitable name
- § 9:7 —Restrictions on charitable use
- § 9:8 —Cy pres
- § 9:9 Forms of charitable gifts
- § 9:10 —Outright gifts
- § 9:11 —Life estates
- § 9:12 —Split interest trusts
- § 9:13 — —Charitable remainder trusts
- § 9:14 — —Charitable lead trusts
- § 9:15 — —Requirements for validity and tax advantages
- § 9:16 —Charitable gift annuities
- § 9:17 —Contributions

B. TAX DEDUCTIONS FOR CHARITABLE GIFTS

- § 9:18 Potential deductions available
- § 9:19 Estate tax deduction
- § 9:20 —Requirements for deductible interest in property
- § 9:21 — —Undivided portion
- § 9:22 —Gift must pass from decedent
- § 9:23 — —Compromise agreements
- § 9:24 — —Precatory language
- § 9:25 — —Passing by reason of disclaimers
- § 9:26 — —Passing due to complete termination of power to consume
- § 9:27 — —Passing to charities selected by another
- § 9:28 — —Any condition or power must be remote

- § 9:29 —Included in the decedent's estate
- § 9:30 —Passing to a qualified charity
- § 9:31 — —Treatment of administrative expenses
- § 9:32 — —Cemetery associations
- § 9:33 — —No political activity
- § 9:34 Gift tax deduction
- § 9:35 Income tax deduction
- § 9:36 —Qualifying charities for income tax purposes
- § 9:37 —Reduction rules for Short-term capital gain
- § 9:38 Use of IRA to make charitable contributions
- § 9:39 Income tax deduction—Reduction rules for long-term capital gain
- § 9:40 — —Any property given to private foundations
- § 9:41 — — —Expiration of exception for appreciated stock
- § 9:42 — —Tangible personal property given for unrelated use
- § 9:43 — —Step down in value
- § 9:44 —Percentage limitations for cash gifts
- § 9:45 — —Public charity
- § 9:46 — —Non-public charity
- § 9:47 —Percentage limitation rules for non-cash gifts
- § 9:48 —Alternate minimum tax

C. CHARITABLE REMAINDER TRUSTS

- § 9:49 Charitable remainder trusts defined
- § 9:50 —Primary use for trust
- § 9:51 Payout requirements
- § 9:52 —Annuity provision
- § 9:53 —Unitrust interest
- § 9:54 —Lesser of income or unitrust interest
- § 9:55 —Lesser of income or unitrust interest with make-up provision
- § 9:56 —lesser of income or unitrust interest with make-up provision—Classification of capital gains
- § 9:57 — — —IRS concern with technique
- § 9:58 — —FLIP unitrusts
- § 9:59 Common rules for unitrusts and annuity trusts—Permissible payout recipients
- § 9:60 —Permissible payout recipients—Persons
- § 9:61 —Waiver of right of election
- § 9:62 —Permissible payout recipients—Persons—Trusts
- § 9:63 — — —Payments to trusts for disabled persons
- § 9:64 — — —Class of individuals
- § 9:65 — — —Grantor cannot have power over trustee
- § 9:66 — —Cancellation of survivor recipient's interest
- § 9:67 —Availability of charitable deductions for annuity or unitrust interests payable to charity
- § 9:68 —Permissible remainder beneficiaries
- § 9:69 —Minimum remainder

TABLE OF CONTENTS

§ 9:70	—Permissible remainder beneficiaries—Changing the charitable remainder beneficiary
§ 9:71	— —Limiting the remainder recipient to public charities
§ 9:72	—Term of annuity or unitrust interest
§ 9:73	—Term of annuity or unitrust interest—Qualified contingencies
§ 9:74	—Final annuity and unitrust payout
§ 9:75	—Estate taxes
§ 9:76	—Amount includible in grantor's gross estate
§ 9:77	—Private foundation rules/excise taxes
§ 9:78	—Excise taxes—Effect of state law
§ 9:79	—Unrelated business taxable income
§ 9:80	—Division of charitable remainder trust
§ 9:81	—Tier rules/ordering rules
§ 9:82	—Timing of payments
§ 9:83	—Medicare contribution tax
§ 9:84	—Non-marketable assets
§ 9:85	—Anti-abuse regulation
§ 9:86	—Section 2702 valuation rules
§ 9:87	Six factors in selecting the best payout format
§ 9:88	—Concern with inflation
§ 9:89	—Desire for certainty about the amount of payment
§ 9:90	—Expected yield of assets in trust
§ 9:91	—Impact of payout form on charitable deduction
§ 9:92	— —Skewed valuation results
§ 9:93	— —Federal midterm rate
§ 9:94	—Whether future additions will be made to the trust
§ 9:95	—Whether the trust has specific payout targets
§ 9:96	5% probability test
§ 9:97	—Language to prevent violating the 5% test
§ 9:98	Funding a charitable remainder trust
§ 9:99	Terminating a charitable remainder trust
§ 9:100	IRS-approved forms

