

Advanced Estate Planning Techniques After the 2010 Act: The Most Effective Uses of the \$5 Million Lifetime Gift Tax Exemption Bonanza

May 12, 2011

Part 1: Introduction and Overview of the "Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010" (2010 Act)

Part II: A Comparison of Lifetime Giving Alternatives

1. GRAT v. Sale to IDGIT

2. QPRT v. Home Security Trust

Part III: Functional Analysis & Income Tax Compliance

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Part 1:

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Cushing & Dolan Spring Seminar 2011 Advanced Estate Planning Techniques After the 2010 Act: The Most Effective Uses of the \$5 Million Lifetime Gift Tax Exemption Bonanza

PART I

Introduction and Overview of the "Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010" (2010 Act)

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I. Introduction and Overview of The 2010 Act:

On December 17, 2010, President Obama signed the Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010 (hereinafter "2010 Act"). Among many income tax provisions, the 2010 Act primarily served to extend and increase certain estate tax, gift and generation skipping transfer tax exemptions, at least until 2013, at which point the 2010 Act will sunset. Among the changes made are the following:

- A \$5,000,000 estate tax and GST tax exemption was retroactively reinstated for 2010, but taxpayers were given an election to have either a \$5,000,000 estate and GST tax exemption with a full step up in basis or apply a modified carryover basis with no estate tax applied for deaths occurring in 2010. ACT Section 301(a)(c)
- Any estate, gift or GST tax return, payment or disclaimer for federal purposes will be due no sooner than nine months after the date of enactment. (There is no extension for Massachusetts estate tax purposes.) ACT Section 301(d)

- The estate tax exemption, or more appropriately, the applicable exclusion amount, is increased to \$5,000,000 per person for deaths occurring in 2011 and 2012, but will return to \$1,000,000 in 2013. ACT Section 302(a)(1)
- The estate tax exemption (but not the GST exemption) is portable. (Portability of the gift tax exemption is uncertain insofar as the actual statute is concerned, but the Committee Reports indicate that gift tax portability was intended.) A spouse can only use the unused exclusion amount for the immediately predeceased spouse. Example: Surviving spouse remarries and new spouse dies before surviving spouse. The surviving spouse can use only the unused exclusion amount of his second spouse.
- The applicable exclusion amount for both estate, gift, and GST tax purposes (but not the portable portion of the exclusion amount) will be indexed for inflation beginning in 2012.
- Generation skipping tax exemption is set at \$5,000,000 for 2011 and 2012 (as adjusted for inflation).
- The gift tax exemption is raised from \$1,000,000 per person to \$5,000,000 per person for gifts made in 2011 and 2012 (but scheduled to return to \$1,000,000 in 2013).
- The maximum tax rate for gifts, estates and GST will be 35% in 2011 and 2012.
- The GST tax rate for 2010 is zero.

II. Getting Familiar With the New Terms:

The computation of the estate tax payable, if any, remains the same. First, the amount of the tax is determined without regard to any exclusion amount and then the "applicable credit amount" is subtracted to determine the actual tax due. In this regard, the "applicable credit amount" is the amount of the tentative tax, which would be determined under IRC § 2001(c) if the amount with respect to which such tentative tax is to be computed or equal to the "applicable exclusion amount." ACT Section 302(a).

Basic Exclusion Amount:

This is the \$5,000,000 exclusion amount for estate tax as increased by a cost of living adjustment beginning in 2012.

Deceased Spouse's Unused Exclusion Amount:

This is the amount of the decedent's most recently deceased spouse basic exclusion amount not used by him or her, assuming that the first spouse to die dies after December 31, 2010 (This is not automatic and will require an estate tax filing upon the death of the first spouse

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to die and that estate will remain open for examination at least until the death of the survivor).

Applicable Exclusion Amount:

This is the sum of the (1) basic exclusion amount plus (2) the deceased spousal unused exclusion amount.

Portability:

Portability is the ability of the surviving spouse to use the "deceased spousal unused exclusion amount."

III. Uncertainty Remains:

• Claw-Back Issue:

A claw-back issue arises if a taxpayer makes a gift in excess of \$1,000,000 in 2011 or 2012 and dies in 2013 with no taxable estate. If the estate tax return is followed literally, the taxpayer would wind up owing estate taxes even though the decedent did not have any assets as of the date of death. This problem arises from the way the estate tax is computed, which requires that gifts in excess of the annual exclusion amount made after 1976 must be added back to the decedent's taxable estate (primarily to determine the applicable rate).

