**Course Title:** Joint Property

**Test Title:** Joint Property Review Test  
**Pool Title:** NEW SM - Joint Property - Advisor

***Question 1:*** *Question Title: Ownership of Property*

**Of the types of ownership of property, which one is limited to legally married spouses?**

Tenancy by Severalty

***Incorrect. Tenancy by severalty is sole ownership, in one name.***

Points: 0

Joint Tenancy

***Incorrect. Joint tenancy can be between any two or more persons; it is often stated as “with right of survivorship” because property passes to the survivor(s).***

Points: 0

Tenants in Common

***Incorrect. Tenants in common means each individual owns a share, which passes to their heirs upon death.***

Points: 0

**Tenants by the Entirety**

***Correct. Tenants by the Entirety is for legally married spouses only, with full ownership passing to the survivor.***

Points: 10

None of the choices

***Incorrect. One of the choices is restricted to legally married spouses.***

Points: 0

***Question 2:*** *Question Title: Tenants in Common*

**If individuals wish to share title to property, but each person wants the ability to dispose of his/her interest in the property as he/she sees fit, the type of ownership that is most appropriate is:**

a) Joint Tenancy with Right of Survivorship

***Incorrect. Joint tenancy can be between any two or more persons; it is often stated as “with right of survivorship” because property passes to the survivor(s).***

Points: 0

b) Tenancy by the Entirety

***Incorrect. Tenants by the Entirety is for legally married spouses only, with full ownership passing to the survivor.***

Points: 0

c) Tenancy by Severalty

***Incorrect. Tenancy by severalty is sole ownership, in one name.***

Points: 0

**d) Tenants in Common**

***Correct. Tenants in common means each individual owns a share, which passes to their heirs upon death.***

Points: 10

e) Both b. and c.

***Incorrect. Tenants by the Entirety is for legally married spouses only, with full ownership passing to the survivor, and tenancy by severalty is sole ownership, in one name.***

Points: 0

***Question 3:*** *Question Title: Joint Tenancy*

**When two unmarried men hold property in joint tenancy and one man dies, IRS presumes that the following amount of property is included in the decedent's estate:**

**100%**

***Correct. IRS will presume 100% is included in the decedent’s estate, unless the personal representative can prove contributions to the purchase of property from the survivor’s own funds. In general, if joint property is held by legally married spouses, only half of the property is included in the decedent’s estate, regardless of the source of funds.***

Points: 10

50%

***Incorrect. IRS will presume 100% is included in the decedent’s estate, unless the personal representative can prove contributions to the purchase of property from the survivor’s own funds. In general, if joint property is held by legally married spouses, only half of the property is included in the decedent’s estate, regardless of the source of funds.***

Points: 0

0%

***Incorrect. IRS will presume 100% is included in the decedent’s estate, unless the personal representative can prove contributions to the purchase of property from the survivor’s own funds. In general, if joint property is held by legally married spouses, only half of the property is included in the decedent’s estate, regardless of the source of funds.***

Points: 0

Only the monetary amount of his contribution, since the survivor is receiving all the appreciation.

***Incorrect. IRS will presume 100% is included in the decedent’s estate, unless the personal representative can prove contributions to the purchase of property from the survivor’s own funds. In general, if joint property is held by legally married spouses, only half of the property is included in the decedent’s estate, regardless of the source of funds.***

Points: 0

The percentage that the decedent originally contributed in acquiring the property, applied against the value of the property upon death.

***Incorrect. IRS will presume 100% is included in the decedent’s estate, unless the personal representative can prove contributions to the purchase of property from the survivor’s own funds. In general, if joint property is held by legally married spouses, only half of the property is included in the decedent’s estate, regardless of the source of funds.***

Points: 0

**Test Title:** Joint Property Review Test  
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***Question 4:*** *Question Title: Tenants in Common and Married Couples*

**Married couples cannot own property as tenants in common.**

True

***Incorrect. It is possible for a married couple to own property as tenants in common.***

Points: 0

**False**

***Correct. It is possible for a married couple to own property as tenants in common.***

Points: 10

***Question 5:*** *Question Title: Community Property*

**Upon the death of a spouse, the step-up in basis for property held as tenants by the entirety is significantly more favorable to the surviving spouse than it is for community property.**