D. CHARITABLE LEAD TRUSTS

§ 9:101	Three types of charitable lead trusts
§ 9:102	Regular lead trust
§ 9:103	—Payout
§ 9:104	— —Permissible measuring life
§ 9:105	—Private foundation rules/excise taxes
§ 9:106	—Medicare contribution tax
§ 9:107	—No grantor retained interest
§ 9:108	—Primary planning use is to leverage transfers
§ 9:109	— —GST implications of lead annuity trusts
§ 9:110	Grantor lead trust
§ 9:111	—No yearly income tax deduction
§ 9:112	—Amount recaptured on death of grantor
§ 9:113	Common law lead trust

- § 9:114 —Use of a common law lead trust
- § 9:115 —Key to drafting a common law lead trust
- § 9:116 —Medicare contribution tax
- § 9:117 Testamentary charitable lead annuity trust
- § 9:118 Irrevocable inter vivos charitable lead trust

E. FORMS

- § 9:119 Testamentary charitable remainder annuity trust with one life
- § 9:120 Intervivos charitable remainder unitrust with two lives, consecutive
- § 9:121 Sample *inter vivos* nongrantor charitable lead annuity trust

CHAPTER 10. LIFETIME GIFTS

A. ADVANTAGES OF LIFETIME GIFTS

- § 10:1 Non-tax reasons for making lifetime gifts
- § 10:2 —Love and affection
- § 10:3 —Business continuation planning
- § 10:4 — —Smooth transition
- § 10:5 — —Reduction in sibling conflict
- § 10:6 — —Bolster employee morale
- § 10:7 — —Improve trade, customer and banking relationships
- § 10:8 — —Avoiding bank guarantees
- § 10:9 —Effect of medical costs on savings
- § 10:10 — —Medicare limits
- § 10:11 — —Medicaid for the “medically needy”
- § 10:12 Tax reasons for lifetime gifts

B. TAX-ORIENTED GIFT-GIVING STRATEGIES

- § 10:13 IRS standards for written tax advice
- § 10:14 —Circular 230—Monetary penalties
- § 10:15 — —2014 amendments
- § 10:16 — —Covered opinion rules
- § 10:17 — —Relation of Circular 230 to preparer penalty provision of I.R.C. (§ 6694)
- § 10:18 — —Implications for estate planning and estate administration
- § 10:19 Transfers that generate neither gift nor estate taxes
- § 10:20 —Annual exclusion for “present interest” gifts
- § 10:21 —History of present interest exclusion
- § 10:22 —Potentially significant effect of gifts
- § 10:23 —Types of gifts in trust that qualify for exclusion
- § 10:24 —Gifts of tuition expenses
- § 10:25 — —Definition of tuition limited
- § 10:26 — —No limit to deductibility
- § 10:27 —Qualified state tuition programs (529 Plans)

