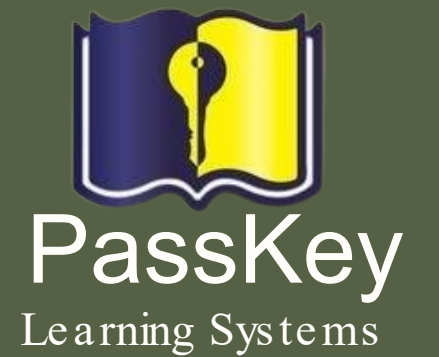


2024

NICOLE RAMOS, EA



↓ LIVE EA STUDY SESSION



Nicole Ramos, EA



Nicole Ramos, an Enrolled Agent based in New York, is a distinguished tax professional and educator. With a bachelor's degree from the University of Maryland at College Park, Nicole utilizes her EA credential to manage collections representation cases. As the Director of Educational Programs at Tax Practice Pro, she has been pivotal in developing and instructing the Annual Federal Tax Refresher (AFSP) course.

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Part 1 Study Questions

Saturday's Chat:

Taxable Social Security

Rental Passive Income

Gifts/Inheritances

Forum: Form 706

Passkey Exam Question

To find out if a taxpayer's Social Security benefits may be taxable, all of the following are taken into account EXCEPT:

- A. The exclusion for foreign earned income
- B. Passive interest income.
- C. Self-employment income.
- D. Non-taxable interest from municipal bonds.

Passkey Exam Answer

To find out if a taxpayer's Social Security benefits may be taxable, all of the following are taken into account EXCEPT:

- A. The exclusion for foreign earned income**
- B. Passive interest income.
- C. Self-employment income.
- D. Non-taxable interest from municipal bonds.

Passkey Exam Question

Karen is 65 and unmarried, and receiving Social Security every month. Which of the following items must be considered when she calculates if any of her Social Security benefits are taxable?

- A. A cash inheritance that she received when her brother died.
- B. Employer-provided adoption benefits
- C. Tax-exempt municipal bond interest
- D. Interest on education loans

Passkey Exam Answer

Karen is 65 and unmarried, and receiving Social Security every month. Which of the following items must be considered when she calculates if any of her Social Security benefits are taxable?

- A. A cash inheritance that she received when her brother died.
- B. Employer-provided adoption benefits
- C. Tax-exempt municipal bond interest**
- D. Interest on education loans

Provisional Income=Adjusted Gross Income (AGI)+Non-taxable interest+½ of Social Security

SEE Question

Gordon, age 70, is retired and works part-time as a security guard earning \$8,000. He received \$5,000 interest from a saving account and \$2,500 interest from tax-exempt municipal bonds. His Social Security benefits were \$12,000 and his taxable pension was \$6,000. To determine if any of his Social Security is taxable, Gordon should compare how much of his income to the \$25,000 base amount?

- A. \$27,500
- B. \$21,500
- C. \$19,000
- D. \$25,000

SEE Answer

Gordon, age 70, is retired and works part-time as a security guard earning \$8,000. He received \$5,000 interest from a saving account and \$2,500 interest from tax-exempt municipal bonds. His Social Security benefits were \$12,000 and his taxable pension was \$6,000. To determine if any of his Social Security is taxable, Gordon should compare how much of his income to the \$25,000 base amount?

A. \$27,500

B. \$21,500

C. \$19,000

D. \$25,000

Part-Time Job	\$8,000
Savings account interest	\$5,000
Municipal bond tax-exempt interest	\$2,500
50% Social Security benefits	\$6,000
Taxable Pension	\$6,000
Income to compare to base amount	\$27,500

SEE Question

George Black is single and files Form 1040 for 2023. He received the following income in 2023:

Fully taxable pension \$18,600

Wages from part-time job \$ 9,400

Interest income \$ 990

Total \$28,990

George also received social security benefits during 2023. Form SSA-1099 shows \$5,980 in box 5, Net Benefits in 2023. How much of George's social security is taxable?

- A. \$5,980
- B. \$6,980
- C. \$4,700
- D. \$2,990

SEE Answer

George Black is single and files Form 1040 for 2023. He received the following income in 2023:

Fully taxable pension \$18,600

Wages from part-time job \$ 9,400

Interest income \$ 990

Total \$28,990

George also received social security benefits during 2023. Form SSA-1099 shows \$5,980 in box 5, Net Benefits in 2023. How much of George's social security is taxable?