If we assume a 35% bracket, this would give rise to an estate tax of \$1,750,000. In connection with the actual tax computation, however, a credit is allowed based upon the estate tax applicable to the exclusion amount in effect in the year of death (presumably \$1,000,000). This would give an estate tax credit of \$350,000 with a tax due of approximately \$1,400,000. This was clearly not intended by Congress, depending upon which commentator is read, and may or may not be a legitimate problem.

Form 706 & 709

Sample Computations of Gift & Estate Tax Computations to Show Potential Claw-Back

Form 709 (Gift)

Amount of Gift	\$5,000,000
Tax on Gift (35%)	\$1,750,000
Unified Credit	
(Gift Tax on \$5,000,000)	\$1,750,000
Gift Tax Due	- \$0 -

706 Computation (Using 706, 9/09)

Line 3(a) Line 3(b) Line 3(c) Line 4	Total Assets at Death State Death Tax Deduction Taxable Estate Adjusted Taxable Gifts Made After	- \$0 - \$0 - \$0 -
	December 31, 1976 (Other than Gifts that are Includible in the Decedent's Gross Estate)	\$5,000,000
Line 5	Total	\$5,000,000
Line 6	Tentative Tax (Assume 35%)	\$1,750,000
Line 7	Total Gift Tax Paid	-\$0-
Line 8	Gross Estate Tax	\$1,750,000
Line 9	Maximum Unified Credit	
	(\$1,000,000 x 35%)	\$350,000
Line 11	Allowable Unified Credit	<u>\$350,000</u>
Line 16	Tax Due (Line 8 minus Line 11)	\$1,400,000

Portability of Gift Tax Exemption:

While it is clear that the estate tax exemption is portable, it may be less clear that the gift tax exemption is portable. This means that, while a surviving spouse would be permitted to die with up to \$10,000,000, \$500,000 applicable to the decedent's basic exemption amount, plus the \$5,000,000 attributable to the unused exemption amount from the predeceasing spouse, it is less clear that the surviving spouse can give away \$10,000,000. In this regard, an analysis of the statutory provisions is necessary.

In general, it appears that portability applies for the gift exemption since the 2010 Act, Section 303(b)(1), amends IRC § 2505(a)(1), which describes the applicable credit amount (for gift tax purposes) as the applicable credit amount under 2010(c), which "would apply if the donor died as of the end of the calendar year.

The applicable credit amount under IRC § 2010(c) includes the deceased spousal unused exclusion amount, so, in theory, that amount is also included in the gift tax exemption. It should be noted that the applicable Joint Committee on Taxation report specifically provides that a surviving spouse may use his or her DSUEA "for life time gifts or for transfers at death."

Massachusetts basis is uncertain:

The basis of property for Massachusetts income tax purposes is determined by M.G.L. c.62, § 6F. Pursuant to Section 6F(b)(2)(C), the step-up in basis rules of IRC § 1014(b) apply to property acquired from a decedent so that there should be no difference between federal basis and Massachusetts basis.

The problem lies in IRC § 1014(f) enacted in 2001 under EGTRRA, which provides that Section 1014 shall not apply to decedents dying after December 31, 2009. While the 2010 Act did repeal IRC § 1014(f), for Massachusetts purposes, the applicable Code for purposes of Chapter 62 refers to the Internal Revenue Code as amended on January 1, 2005, and in effect for the taxable year. As a result, the Internal Revenue Code including Section 1014(f)'s repeal of Section 1014, will govern Massachusetts basis.

IV. Planning Suggestions:

- (1) An aggressive lifetime giving program should take place over the next two years, remembering there is no Massachusetts gift tax. A transfer of \$5,000,000 by a single person, even shortly before death, will result in a savings of \$391,600 for Massachusetts estate tax purposes.
- (2) Massachusetts estate taxes should be eliminated upon the death of the first spouse to die either using a QTIP trust or an outright gift to the surviving spouse, who then would be in a position to gift assets away free of both federal and Massachusetts gift tax purposes.
- (3) Some effort should be made to try to cause estate tax includibility in the estate of the first spouse to die, at least up to the \$5,000,000 exemption amount since the estate tax law sunsets in 2013. See, PLR 200604028; PLR 200403094 (Using General Powers of Appointment); PLR 200101021; PLR 200210051 (Using Joint Trusts).
- (4) Consider disclaimer trusts and/or Clayton provisions in light of portability, (but it is unlikely that, at least in Massachusetts, planning would shift from its traditional three-trust format).
- (5) Be sure to include the ability to pay principal to or for the benefit of the surviving spouse in both the Massachusetts QTIP share and any by-pass share in order to take full advantage of the possibility of a step-up in basis upon the death of the second spouse to die.