TABLE OF CONTENTS

§ 10:28	—Gifts to provide medical care
§ 10:29	— —Definition of eligible medical expenses
§ 10:30	ABLE Accounts
§ 10:31	Gifts of appreciating assets
§ 10:32	—Effect of removing appreciating assets from the estate
§ 10:33	— —“Adjusted taxable gifts” vs “otherwise included gifts”
§ 10:34	— — —Gifts “otherwise included in the gross estate”
§ 10:35	Leveraging strategies
§ 10:36	—Annual gift tax exclusion as leveraging tool
§ 10:37	—Insurance policies as leveraging tool
§ 10:38	—Leverage from charitable deductions
§ 10:39	— —Charitable remainder trusts
§ 10:40	— — —Gift of income is discounted to actuarial value
§ 10:41	— — —Remainder is income tax charitable deduction
§ 10:42	— — —Appreciated assets escape gain recognition
§ 10:43	— —Charitable lead trusts
§ 10:44	— — —Leverage in a charitable lead trust
§ 10:45	—Leverage from retained interests for a term of years
§ 10:46	— —Gift taxation of retained income interests
§ 10:47	—Leverage from minority interest discounts
§ 10:48	—Leverage opportunities from actuarial tables
§ 10:49	— —Mortality factor
§ 10:50	— — —Limitations on use of tables
§ 10:51	— —Interest rate factor
§ 10:52	— — —Federal midterm rate now used to value transfers
§ 10:53	Transfers that generate neither gift nor estate taxes— Challenge to use of family limited partnerships and limited liability companies—Annual exclusion
§ 10:54	—Challenge to use of family limited partnerships and limited liability companies
§ 10:55	Hard to value assets: Transfers with defined values
§ 10:56	Advantages of gift tax payments over estate tax payments
§ 10:57	—Estate tax is “tax inclusive”
§ 10:58	—Gift tax is “tax exclusive”
§ 10:59	— —Exception for gift taxes within three years of death
§ 10:60	— — —“Net gift” also affected
§ 10:61	—Tax-saving potential of tax exclusive gifts

C. POTENTIAL TAX DISADVANTAGES IN MAKING GIFTS

§ 10:62	Tax reasons not to make lifetime gifts
§ 10:63	Loss of step-up in basis at death
§ 10:64	Potential loss of redemption advantages under I.R.C. § 303
§ 10:65	—The 35% test for an “adjusted gross estate”
§ 10:66	—Effect of gifts on 35% test
§ 10:67	Potential loss of benefits from valuation rules for qualified real property
§ 10:68	Potential loss of option to pay estate tax in installments

D. PREPARATION OF THE FEDERAL GIFT TAX RETURN

- § 10:69 The federal gift tax
- § 10:70 —History of the federal gift tax
- § 10:71 Gifts subject to tax
- § 10:72 —Expatriate defined
- § 10:73 Calculation of the federal gift tax
- § 10:74 Treatment of split gifts
- § 10:75 Current rate schedule
- § 10:76 —History of unified rate structure
- § 10:77 —Unified Credit
- § 10:78 Exclusions and deductions from the gift tax
- § 10:79 Valuation of gifts
- § 10:80 —Gifts of remainder interest
- § 10:81 —Recapitalization—Gifts
- § 10:82 —Gifts of life estate interests
- § 10:83 —Penalty for undervaluation
- § 10:84 — —Penalty for gifts made before 1990
- § 10:85 Gift tax filing requirements
- § 10:86 Filing requirements—Short form
- § 10:87 —Timely filing
- § 10:88 — —Penalty for late filing
- § 10:89 — —Preparer penalties—Overview of prior law
- § 10:90 — — —2007 change in law
- § 10:91 — — —2008 change in law
- § 10:92 — — —Regulatory announcements
- § 10:93 — — —Overview of regulations
- § 10:94 — — —Notion of preparer
- § 10:95 — — —Significance of positions
- § 10:96 — — —Returns and claims for refund
- § 10:97 — — —Notions of substantial portion or substantial preparation
- § 10:98 — — —Date return is prepared
- § 10:99 — — —Verification of information
- § 10:100 — — —Undisclosed positions
- § 10:101 — — —Disclosed positions
- § 10:102 — — —Reasonable basis positions
- § 10:103 — — — —Signing tax return preparers
- § 10:104 — — — —Nonsigning tax return preparers
- § 10:105 — — —Requirements for advice (signing and nonsigning preparers)
- § 10:106 — — —Reasonable cause/good faith
- § 10:107 — — —Compensation included in penalty determination
- § 10:108 — — —Proposed amendment of Circular 230
- § 10:109 — — —Some observations
- § 10:110 Chart of gift tax rates