A. \$5,980

B. \$6,980

C. \$4,700

D. \$2,990

50% of benefits taxed: over \$25,000 to \$34,000 (single) or over \$32,000 to \$44,000 (joint filing)

85% of benefits taxed: above \$34,000 (single) or above \$44,000 (joint filing)

Passkey Question

Sheldon received Social Security in 2023 totaling \$11,720. Sheldon also liquidated all his stock and moved into senior housing during the year. He received \$350,500 of taxable income from the stock sale. What is the maximum *taxable* amount of Sheldon's Social Security benefits?

- A. \$0
- B. \$5,860
- C. \$9,962
- D. \$11,720

Passkey Answer

Sheldon received Social Security in 2023 totaling \$11,720. Sheldon also liquidated all his stock and moved into senior housing during the year. He received \$350,500 of taxable income from the stock sale. What is the maximum *taxable* amount of Sheldon's Social Security benefits?

- A. \$0
- B. \$5,860
- C. \$9,962**
- D. \$11,720

$$(11,720 \times 85\% = 9,962).$$

Passkey Exam Question

Karinna is 63 years old and married. She lived with her spouse, Benjamin, for the first two months of the tax year. They started to have marital troubles, and Benjamin moved out in March. They will both file MFS this year. Karinna has Social Security income as well as wages during the year. What is her "base amount" for figuring out the taxable portion of her Social Security benefits?

- A. \$36,000
- B. \$25,000
- C. zero
- D. \$32,000

Passkey Exam Answer

Karinna is 63 years old and married. She lived with her spouse, Benjamin, for the first two months of the tax year. They started to have marital troubles, and Benjamin moved out in March. They will both file MFS this year. Karinna has Social Security income as well as wages during the year. What is her "base amount" for figuring out the taxable portion of her Social Security benefits?

- A. \$36,000
- B. \$25,000
- C. zero**
- D. \$32,000

Forum Question

Question: Rental Passive Income and the Special Allowance Deduction for Real Estate Owners.

Eligibility Criteria

- **Active Participation:** Taxpayers must actively participate in the rental real estate activity. Active participation involves making management decisions or arranging for others to provide services, such as repairs.
- **Income Limitations:** The special loss allowance is phased out for taxpayers with adjusted gross income (AGI) between \$100,000 and \$150,000. Taxpayers with AGI above \$150,000 are not eligible for the allowance.
- **Ownership:** Taxpayers must own at least 10% of the rental property to qualify for the special loss allowance.

Pass Key Question

Yahir and Taliyah are married and file jointly. Yahir earned \$85,000 of wages and Taliyah had net income of \$4,000 on her Schedule F, from selling eggs and chickens that she raised herself. They had interest income of \$700. Taliyah also had a \$32,000 loss from a rental real estate activity in which she actively participated. She is not a real estate professional. Based on this information, how much of the rental loss can they deduct on their joint tax return?

- A. \$0.00
- B. \$4,000
- C. \$25,000
- D. \$32,000

Pass Key Answer

Yahir and Taliyah are married and file jointly. Yahir earned \$85,000 of wages and Taliyah had net income of \$4,000 on her Schedule F, from selling eggs and chickens that she raised herself. They had interest income of \$700. Taliyah also had a \$32,000 loss from a rental real estate activity in which she actively participated. She is not a real estate professional. Based on this information, how much of the rental loss can they deduct on their joint tax return?

- A. \$0.00
- B. \$4,000
- C. **\$25,000**
- D. \$32,000

Pass Key Question

Antonio is unmarried and owns a residential rental property. He is not a real estate professional. He reports his rental income on Schedule E. In the current year, his wage income was \$82,000, and his losses from the rental property were \$27,000. He actively participated in the rental activity. How much of the rental loss can he deduct on his individual tax return?

- A. \$0, the losses are completely disallowed by the passive activity rules.
- B. \$25,000, with a \$2,000 loss carryover.
- C. \$25,000 with no carryover.
- D. \$27,000

Pass Key Answer

Antonio is unmarried and owns a residential rental property. He is not a real estate professional. He reports his rental income on Schedule E. In the current year, his wage income was \$82,000, and his losses from the rental property were \$27,000. He actively participated in the rental activity. How much of the rental loss can he deduct on his individual tax return?