True

***Incorrect. The community property gets a 100% step-up in basis, considerably better than would take place under tenants by the entirety.***

Points: 0

**False**

***Correct. The community property gets a 100% step-up in basis, considerably better than would take place under tenants by the entirety.***

Points: 10

***Question 6:*** *Question Title: Right of Survivorship*

**If two people own property as joint tenants with the right of survivorship, it matters not to the IRS whether or not they are married. In either case, the IRS presumes that 100% is includable in the estate of the first to die. It is up to the survivor to give evidence that the decedent did not contribute 100% of the funding required for the purchase.**

True

***Incorrect. If they are married, ½ is included in the estate regardless of the source of funds.***

Points: 0

**False**

***Correct. If they are married, ½ is included in the estate regardless of the source of funds.***

Points: 10

***Question 7:*** *Question Title: Jointly Held Property*

**Because jointly held property is not probated, there is no need to consider it when drafting a will.**

True

***Incorrect. Some jointly held property IS probated (i.e., transfers by the terms of the will). Furthermore, even if it is not probated, it must be considered when drafting the will to avoid conflicts between the will and how the property is titled.***

Points: 0

**False**

***Correct. Some jointly held property IS probated (i.e., transfers by the terms of the will). Furthermore, even if it is not probated, it must be considered when drafting the will to avoid conflicts between the will and how the property is titled.***

Points: 10

***Question 8:*** *Question Title: Property as Joint Tenants*

**A married couple owns all their property as joint tenants with right of survivorship. It has been explained to them that their estate tax will be significantly reduced if they will split the property, each taking half into his/her sole name. This change can be accomplished without having to pay gift taxes.**

**True**

***Correct. You would be correct in pointing out that there would be no gift taxes because of the unlimited marital deduction.***

Points: 10

False

***Incorrect. You would be correct in pointing out that there would be no gift taxes because of the unlimited marital deduction.***

Points: 0

***Question 9:*** *Question Title: Joint Tenancy*

**Four men own property in joint tenancy with right of survivorship. If one dies, leaving his entire estate to his wife, what is the percentage ownership by the three survivors?**

1/4 each

***Incorrect. Joint tenancy is with right of survivorship, meaning each survivor would be left with 1/3.***

Points: 0

**1/3 each**

***Correct. Joint tenancy is with right of survivorship, meaning each survivor would be left with 1/3.***

Points: 10

Cannot be determined from the information provided

***Incorrect. Joint tenancy is with right of survivorship, meaning each survivor would be left with 1/3.***

Points: 0

***Question 10:*** *Question Title: Tenants in Common*

**Four men own property as tenants in common. If one dies, leaving his entire estate to his wife, what is the percentage ownership by the three survivors?**

1/4 each

***Incorrect. As tenants in common, each person’s percentage interest (not necessarily in equal 1/4 interests) would remain unchanged, and the deceased person’s interest would go to his wife.***

Points: 0

1/3 each

***Incorrect. As tenants in common, each person’s percentage interest (not necessarily in equal 1/4 interests) would remain unchanged, and the deceased person’s interest would go to his wife.***

Points: 0

**Their percentage interest would be unchanged**

***Correct. As tenants in common, each person’s percentage interest (not necessarily in equal 1/4 interests) would remain unchanged, and the deceased person’s interest would go to his wife.***

Points: 10

Cannot be determined from the information provided

***Incorrect. As tenants in common, each person’s percentage interest (not necessarily in equal 1/4 interests) would remain unchanged, and the deceased person’s interest would go to his wife.***

Points: 0

***Question 11:*** *Question Title: Properties and Probate*

**Which of the following properties is typically subject to probate (assuming the property is not held in trust)?**

Property that is owned as joint tenants with right of survivorship

***Incorrect. The property owned as tenants in common would be disposed of in the deceased person’s estate and would therefore be probated. All the other choices of joint ownership would pass outside of probate.***

Points: 0

Property that is owned as tenants by the entirety

***Incorrect. The property owned as tenants in common would be disposed of in the deceased person’s estate and would therefore be probated. All the other choices of joint ownership would pass outside of probate.***