E. NEW YORK STATE GIFT AND GST TAX

- § 10:111 New York State gift tax

TABLE OF CONTENTS

§ 10:112 Generation-skipping transfer tax

CHAPTER 11. IRREVOCABLE LIFETIME TRUSTS

A. INSURANCE TRUSTS

- § 11:1 Life insurance policies
- § 11:2 —Estate tax
- § 11:3 —Third party ownership—Beneficiary designation
- § 11:4 — —Selecting the third party
- § 11:5 — — —Disadvantages of choosing spouse
- § 11:6 — — —Option to name children as third party owners
- § 11:7 — — —Advantages of naming an irrevocable insurance trust
- § 11:8 Insurance trusts
- § 11:9 —Option to create “survivorship” insurance trust
- § 11:10 Funding the trust with existing policies
- § 11:11 Sale of policies between trusts
- § 11:12 Funding the trust with existing policies—Transfer for value rule may apply if loan is outstanding
- § 11:13 — —Transfer for value rules
- § 11:14 — — —Transfers by gift normally exempt
- § 11:15 — — —Rule when policy is subject to a loan
- § 11:16 Trust may apply for the insurance policy
- § 11:17 —Preferable for trust to obtain policy
- § 11:18 Four options on funds to pay insurance premiums
- § 11:19 Options on funds to pay insurance premiums—*Crummey* strategy to qualify payments as tax-exempt gifts
- § 11:20 Four options on funds to pay insurance premiums—Notice requirement for *Crummey* power to be effective
- § 11:21 — —Time to exercise power
- § 11:22 — —Minor donees
- § 11:23 — —Donees who are not current trust beneficiaries
- § 11:24 — —Assets must be available for notice to be effective
- § 11:25 — —Importance of good record-keeping
- § 11:26 —Income tax consequences of *Crummey* powers
- § 11:27 —Gift tax consequences of lapsing *Crummey* powers
- § 11:28 — —General power of appointment
- § 11:29 — —Limited power of appointment
- § 11:30 — —Hanging power
- § 11:31 — — —IRS position
- § 11:32 — —Multiple trusts
- § 11:33 Options on funds to pay insurance premiums—Split dollar arrangement for payment for premiums
- § 11:34 —Split dollar arrangement—Guidance before 2003 regulations
- § 11:35 — —Overview of 2003 regulations
- § 11:36 — —Ownership test as to applicable regime
- § 11:37 — —Economic benefit regime

- § 11:38 — —Loan regime
- § 11:39 — —Grandfather rules
- § 11:40 —Implications of deferred compensation rules
- § 11:41 —Reverse split dollar arrangement
- § 11:42 —Charitable split dollar arrangement
- § 11:43 Dispositive provisions
- § 11:44 —Backup marital deduction provision
- § 11:45 — —No authority opposing provision
- § 11:46 — —Distinct from contingent marital deduction
- § 11:47 —Segregating power of appointment amounts from marital trust
- § 11:48 —Pour-over to other trusts
- § 11:49 —Advisable to avoid reciprocal trust doctrine
- § 11:50 —Disposition of survivorship insurance trusts
- § 11:51 Generation-skipping considerations

B. TRUSTS WITH RETAINED BENEFITS FOR GRANTOR

- § 11:52 Grantor Retained Interest Trusts (GRITS) in general
- § 11:53 —Planning with GRITS prior to October 8, 1990
- § 11:54 —Chapter 14: general rule
- § 11:55 — —Family members
- § 11:56 Trusts excluded from Chapter 14 rules
- § 11:57 —Normal valuation rules used
- § 11:58 —Estate and gift tax consequences of PRTs, QPRTs, GRATs, GRUTs
- § 11:59 — —Use of beneficial interest in spouse to reduce taxable gift for GRAT or GRUT
- § 11:60 — —Amount includible in gross estate
- § 11:61 —GST tax consequences of PRTs, QPRTs, GRATs, GRUTs
- § 11:62 —Proposals to limit GRATs
- § 11:63 —Sale to intentionally defective grantor trust
- § 11:64 — —Necessity for trust to have other assets
- § 11:65 — —Income tax issues
- § 11:66 — —Other planning issues

