

2007 CSTC FALL WORKSHOP
CASE STUDY PROBLEM FOR THE “TRUSTS/ESTATES BASICS”

The Ima Calen Der Trust was created as a “living trust” on September 20, 1988. It was a revocable “Grantor Type” trust. Because it was revocable, no Form 1041 or 541 was required during her lifetime and all income was reported as usual on her Form 1040. Ima continued to be the trustee until her death on May 3, 2006. She lived at 7312 El Cajon Blvd., La Mesa, CA 91941. Her social security number is 333-12-7888.

Ima has no children and has named her handyman neighbor, Russ T. Nales, as her successor trustee. Russ’ social security number is 444-62-7705 and he lives at 7310 El Cajon Blvd., La Mesa, CA 91941. He can be reached at (619)466-2678. The trust document instructs the successor trustee to distribute the trust assets to Ima’s niece, Jill Brown. Jill lives at 3456 Mission Gorge Road, Santee, California 92071. Her social security number is 555-32-7605.

You will help the trustee obtain an EIN for the Trust. Fill out the SS-4 with the necessary information. The number you will receive is 20-1234567. You will help Russ file a first and final trust return on Forms 1041 & 541 as well as Form 56.

All assets are in the trust except the Defined Benefit Plan that has names Jill as the beneficiary. Income and expenses will be reported on a cash basis.

At your first appointment with Russ on February 6, 2007 you receive the following information:

2006 Income

Social Security: \$12,632.20 from 1099-SSA

Pension:

Vanguard Defined Benefit Plan (1099-R with Ima's SSN)
\$11,492.00 in Box 1, nothing in Box 2a, Box 2b checked,
Federal withholding is \$1,015, CA withholding is \$101

Interest:

Bank of America CD (1099-INT with Ima's SSN)
\$7,000.00 paid upon maturity on 6/30/06

Washington Mutual CD (1099-INT with Ima's SSN)
\$4,360.00, closed account on May 8, 2006. The account
earned \$175 after death.

Union Bank (1099-INT with Trust EIN)
\$560.00, opened account on May 9, 2006, balance
On 12/31/06 is \$1,000

Dividends: (see stock information- pdf file)

General Electric, Microsoft, Sempra

Stock Sales:

100 shares of General Electric Company, sold on October 12, 2006
for \$3,632. The broker commission was \$65.

100 shares of Microsoft, sold on November 16, 2006 for \$2,964. The
broker commission was \$65.

House Sale:

Residence sold on September 10, 2006 for \$340,000 (1099-S with
Trust EIN). Value on date of death was \$360,000 (See HUD-1 for
more information).

The following items were paid by the trustee during 2006:

	<u>Amt Paid</u>	<u>Date Paid</u>
Federal Income Tax – Ima's 2005I 1040	\$3,500	04/14/06

	<u>Amt Paid</u>	<u>Date Paid</u>
California Income Tax – Ima’s 2005 540	850	04/14/06
Tax Preparation – Ima’s 2005 returns	400	04/14/06
Dr. Jones – Ima’s medical	1,000	07/21/06
Real Estate Taxes	255	04/15/06
Safe Deposit Box	48	05/10/06
Attorney Fees for after death issues	1,200	11/10/06
Trustee Fees	1,200	11/10/06
Gardener (for July and August)	400	09/03/06
Utility Bill (for August)	133	08/05/06
Bank fees for check printing	18	05/09/06
Retainer paid (to you) at first appointment	300	02/06/07
Mortgage – interest only	700	01/05/06
Mortgage – interest only	700	02/05/06
Mortgage – interest only	700	03/05/06
Mortgage – interest only	700	04/05/06
Mortgage – interest only	700	05/05/06
Mortgage – interest only	700	06/05/06
Mortgage – interest only	700	07/05/06
Mortgage – interest only	700	08/05/06

Ima also owned 100 shares of Sempra when she died. All of the shares were transferred to Jill on December 22, 2006 with a value of \$5,538, to help pay for her Christmas gifts.

Russ gave all of Ima’s clothing that Jill didn’t want to the Salvation Army. He got a receipt dated September 1, 2006 and valued the property at \$475.

Complete the Forms 1041 and 541. What forms are needed? What calculations must be done before entering the amounts on the forms? Will the trust get a \$100 or \$300 exemption? See you in class.