Points: 0

**Property that is owned as tenants in common**

***Correct. The property owned as tenants in common would be disposed of in the deceased person’s estate and would therefore be probated. All the other choices of joint ownership would pass outside of probate.***

Points: 10

None of these properties is subject to probate

***Incorrect. The property owned as tenants in common would be disposed of in the deceased person’s estate and would therefore be probated. All the other choices of joint ownership would pass outside of probate.***

Points: 0

***Question 12:*** *Question Title: Tenants in Common(2)*

**A parent wishes to state in the will that a piece of property goes to three children. There is no sentimentality associated with this property; the parent simply wishes to treat the three children and their families equally. The most common way to title the property upon distribution to the children is as:**

**Tenants in Common**

***Correct. This preserves each individual’s interest for their estate.***

Points: 10

Joint Tenants with Right of Survivorship

***Incorrect. This does not preserve each individual’s interest for their estate.***

Points: 0

Tenants by the Entirety

***Incorrect. This form of ownership is for married couples only.***

Points: 0

Community Property

***Incorrect. This form of ownership is for married couples only.***

Points: 0

***Question 13:*** *Question Title: Jointly Own Property*

**Typically, the most acceptable way for non-related investors to jointly own property is as:**

**Tenants in common**

***Correct. Typically, non-related investors want to pass their interest in the property on to their heirs, not leave it for the non-related investors. This can be accomplished by titling the property as tenants in common.***

Points: 10

Joint Tenants with Right of Survivorship

***Incorrect. Typically, non-related investors want to pass their interest in the property on to their heirs, not leave it for the non-related investors. This can be accomplished by titling the property as tenants in common.***

Points: 0

Tenants by the Entirety

***Incorrect. Typically, non-related investors want to pass their interest in the property on to their heirs, not leave it for the non-related investors. This can be accomplished by titling the property as tenants in common.***

Points: 0

Community Property

***Incorrect. Typically, non-related investors want to pass their interest in the property on to their heirs, not leave it for the non-related investors. This can be accomplished by titling the property as tenants in common.***

Points: 0

***Question 14:*** *Question Title: Gift Tax Return*

**Mary and Jane recently purchased a piece of real estate for $50,000. Mary provided the funds for the purchase, and they titled the property as tenants in common, with each owning 50% of the property. What further action needs to be taken?**

**Mary needs to file a gift tax return.**

***Correct. Since Mary provided the funds for the purchase, she effectively made a taxable gift to Jane, since Jane now owns 50% of the property, and Mary must file a gift tax return.***

Points: 10

Jane needs to file a gift tax return.

***Incorrect. Since Mary provided the funds for the purchase, she effectively made a taxable gift to Jane, since Jane now owns 50% of the property, and Mary must file a gift tax return.***

Points: 0

Neither one needs to file a gift tax return.

***Incorrect. Since Mary provided the funds for the purchase, she effectively made a taxable gift to Jane, since Jane now owns 50% of the property, and Mary must file a gift tax return.***

Points: 0

***Question 15:*** *Question Title: Benefits of Joint Tenancy*

**Benefits of joint tenancy include all the following EXCEPT:**

Simplicity

***Incorrect. This is a benefit of joint tenancy.***

Points: 0

Avoids probate

***Incorrect. This is a benefit of joint tenancy.***

Points: 0

It provides survivor benefits

***Incorrect. This is a benefit of joint tenancy.***

Points: 0

Doesn't require a will to pass full ownership to the survivor

***Incorrect. This is a benefit of joint tenancy.***

Points: 0

**Provides a step-up in basis of the entire property**

***Correct. This could only happen if one owner contributed all the funds and this could be proven.***

Points: 10

***Question 16:*** *Question Title: Tenants by the Entirety*

**Mr. and Mrs. Thomas own real estate as tenants by the entirety. Mr. Thomas has directed in his will that his half of the property is to be placed in a trust, to be managed for the benefit of his surviving spouse. Is this permissible?**

Yes

***Incorrect. The property will pass to the surviving spouse OUTSIDE of the will.***

Points: 0

**No**

***Correct. The property will pass to the surviving spouse OUTSIDE of the will.***

Points: 10

***Question 17:*** *Question Title: Tenants in Common(3)*

**Upon examining a jointly held account, there is no clarifying language that indicates the type of joint ownership involved. In such cases, it can be presumed that the property is held as:**