- A. \$0, the losses are completely disallowed by the passive activity rules.
- B. **\$25,000, with a \$2,000 loss carryover.**
- C. \$25,000 with no carryover.
- D. \$27,000

Pass Key Question

Joshua is unmarried and works full time as a college professor. He is not a real estate professional, but he does own a residential rental that he manages himself. Joshua earned \$120,000 in salary at his job, and a (\$31,000) loss from his rental real estate activities in which he actively participated. He reports the rental on Schedule E. He had no other income or loss for the year. Based on this information, figure out his passive loss carryover.

- A. \$6,000
- B. \$15,000
- C. \$16,000
- D. \$31,000

Pass Key Answer

Joshua is unmarried and works full time as a college professor. He is not a real estate professional, but he does own a residential rental that he manages himself. Joshua earned \$120,000 in salary at his job, and a (\$31,000) loss from his rental real estate activities in which he actively participated. He reports the rental on Schedule E. He had no other income or loss for the year. Based on this information, figure out his passive loss carryover.

- A. \$6,000
- B. \$15,000
- C. **\$16,000**
- D. \$31,000

Adjusted Gross Income	\$120,000
Minus amount not subject to phaseout	(\$100,000)
Amount subject to phaseout rule	\$20,000
Multiply by 50%	\$10,000
Phaseout reduction	\$10,000
Maximum "special allowance"	\$25,000
Minus reduction	<u>\$10,000</u>
Adjusted Allowance	\$15,000
Passive loss from rental activity	\$31,000
Deduction allowable in the current year	\$15,000
Passive Loss Carryover	\$16,000

Pass Key Question

Mai-Lin is single. In 2023, she had \$136,000 in wage income. She also owns a residential rental property that has a \$28,000 loss for the year. Mai-Lin actively participated in the rental activity but is not considered a real estate professional. How much of her rental loss is deductible in the current year on *Schedule E, Form 1040*?

- A. \$0.00
- B. \$7,000
- C. \$13,000
- D. \$28,000

Pass Key Answer

Mai-Lin is single. In 2023, she had \$136,000 in wage income. She also owns a residential rental property that has a \$28,000 loss for the year. Mai-Lin actively participated in the rental activity but is not considered a real estate professional. How much of her rental loss is deductible in the current year on *Schedule E, Form 1040*?

- A. \$0.00
- B. **\$7,000**
- C. \$13,000
- D. \$28,000

Adjusted Gross Income	\$136,000
Minus amount not subject to phaseout	(\$100,000)
Amount subject to phaseout rule	\$36,000
Multiply by 50%	\$18,000
Phaseout reduction	\$18,000
Maximum "special allowance"	\$25,000
Minus reduction	<u>\$18,000</u>
Adjusted Allowance	\$7,000

Pass Key Question

Margarida is single. During the year, she earns \$49,000 in wages, \$2,000 of passive income from a limited partnership interest, and \$3,500 of passive loss from a rental real estate activity in which she actively participated. She had no other activity for the year. How should this income be reported on her tax return?

- A. \$2,000 of her (\$3,500) rental loss can offset her passive income on Schedule E. The remaining (\$1,500) in rental losses can be deducted from her wages on Form 1040.
- B. \$2,000 of her (\$3,500) rental loss can offset her passive income on Schedule C. The remaining (\$1,500) in rental losses must be carried over to future years.
- C. \$2,000 of her (\$3,500) rental loss can offset her passive income on Schedule E. The remaining (\$1,500) in rental losses must be carried over to a future year.
- D. \$2,000 of her (\$3,500) rental loss can offset her passive income on Schedule E. The remaining (\$1,500) in rental losses are lost and cannot be deducted.

Pass Key Answer

Margarida is single. During the year, she earns \$49,000 in wages, \$2,000 of passive income from a limited partnership interest, and \$3,500 of passive loss from a rental real estate activity in which she actively participated. She had no other activity for the year. How should this income be reported on her tax return?

