

Estate Tax Problem

Gertrude G. Gomez, age 88, died as a result of a motorcycle accident on July 16, 2016.

At the time of her death, Gertrude lived at 1520 Marlin Drive, Clearwater, FL 33758.

She was predeceased by her husband, John W. Gomez, who died in 2002.

Gertrude is survived by her two adult children, Gerald Gomez and Gretchen Plumber.

Information regarding Gertrude's estate is summarized below.

- John's will established a marital deduction trust with \$2 million of assets. Under the terms of the trust, Gertrude received a life estate with the remainder passing to their children (i.e., Gerald and Gretchen). To obtain a marital deduction for John's estate, his executor made a QTIP election. On July 16, 2016, the trust had a value of \$5.1 million. During 2016, the trust assets are distributed to Gerald and Gretchen.
- John and Gertrude had owned a successful business before his death. Throughout the years, they used income received to invest in many several publicly traded companies. The value of those investments at Gertrude's death was 3,890,000.
- Gertrude owned three insurance policies with Falcon Assurance Company—one on her life and one on the life of each of her children. All policies have a maturity value of \$500,000; all name Gertrude or her estate as the beneficiary. As of July 16, 2016, the policies on Gerald and Gretchen each had a value of \$250,000.
- A tract of undeveloped land in Pinellas County (FL) was purchased by Gertrude as an investment in 2002 for \$600,000. To help finance the purchase, Gertrude obtained mortgage funds from Tampa Savings and Loan. As of July 16, 2016, the land was worth \$3 million, and Gertrude owed \$300,000 on the mortgage.
- Rental beach cottages in Destin (FL) were inherited from John and worth \$3.2 million on July 16, 2016. The cottages had a value of \$900,000 when John died; his original cost is unknown.
- A family vacation lodge in Union (SC) was held as joint tenants with rights of survivorship in the names of Gertrude Gomez, Gerald Gomez, and Gretchen Plumber. The property was purchased in 2002 for \$800,000; \$400,000 was provided by Gertrude and \$200,000 was furnished by each of her children. On July 16, 2016, the lodge was worth \$2.4 million.
- Gertrude's Marlin Drive residence is owned by her. It had a value of \$2,800,000 on July 16, 2016.
- The accident that fatally injured Gertrude was caused by the delivery truck of a national soft drink bottling company. Not only was the truck in disrepair, but the driver was charged with DUI. To avoid the adverse publicity of a lawsuit involving the obvious gross negligence, the corporate office offered to settle any claims. After careful deliberation, Gertrude's co-executors (Gerald and Gretchen) signed a release. In return, the estate received \$1,900,000 in cash plus payment of all medical expenses. Of the medical expenses, the doctors and hospital were paid directly by the bottling company. The settlement was received by the estate before it was closed and the Form 706 filed.
- Other assets owned by Gertrude as of July 16, 2016 included:

Checking account at Dunedin State Bank	\$ 1,388,000
State of Georgia bonds (interest accrued to date of death)	2,405,000
Personal and household effects	550,000
Federal income tax refund receivable (for tax year 2015)	2,000

- Liabilities and expenses in connection with the administration of the estate include:

Gertrude's credit card debt and household bills (e.g., utilities, gardener)	\$81,000
Federal income tax (January 1, 2016, to July 16, 2016)	69,000
Funeral expenses	25,000
Attorney's fees	22,000
Accounting fees	11,000
Appraisal fees and court costs	5,000
Unpaid pledge to First Church (paid by the estate during its administration)	50,000

Because Gerald and Gretchen had experience in handling their father's estate, Gertrude's will designated them as co-executors of her estate. The probate of the Estate of Gertrude G. Gomez is completed December 16, 2016. Gerald and Gretchen are the sole heirs.

Prepare an estate tax return (Form 706) for Gertrude. In this regard, make the following assumptions.

- Disregard any request for information that is not available.
- Some deductions require a choice between the income and estate taxes (Form 706 or Form 1041) and cannot be deducted twice. *Resolve all choices in favor of Form 706.*
- Gertrude had made no taxable gifts in prior years.
- Relevant Social Security numbers:

Name	Social Security Number
Gertrude Gomez	123-45-6792
Gerald Gomez	123-45-6793
Gretchen Plumber	123-45-6794

Note: Find Form 706 at IRS.gov. Complete all applicable schedules. There will be extras, so include only those needed to properly complete Gertrude's return.