Joint tenants with Right of Survivorship

***Incorrect. The default position is tenants in common.***

Points: 0

Tenants by the Entirety

***Incorrect. The default position is tenants in common.***

Points: 0

**Tenants in Common**

***Correct. This is the default position.***

Points: 10

**Test Title:** Joint Property Review Test  
**Pool Title:** NEW SM - Community Property - Advisor

***Question 18:*** *Question Title: Community Property*

**Characteristics of community property are:  
  
1. Generally speaking, each spouse owns an equal, undivided interest.  
2. Upon the death of a spouse, half of the property is subject to probate.  
3. Property acquired prior to marriage is generally not treated as community property.  
4. Gifts and inheritances acquired during marriage become community property.  
5. Upon the death of a spouse, 50% of the property receives a step-up in basis.**

1 and 3 only

***Incorrect. While both of these choices are benefits, they are not the only benefits in the list.***

Points: 0

3 and 5 only

***Incorrect. 100% of the property receives a step-up in basis upon the death of a spouse.***

Points: 0

**1, 2, and 3 only**

***Correct.***

Points: 10

1, 2, and 4 only

***Incorrect. Gifts and inheritances acquired during marriage do not become community property.***

Points: 0

1, 3, 4, and 5 only

***Incorrect. Gifts and inheritances acquired during marriage do not become community property, and the step-up in basis is for 100% of the property.***

Points: 0

***Question 19:*** *Question Title: Step-up Basis in Community Property*

**A married couple holds community property. The husband dies leaving the wife as the survivor. Which of the following statements is true?**

None of the property is included in his estate and there is no step-up in basis.

***Incorrect. 50% of the property is included in his estate and 100% of the property receives a step-up in basis.***

Points: 0

None of the property is included in his estate and 50% of the property receives a step-up in basis.

***Incorrect. 50% of the property is included in his estate and 100% of the property receives a step-up in basis.***

Points: 0

50% of the property is included in his estate and 50% of the property receives a step-up basis.

***Incorrect. 50% of the property is included in his estate and 100% of the property receives a step-up in basis.***

Points: 0

**50% of the property is included in his estate and 100% of the property receives a step-up in basis.**

***Correct. 50% of the property is included in his estate and 100% of the property receives a step-up in basis.***

Points: 10

100% of the property is included in his estate and 100% receives a step-up in basis.

***Incorrect. 50% of the property is included in his estate and 100% of the property receives a step-up in basis.***

Points: 0

***Question 20:*** *Question Title: Community Property (2)*

**In addition to the facts that community property is limited to married couples and exists only in certain states, which of the following is also true about community property:**

a) It includes all earnings of the husband, but not the wife, during marriage

***Incorrect. It applies to both legally married spouses.***

Points: 0

**b) It generally maintains its character even if both parties move to another state**

***Correct. It is important to remember that although most states do not have community property, such property maintains its character even when the legally married spouses move to a non-community property state.***

Points: 10

c) It includes inheritances

***Incorrect. It excludes inheritances.***

Points: 0

d) It replaces joint tenancy and tenancy by the entirety for legally married spouses

***Incorrect. It does not replace joint tenancy and tenancy by the entirety.***

Points: 0

e) Both c. and d.

***Incorrect. It excludes inheritances and it does not replace joint tenancy and tenancy by the entirety.***

Points: 0

**Test Title:** Joint Property Review Test  
**Pool Title:** NEW Supplemental - Community Property - Advisor

***Question 21:*** *Question Title: Community Prop. States*

**Which of the following is NOT a community property state?**

Texas

***Incorrect. This is a community property state.***

Points: 0

Wisconsin

***Incorrect. This is a community property state.***

Points: 0

New Mexico

***Incorrect. This is a community property state.***

Points: 0

Idaho

***Incorrect. This is a community property state.***

Points: 0

**Wyoming**

***Correct. Wyoming is not a community property state.***

Points: 10

***Question 22:*** *Question Title: Comm. Prop. State 2*

**Which of the following IS a community property state?**

Florida

***Incorrect. This is not a community property state.***

Points: 0

Missouri

***Incorrect. This is not a community property state.***

Points: 0

Michigan

***Incorrect. This is not a community property state.***

Points: 0

**Texas**

***Correct. Texas is a community property state.***

Points: 10

Iowa

***Incorrect. This is not a community property state.***

Points: 0

***Question 23:*** *Question Title: Relevance to other states*

**Unless you either work or reside in a community property state, issues regarding community property are of no concern and can be ignored.**