- A. **\$2,000 of her (\$3,500) rental loss can offset her passive income on Schedule E. The remaining (\$1,500) in rental losses can be deducted from her wages on Form 1040.**
- B. \$2,000 of her (\$3,500) rental loss can offset her passive income on Schedule C. The remaining (\$1,500) in rental losses must be carried over to future years.
- C. \$2,000 of her (\$3,500) rental loss can offset her passive income on Schedule E. The remaining (\$1,500) in rental losses must be carried over to a future year.
- D. \$2,000 of her (\$3,500) rental loss can offset her passive income on Schedule E. The remaining (\$1,500) in rental losses are lost and cannot be deducted.

Pass Key Question

Kendra is unmarried and earned \$175,000 in wages for the year. She also has \$22,000 of passive income from a limited partnership, and a \$24,000 loss from rental real estate activities in which she actively participated. She is not a real estate professional. How should these activities be treated on her individual tax return?

- A. She can use \$22,000 of passive income from the partnership investment to offset \$22,000 of her rental loss. The remaining rental losses of \$2,000 would be deductible from her wages.
- B. She must recognize \$22,000 of passive income from the partnership. All the rental losses must be carried over because her wages exceed the phaseout threshold of \$100,000.
- C. She can use \$22,000 of passive income from the partnership investment to offset \$22,000 of her rental loss. The remaining rental losses of \$2,000 would be deductible on Schedule A as a miscellaneous itemized deduction.
- D. She can use \$22,000 of passive income from the partnership investment to offset \$22,000 of her rental loss. The remaining rental losses of \$2,000 (\$22,000 - \$24,000) would need to be carried over to the following year.

Pass Key Answer

Kendra is unmarried and earned \$175,000 in wages for the year. She also has \$22,000 of passive income from a limited partnership, and a \$24,000 loss from rental real estate activities in which she actively participated. She is not a real estate professional. How should these activities be treated on her individual tax return?

- A. She can use \$22,000 of passive income from the partnership investment to offset \$22,000 of her rental loss. The remaining rental losses of \$2,000 would be deductible from her wages.
- B. She must recognize \$22,000 of passive income from the partnership. All the rental losses must be carried over because her wages exceed the phaseout threshold of \$100,000.
- C. She can use \$22,000 of passive income from the partnership investment to offset \$22,000 of her rental loss. The remaining rental losses of \$2,000 would be deductible on Schedule A as a miscellaneous itemized deduction.
- D. **She can use \$22,000 of passive income from the partnership investment to offset \$22,000 of her rental loss. The remaining rental losses of \$2,000 (\$22,000 - \$24,000) would need to be carried over to the following year.**

Pass Key Question

Camden and Brenda are married and live together, but they choose to file separate returns. They do not live in a community property state and keep all their income and assets separate. Camden owns a residential rental as his sole property. Camden actively participates in the rental activity by choosing his own tenants and making repairs to the property as necessary. In 2023, he earned \$68,000 in wages. His rental activity has an overall loss of (\$14,800). How much of the rental loss is deductible for 2023?

- A. \$0.00
- B. \$14,800
- C. \$12,500
- D. \$25,000

Pass Key Question

Camden and Brenda are married and live together, but they choose to file separate returns. They do not live in a community property state and keep all their income and assets separate. Camden owns a residential rental as his sole property. Camden actively participates in the rental activity by choosing his own tenants and making repairs to the property as necessary. In 2023, he earned \$68,000 in wages. His rental activity has an overall loss of (\$14,800). How much of the rental loss is deductible for 2023?

- A. **\$0.00**
- B. \$14,800
- C. \$12,500
- D. \$25,000

Basis of Property Received as a Gift

To determine a gain or loss on the disposition of property received as a gift:

- **The gift's adjusted basis to the donor just before it was given to the taxpayer**
- **The gift's FMV at the time it was given to the taxpayer, and**
- Any gift tax actually PAID on the appreciation of the property's value while held by the donor

If the fair market value (FMV) of the gift is *lower* than the donor's adjusted basis at the time of transfer:

- When the recipient sells the gifted property, any gain will be calculated based on the donor's adjusted basis.
- If the recipient sells the property for a loss, their basis will be equal to the FMV at the time of the gift.