C. TRUSTS FOR PERSONAL RESIDENCE

- § 11:67 Requirements for Personal Residence Trusts (PRTs)
- § 11:68 —PRT not practically viable
- § 11:69 Qualified Personal Residence Trusts (QPRTs)
- § 11:70 —Two QPRTs may be established by a person
- § 11:71 —Option to create joint QPRT
- § 11:72 —Mortgaged property
- § 11:73 —No commutation
- § 11:74 —Payment of taxes, insurance and utilities
- § 11:75 — —Deductibility of property taxes
- § 11:76 — —Acceptance of cash to pay expenses
- § 11:77 Sale of a residence held by a QPRT
- § 11:78 Sale of residence to grantor now prohibited

TABLE OF CONTENTS

- § 11:79 Sale to grantor now prohibited—No capital gain if grantor trust as to principal
- § 11:80 — —Criteria for grantor trust as to principal
- § 11:81 — —Reversion interest
- § 11:82 Retention of qualified proceeds
- § 11:83 Payment of income and principal
- § 11:84 Conversion of QPRT to qualified annuity interest
- § 11:85 —Computation of payout percentage
- § 11:86 —Calculating the gift tax value

D. GIFT TRUSTS

- § 11:87 Trusts funded by gifts that qualify for the annual exclusion
- § 11:88 Trusts for the benefit of minors
- § 11:89 Trusts with annual withdrawal rights
- § 11:90 Trusts that pay all of the income to the trust beneficiary

E. FUNDING IRREVOCABLE TRUSTS

- § 11:91 Considerations generally applicable to irrevocable trusts
- § 11:92 —Capital gains tax
- § 11:93 Irrevocable gift trusts
- § 11:94 Charitable remainder trusts
- § 11:95 Charitable lead trusts
- § 11:96 QPRTs
- § 11:97 Insurance trust

F. INCOME TAXATION OF TRUSTS

- § 11:98 Income taxation of trusts—Overview
- § 11:99 —Overview of taxation of non-grantor trusts
- § 11:100 —Non-grantor trusts—Distributable net income
- § 11:101 — —Definition of income
- § 11:102 — —Tax year of trust
- § 11:103 — —Taxation of capital gains
- § 11:104 —Overview of taxation of grantor trusts
- § 11:105 —Overview of taxation of grantor trusts—Attribution of trustee's powers to grantor
- § 11:106 — —Attribution of spouse's powers to grantor
- § 11:107 — —Grantor trust treatment as to less than all of a trust
- § 11:108 — —Interests or controls that trigger grantor trust status
- § 11:109 — —Reversionary interests
- § 11:110 — —Discretion over income or principal—Basic rule
- § 11:111 — — —Exceptions to basic rule
- § 11:112 — —Certain administrative powers or actions
- § 11:113 — —Rights of revocation
- § 11:114 — —Use of income for certain purposes
- § 11:115 — —Non-grantor treated as grantor
- § 11:116 Planning considerations with grantor trust status
- § 11:117 —Possible changes and regulatory guidance

G. REFORMATION AND AMENDMENT OF IRREVOCABLE TRUSTS

- § 11:118 Irrevocability
- § 11:119 Flexible dispositive terms
- § 11:120 Amendment by a third party under terms of the trust
- § 11:121 Amendment under EPTL § 7-1.9
- § 11:122 —Identifying beneficially interested persons
- § 11:123 Decanting under EPTL § 10-6.6—Overview
- § 11:124 —Overview—Need for power of invasion
- § 11:125 — —Definitions
- § 11:126 — — —Notion of unlimited discretion
- § 11:127 —Provisions common to the two kinds of decanting authority—Standard of care
- § 11:128 — —Mechanics
- § 11:129 — —Limitations on authority
- § 11:130 —Decanting authority where there is unlimited discretion to invade
- § 11:131 —Decanting authority where there is limited discretion to invade
- § 11:132 —Some considerations
- § 11:133 Reformation
- § 11:134 Severance of trusts
- § 11:135 Termination of uneconomic trusts

H. FORMS

- § 11:136 One life insurance trust
- § 11:137 Explanation of provisions of name insurance trust
- § 11:138 Survivorship insurance trust
- § 11:139 Qualified Personal Residence Trust
- § 11:140 Gift trust for grandchild
- § 11:141 Amendment and revocation of irrevocable trust under EPTL § 7-1.9

Table of Laws and Rules

Table of Cases

Index