True

***Incorrect. It is important to remember that even in non-community property states, community property retains its character when someone previously lived in a community property state.***

Points: 0

**False**

***Correct. It is important to remember that even in non-community property states, community property retains its character when someone previously lived in a community property state.***

Points: 10

***Question 24:*** *Question Title: What is comm. property*

**Which of the following would NOT be considered community property?**

A boat that is owned and registered in your name, which you bought during your marriage with monthly payroll deductions.

***Incorrect. This is community property because it was acquired with income earned while married.***

Points: 0

A $10,000 inheritance you added to the joint checking account with your spouse 25 years ago.

***Incorrect. While an inheritance is not normally treated as community property, when funds are so commingled as to no longer be able to distinguish what portion was community property and what portion was not, as is surely the case of a 25 year old deposit into a joint checking account, then it will all be treated as community property.***

Points: 0

**A Rolex watch you received from your parents as a gift while married.**

***Correct. A gift is from your parent would not be treated as community property.***

Points: 10

The home in Maine that you and your spouse purchased with the proceeds from the sale of your home in California.

***Incorrect. If the property was purchased with community property proceeds, the purchased property itself becomes community property even through it is located in a non-community property state.***

Points: 0

The car you purchased with the rental income received from property you and your spouse purchased while living in Wisconsin.

***Incorrect. The rental income is community property, as is anything purchased with it.***

Points: 0

***Question 25:*** *Question Title: Identifying Comm. prop. 2*

**Which of the following IS generally considered community property?**

A motorcycle you owned before marriage

***Incorrect. Property owned before marriage is not community property.***

Points: 0

**Your spouse's paycheck**

***Correct. Each spouse’s salary that is earned while married is community property.***

Points: 10

A vacation home you purchased and titled in your name when you and your spouse lived in Kentucky, prior to your moving with your spouse to your current residence in Arizona

***Incorrect. Property purchased before moving to a community property state is not converted to community property.***

Points: 0

A $50,000 settlement you received from an injury you suffered when you and your spouse were walking in your neighborhood

***Incorrect. Compensation for personal injuries is normally treated as separate property.***

Points: 0

A painting you inherited during marriage

***Incorrect. An inheritance received by one spouse is treated as separate property.***

Points: 0

***Question 26:*** *Question Title: Probate*

**Community property is NOT subject to probate.**

True

***Incorrect. It IS subject to probate.***

Points: 0

**False**

***Correct. It IS subject to probate.***

Points: 10

***Question 27:*** *Question Title: Probate Assets*

**Jason and Sylvia Simpson have been married for forty years and have lived in California their entire lives. They started their marriage with nothing, and every penny they own has been through their own efforts. Jason has $700,000 in assets in his name, while Sylvia, who spent most of their married life as a homemaker, has $100,000 in her name. If Sylvia predeceased Jason, what would ordinarily be the size of her PROBATE ESTATE?**

$100,000

***Incorrect. Since all property was acquired in a community property state after their marriage, and there were no gifts or inheritances, then everything is community property. Half of the community property is included in the estate of the first to die.***

Points: 0

**$400,000**

***Correct. Since all property was acquired in a community property state after their marriage, and there were no gifts or inheritances, then everything is community property. Half of the community property is included in the estate of the first to die.***

Points: 10

$800,000

***Incorrect. Since all property was acquired in a community property state after their marriage, and there were no gifts or inheritances, then everything is community property. Half of the community property is included in the estate of the first to die.***

Points: 0

***Question 28:*** *Question Title: Capital Gain*

**Roger and Jane have been married for twenty years and have resided in a community property state since their marriage. Five years ago, Roger purchased some vacant land for $50,000 that is today worth $150,000. If Jane were to die at this time, leaving all her community property to Roger, and Roger then sold the land at today's value, what would be his capital gain on the property (ignoring any deductible fees)?**