If the recipient sells the property for a price higher than its FMV at the time of the gift, but lower than the donor's adjusted basis at that time, their basis will be equal to the selling price. This results in neither a gain nor loss on the sale.

Basis of Estate Property

The basis of property inherited from a decedent is generally one of the following:

- **The FMV of the property on the date of death,**
 - **The FMV on an alternate valuation date, if elected**
 - The value under a special-use valuation method for real property used in farming or another closely held business, if elected by the personal representative,
 - The decedent's adjusted basis in land to the extent of the value excluded from the taxable estate as a qualified conservation easement.
-

Pass Key Exam Question

On July 1, 2023, Heidi received a condo as a gift from her mother, Serena. Her mother had owned and lived in the condo for a decade, and the property was completely paid off. On the date of the gift, the condo had a fair market value of \$94,000 and an original cost basis of \$60,000. Heidi didn't use the condo as a residence, and she ends up selling it quickly for \$91,000 on November 20, 2023. What is the amount and character of her gain (or loss) on this transaction?

- A. Heidi has a short-term capital loss of \$3,000.
- B. Heidi has a long-term capital gain of \$31,000.
- C. Heidi has a short-term capital gain of \$31,000.
- D. Heidi has a short-term capital gain of \$34,000.

Pass Key Exam Answer

On July 1, 2023, Heidi received a condo as a gift from her mother, Serena. Her mother had owned and lived in the condo for a decade, and the property was completely paid off. On the date of the gift, the condo had a fair market value of \$94,000 and an original cost basis of \$60,000. Heidi didn't use the condo as a residence, and she ends up selling it quickly for \$91,000 on November 20, 2023. What is the amount and character of her gain (or loss) on this transaction?

- A. Heidi has a short-term capital loss of \$3,000.
- B. **Heidi has a long-term capital gain of \$31,000.**
- C. Heidi has a short-term capital gain of \$31,000.
- D. Heidi has a short-term capital gain of \$34,000.

Pass Key Exam Question

On April 20, 2023, Willow received a parcel of land as a gift from her uncle, Hudson. The fair market value (FMV) of the property on the date of the gift was \$13,800. Hudson's original cost basis in the land was \$8,700. He owned the land for more than ten years before he gifted it to his niece. After the deed was transferred, Willow decided to demolish an existing concrete foundation on the property. The cost of the demolition was \$3,200. There were no more improvements done to the property during the year. Based on this information, what is Willow's basis in the land at the end of the year?

- A. \$8,700
- B. \$10,000
- C. \$11,900
- D. \$13,800

Pass Key Exam Answer

On April 20, 2023, Willow received a parcel of land as a gift from her uncle, Hudson. The fair market value (FMV) of the property on the date of the gift was \$13,800. Hudson's original cost basis in the land was \$8,700. He owned the land for more than ten years before he gifted it to his niece. After the deed was transferred, Willow decided to demolish an existing concrete foundation on the property. The cost of the demolition was \$3,200. There were no more improvements done to the property during the year. Based on this information, what is Willow's basis in the land at the end of the year?

- A. \$8,700
- B. \$10,000
- C. **\$11,900**
- D. \$13,800

$$8700 + 3200 = 11,900$$

Pass Key Question

Several years ago, Rohan received 10 shares of Valley Telecom, Inc. stock as a gift from his father. His father had originally paid \$10 per share for this stock, and it was trading for \$20 per share at the time of the gift. On January 15, 2023, Rohan purchased an additional 20 shares of Valley Telecom stock for a price of \$30 per share and paid a \$20 brokerage fee on this purchase. On October 30, 2023, Rohan sold 20 shares of his Valley Telecom stock. He cannot accurately identify the shares he disposed of. What is Rohan's basis in the shares he still owns?

- A. \$100
- B. \$200
- C. \$310
- D. \$360

Pass Key Answer

Several years ago, Rohan received 10 shares of Valley Telecom, Inc. stock as a gift from his father. His father had originally paid \$10 per share for this stock, and it was trading for \$20 per share at the time of the gift. On January 15, 2023, Rohan purchased an additional 20 shares of Valley Telecom stock for a price of \$30 per share and paid a \$20 brokerage fee on this purchase. On October 30, 2023, Rohan sold 20 shares of his Valley Telecom stock. He cannot accurately identify the shares he disposed of. What is Rohan's basis in the shares he still owns?