Part II:

A Comparison of Lifetime Giving Alternatives

- 1. GRAT v. Sale to IDGIT
- 2. QPRT v. Home Security Trust

PART II GRANTOR RETAINED ANNUITY TRUST (GRAT)

I. DESCRIPTION OF TECHNIQUE

Donor transfers the property into a trust reserving the right to be paid an annuity every year until the term of the GRAT ends. The technique is governed by IRC § 2702, which was enacted in 1990 as part of Chapter 14 to eliminate a perceived abuse with grantor retained Income Trusts, in which property was given away and a "retained income interest" is retained, but no amounts were actually paid to the grantor.

- IRC § 2702 forces the use of an annuity rather than merely an income interest creating a special valuation rule.
- IRC § 2702(a) provides that the value of the retained interest shall be zero unless the retained interest is a qualified interest.
- A qualified interest is where a fixed annuity or a "unitrust" amount that must be paid every year. IRC § 2702(b)

This section does not apply to transfers between nieces and nephews, but only to transfers between family members defined as the Donor's spouse, ancestors and lineal descendants of the Donor and the Donor's spouse, and siblings of the Donor and their spouses (but not children of siblings). IRC § 2702(e) referring to IRC § 2704(c)(2).

II. EXAMPLE

Assume a \$10,000,000 asset. The grantor is age 60. The grantor is considering a 10 year GRAT.

May, 2011, IRC § 7520 Rate = 3.00% (120% Federal Mid-term AFR Rate). IRC § 2702(a)(2)(B)

FAIR MARKET VALUE	GRAT	GRIT
Fair market Value	\$10,000,000	\$10,000,000
Annual Annuity	\$ 1,000,000	\$ 0
Present value of Annuity Payments	\$8,530,200	n/a
Gift	\$1,469,800	\$6,353,500

III. GRAT

ADVANTAGES

- The value of the gift can be zeroed out following the case of <u>Walton v. Commissioner</u>, 115 T.C. 41 (2000). In <u>Walton</u>, Walmart stock worth \$100,000,000 was transferred to a two-year GRAT with the first payment equal to \$49,350,000 and the second annual payment in the amount of \$59,220,000 for a total of \$108,570,000. The value of the stock declined so that none of the wealth was transferred to the trust beneficiary at the end of the two year term. Even though no benefit was realized, the IRS assessed a taxable gift of \$3,822,000 consisting of the Estate's contingent interest of \$2,938,000 and the remainder interest \$838,522. The Tax Court ruled in favor of the taxpayer.
- The amount of the gift can be adjusted by increasing the term of the retained interest or the amount of the annuity. In the prior example, an annuity for ten years of \$1,249,328 would zero out the GRAT
- The valuation risk in a uni-trust can be eliminated in a GRAT since the amount of the annuity will adjust automatically if there is a valuation adjustment. Reg. 25.2702-3(c)(2)

DISADVANTAGES

- The full value of the property transferred to the trust will be included in the grantor's estate if the grantor dies during the term. IRC § 2036(c); Regs. 20.2036-1(c)(2)
- The GRAT is not an effective generation skipping transfer technique since generation skipping transfer tax exemption cannot be allocated until the closing of the so-called estate tax inclusion period (ETIP), per section Regs. 25.2632-1(c)(3). (Any allocation of GST exemption to such property cannot be made before the close of the estate tax inclusion. IRC § 2642(f)(1).)

This means that in the case of the 10 year \$10,000,000 GRAT, the value of the gift currently is \$1,469,800, but if the property appreciates to \$20,000,000 in 10 years and then is paid to grandchildren, a generation skipping tax will be imposed to the extent the transfer exceeds the generation skipping transfer tax exemption.

Example:	FMV	\$20,000,000
	Less GST Exemption	\$ 5,000,000
	Taxable GST Termination	\$15,000,000
	GST Tax (35%)	\$_5,250,000

- The Donor (and no one else) is entitled to the Annuity during the term. Regs. 25.2702-3(d)(3)
- Additional contributions to the GRAT must be prohibited. Regs. 25.2702-3(b)(5)
- Commutation of the term interest must be prohibited. Regs. 25.2702-3(d)(4)
- Cannot use a Note or other debt interest to pay the annuity. Regs. 25.2702-3(d)(6)

See <u>Simches v. Simches</u>, 423 Mass 683 (1996) (A Massachusetts case in which a reformation proceeding permitted to change a QPRT remainder beneficiaries from grandchildren to children.)