$100,000

***Incorrect. The property would receive a full step-up in basis, even though only half of the property was included in Jane’s estate. That is one potential advantage of community property over other types of jointly owned property.***

Points: 0

$50,000

***Incorrect. The property would receive a full step-up in basis, even though only half of the property was included in Jane’s estate. That is one potential advantage of community property over other types of jointly owned property.***

Points: 0

**$0**

***Correct. The property would receive a full step-up in basis, even though only half of the property was included in Jane’s estate. That is one potential advantage of community property over other types of jointly owned property.***

Points: 10

***Question 29:*** *Question Title: Debts*

**Generally speaking, all debts acquired during marriage in a community property state are community property debts.**

**True**

***Correct.***

Points: 10

False

***Incorrect.***

Points: 0

***Question 30:*** *Question Title: Prior to marriage*

**Sam Smith lives in a community property state. Prior to marriage, he had a money market account in his name that contained $50,000. Shortly after marriage, he closed that account and used the proceeds to purchase a new car. Generally speaking, is his new car community property?**

Yes

***Incorrect. The money market account is separate property since it was acquired prior to marriage. After marriage, it remains separate property, although in some states the income generated off the assets might be considered community property. Since this was shortly after marriage, income should be negligible. That said, property that is purchased with separate property during marriage is itself considered separate property.***

Points: 0

**No**

***Correct. The money market account is separate property since it was acquired prior to marriage. After marriage, it remains separate property, although in some states the income generated off the assets might be considered community property. Since this was shortly after marriage, income should be negligible. That said, property that is purchased with separate property during marriage is itself considered separate property.***

Points: 10

***Question 31:*** *Question Title: Non-community Property State*

**A married couple moves from California to Florida. While in California, they saved $50,000 during their marriage from their earned income. This $50,000 was used to purchase a boat upon their arrival in Florida. Since Florida is not a community property state, the boat is not community property.**

True

***Incorrect. Community property retains its character even after moving out of a community property state. Furthermore, property that is purchased with community property is itself community property.***

Points: 0

**False**

***Correct. Community property retains its character even after moving out of a community property state. Furthermore, property that is purchased with community property is itself community property.***

Points: 10

***Question 32:*** *Question Title: Inclusion in estate*

**John Adams lives in a community property state. Prior to marriage, he paid off the loan for his motorcycle. After marriage, he sold the motorcycle and used the money to purchase for himself a Rolex watch. If he were to die today, what percentage of the value of the watch would be included in his estate?**

0%

***Incorrect. He purchased the property with separate property, therefore it remains separate property and 100% of the value of the watch would be included in his estate.***

Points: 0

50%

***Incorrect. He purchased the property with separate property, therefore it remains separate property and 100% of the value of the watch would be included in his estate.***

Points: 0

**100%**

***Correct. He purchased the property with separate property, therefore it remains separate property and 100% of the value of the watch would be included in his estate.***

Points: 10

***Question 33:*** *Question Title: Divorce*

**When a divorce occurs in a community property state, real property that could not be divided would be titled as:**

**Tenants in common**

***Correct. In this way, each person would own 50% and could appoint their interest any way desired.***

Points: 10

Joint tenants with right of survivorship

***Incorrect. It would be titled as tenants in common. In this way, each person would own 50% and could appoint their interest any way desired.***

Points: 0

Tenants by the entirety

***Incorrect. It would be titled as tenants in common. In this way, each person would own 50% and could appoint their interest any way desired.***

Points: 0

***Question 34:*** *Question Title: Injuries*

**Mary lives in a community property state. She was recently injured in an automobile accident, and received a $100,000 settlement for her "pain and suffering". Shortly thereafter, she divorced her husband. In general, how much of the $100,000 would her husband receive in the division of their community property?**

100%

***Incorrect. Property received as result of an injury is generally treated as separate property. Therefore, she would retain the entire $100,000.***

Points: 0

50%

***Incorrect. Property received as result of an injury is generally treated as separate property. Therefore, she would retain the entire $100,000.***

Points: 0

**None**

***Correct. Property received as result of an injury is generally treated as separate property. Therefore, she would retain the entire $100,000.***

Points: 10