- A. \$100
- B. \$200
- C. **\$310**
- D. \$360

Basis of 10 gifted shares = $\$10 \times 10 \text{ shares} = \100

Basis of 20 purchased shares = $[\$20 \times 30 \text{ shares}] + \$20 \text{ brokerage fee} = \620

Sold 20 shares, using FIFO, first in first out: $(10 \text{ shares @ } \$100) + (10 \text{ shares @ } \$310 [\$610 \div 2])$

This leaves him 10 shares left with a \$310 basis.

Pass Key Question

Five years ago, Jakob purchased 200 shares of Baxter Steel Corporation stock. On January 10, 2023, Jakob gives his daughter, Becky, the 200 shares of Baxter Steel Corporation stock as a gift. Jakob's adjusted basis in the stock was \$950. On the date of the transfer, the fair market value of the stock was \$1,100. Becky sells all 200 shares for \$1,320 on November 16, 2023. What is the amount and nature of Becky's gain?

- A. \$150 short-term capital gain
- B. \$270 long-term capital gain
- C. \$370 short-term capital gain
- D. \$370 long-term capital gain

Pass Key Answer

Five years ago, Jakob purchased 200 shares of Baxter Steel Corporation stock. On January 10, 2023, Jakob gives his daughter, Becky, the 200 shares of Baxter Steel Corporation stock as a gift. Jakob's adjusted basis in the stock was \$950. On the date of the transfer, the fair market value of the stock was \$1,100. Becky sells all 200 shares for \$1,320 on November 16, 2023. What is the amount and nature of Becky's gain?

- A. \$150 short-term capital gain
- B. \$270 long-term capital gain
- C. \$370 short-term capital gain
- D. **\$370 long-term capital gain**

\$370 (\$1,320 sale price - \$950 transferred basis)

Pass Key Exam Question

Marco inherited a home from his grandmother, Rose, who died on February 2, 2023. Marco is not the executor of his grandmother's estate, and the executor did not elect the alternate valuation date. His grandmother purchased the home over thirty years ago for \$39,000. A month before she passed away, Rose paid \$11,000 to build a new deck on the home. The home's Fair Market Value on the date of his grandmother's death was \$378,000. Marco sells the home seven months later for \$389,500. For the purposes of determining his gain on the sale, what is his basis in the home?

- A. \$39,000
- B. \$50,000
- C. \$378,000
- D. \$389,500

Pass Key Exam Answer

Marco inherited a home from his grandmother, Rose, who died on February 2, 2023. Marco is not the executor of his grandmother's estate, and the executor did not elect the alternate valuation date. His grandmother purchased the home over thirty years ago for \$39,000. A month before she passed away, Rose paid \$11,000 to build a new deck on the home. The home's Fair Market Value on the date of his grandmother's death was \$378,000. Marco sells the home seven months later for \$389,500. For the purposes of determining his gain on the sale, what is his basis in the home?

- A. \$39,000
- B. \$50,000
- C. **\$378,000**
- D. \$389,500

Pass Key Exam Question

Marylou received a valuable set of gold coins as an inheritance from her father, who died on February 6, 2023. Her father's adjusted basis in the coins was \$9,750. The coins' fair market value on the date of her father's death was \$76,200. The executor of the estate elects the alternate valuation date for valuing the gross estate. Six months later, on August 6, 2023, the coins' fair market value had dropped to \$73,100. Marylou finally received the coins on December 1, 2023, when its fair market value was \$73,500. She sold the coins a week later for \$73,450. What is Marylou's basis in the inherited coins, in order to determine her taxable gain on the sale?

- A. \$9,750
- B. \$73,100
- C. \$73,450
- D. \$76,200

Pass Key Exam Answer

Marylou received a valuable set of gold coins as an inheritance from her father, who died on February 6, 2023. Her father's adjusted basis in the coins was \$9,750. The coins' fair market value on the date of her father's death was \$76,200. The executor of the estate elects the alternate valuation date for valuing the gross estate. Six months later, on August 6, 2023, the coins' fair market value had dropped to \$73,100. Marylou finally received the coins on December 1, 2023, when its fair market value was \$73,500. She sold the coins a week later for \$73,450. What is Marylou's basis in the inherited coins, in order to determine her taxable gain on the sale?

- A. \$9,750
- B. **\$73,100**
- C. \$73,450
- D. \$76,200

Pass Key Question

Renata received 100 shares of stock as an inheritance from her brother, who died on January 6, 2023. Her brother's adjusted basis in the stock was \$4,750. The stock's fair market value on the date of her brother's death was \$26,200. Her brother's estate was valuable, and a Form 706 will be filed for the estate. The executor of the estate elects the alternate valuation date for valuing the gross estate. Six months later, on July 6, 2023, the stock's fair market value had dropped to \$23,100. Renata finally received the stock on August 26, 2023, when its fair market value was \$23,500. She sold the stock a week later for \$23,450.

What is Renata's basis in the inherited stock, in order to determine her taxable gain on the sale?

- A. \$4,750
- B. \$22,200
- C. \$23,100
- D. \$23,450

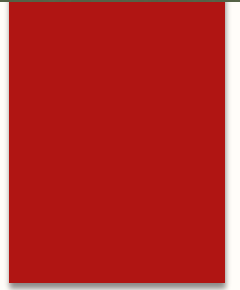
Pass Key Answer

Renata received 100 shares of stock as an inheritance from her brother, who died on January 6, 2023. Her brother's adjusted basis in the stock was \$4,750. The stock's fair market value on the date of her brother's death was \$26,200. Her brother's estate was valuable, and a Form 706 will be filed for the estate. The executor of the estate elects the alternate valuation date for valuing the gross estate. Six months later, on July 6, 2023, the stock's fair market value had dropped to \$23,100. Renata finally received the stock on August 26, 2023, when its fair market value was \$23,500. She sold the stock a week later for \$23,450.

What is Renata's basis in the inherited stock, in order to determine her taxable gain on the sale?

- A. \$4,750
- B. \$22,200
- C. \$23,100**
- D. \$23,450

Forum Question



Question: I thought Form 706 was filed if assets reach approx. \$12.9M only. So, if one wants DSUE portability, and their assets are below the \$12.9M threshold, they have to fill out 706 as well?

Answer: Yes, in order to elect portability, a Form 706 has to be filed. It is an election that can only be taken on that form.

Pass Key Question

Julie's husband, Austin, died on June 3, 2023. The value of Austin's gross estate was \$5 million on the date of his death, so an estate tax return does not need to be filed. However, Julie decides to file an estate tax return anyway. What is the purpose of filing an estate tax return (Form 706) in the context of portability?

- A. To claim the unlimited marital deduction.
- B. To calculate the estate tax owed in advance.
- C. To properly distribute assets to all his heirs.
- D. To elect portability of the DSUE amount.

Pass Key Answer

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Pass Key Question

Benjamin received 1,000 shares of stock as an inheritance from his grandmother, who died on February 20, 2023. His grandmother's adjusted basis in the stock was \$8,000. The stock's fair market value on the date of her death was \$24,500. The executor of the estate elects the alternate valuation date for valuing the gross estate. On August 20, 2023, the stock's fair market value was \$21,500. Benjamin received the stock on November 26, 2023, when its fair market value was \$22,100. Benjamin sells all the stock two weeks later for \$22,950. What is Benjamin's basis and holding period in the inherited stock?

- A. \$8,000 basis, and his holding period is long-term.
- B. \$21,500 basis, and his holding period is long-term.
- C. \$22,100 basis, and his holding period is short-term.
- D. \$24,500 basis, and his holding period is short-term.

Pass Key Answer

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2024 Live Study Session Schedule:

Wednesday, October 30th – 7pm (ET) Part 1

Wednesday, November 6th – 7pm (ET) Part 2

Wednesday, November 13th – 7pm (ET) Part 3

Saturday, November 23rd – 11am (ET) Part 1, 12pm (ET) Part 2

Wednesday, December 4th – 7pm (ET) Part 3

Saturday, December 14th – 11am (ET) Part 1, 12pm (ET) Part

Wednesday, December 18 – 7pm (ET) Part 2

Please sent study subjects to:

- Nicole@hockinternational.com

Laura Stahl, EA Study Group on Facebook:

<https://www.facebook.com/groups/eastudygroup>