PLANNING NOTE

In order to minimize mortality risks and to affect market conditions, a series of two-year GRATs usually will be recommended instead of a single ten-year type term GRAT.

- Multiple GRATs require ongoing significant legal fees each year.
- The property subject to the GRAT must be valued each year if the income generated from the property is not sufficient to pay the annuity amount.

PLANNING NOTE

A GRAT will be an intentionally defective grantor trust so that the use of an asset to pay the annuity will not be considered a capital gain transaction. It is a transaction between the grantor and a grantor trust. Rev. Rul. 85-13

OTHER CONSIDERATIONS

- As a grantor trust, the grantor is taxed on the income generated by the GRAT.
- A GRAT is permissible with discounted assets.
- To be successful, the rate of return must exceed the IRC § 7520 rate. (3% for the month of May, 2011)

IV. SALE OF ASSETS TO AN INTENTIONALLY DEFECTIVE IRREVOCABLE GRANTOR TRUST

SUMMARY OF TRANSACTION

• Grantor establishes an irrevocable trust that is excluded from the estate for estate tax purposes.

- Income and principal may be payable to Donor's spouse and issue in trustee's discretion during the term.
- The trust can, and should be, set up for perpetuity or at least as long as the applicable estate law of perpetuities permits.
- The trust is a grantor trust for income tax purposes by including the power of substitution under IRC § 675(4)(C), which provides: "The grantor shall have the right to reacquire trust corpus by substituting property of an equivalent value."

PLANNING NOTE

The provision has been approved by the Internal Revenue Service in connection with an intentionally defective trust where the IRS ruled that such a clause would not cause the trust assets to be includible in the decedent's estate under IRC § 2038 and IRC § 2041. Rev. Rul. 2008-22.

PLANNING NOTE

Some commentators do not wish to rely on this provision if the trust itself will hold life insurance since the IRS did not answer the question about incidents of ownership.

- If working with an S corporation, recapitalize the S corporation with voting and nonvoting shares in a 9 to 1 nonvoting stock dividend.
- Determine the value of the nonvoting shares by taking into account applicable discounts for lack of marketability and lack of control.

PLANNING NOTE

If possible, work with Limited Liability Companies and Limited Partnerships to avoid any built in gain problem or possible gain on the distribution of appreciated property from the company to its owners. See, IRC \S 311(b), which provides: that the distribution of appreciated property from a corporation (including an S corporation) will be considered a sale for fair market value and a distribution of the proceeds.

• Fund/Seed the trust with an amount equal to 10% above the assets being purchased." (There is no statutory or regulatory basis for this, but seems to be an accepted standard.) See, <u>Petter v. Comm.</u>, T.C. Memo. 2009-280 (Defined value formula permitted in a case where 10% seed money was used.)

PLANNING NOTE

With a \$5,000,000 lifetime giving exemption, this could equate to a sale of \$50,000,000 in stock. This would be the equivalent of an \$80,000,000 company on a discounted basis.

- Determine whether to use one of the following techniques:
 - (1) an installment note (FMV of Note included in Donor's estate)

- (2) a self-cancelling installment note see, <u>Frane v. Comm.</u>, 998 F.2d 567 (8th Cir. 1993) (FMV of Note not included in Donor's estate.)
- (3) a private life annuity See, GCM 39503; Rev. Rul. 86-72
- Determine applicable interest rate using applicable federal rate, which is as follows for the month of May:

Term

Applicable Rate

3 years or less

federal short term rate

4 to 9 years

federal midterm rate

9 years or greater

long term rate

See, Frazee v. Comm., 98 T.C. 554 (1992)

IRC § 1374(d)

- Prepare amortization schedule and be sure cash flow from enterprise is sufficient to pay the principal.
- Obtain solid valuation and to minimize valuation adjustments, consider using a formula purchase price. See, <u>Petter v. Comm.</u>, T.C. Memo. 2009-280 (The Donor gifted to a trust as seed money before the sale of LLC units equal to 10% of the value of the total units held in the trust after the sale.) <u>See</u>, also, <u>Knight v. Comm.</u>, 115 T.C. 506 (2000) (A gift was made to children in an amount equal to those number of FLP units having a value of \$300,000.); <u>McCord v. Comm.</u>, 461 F.3d. 614 (5th Cir. 2006); <u>Estate of Christiensen</u>, 586 F.2d. 1061 (8th Cir. 2009) Aff'g. 130 T.C. (Formula value allocations between trusts permitted.)
- Avoid IRC § 2036 problems by having automatic wire transfers to make a
 distribution of funds to the owners and then a corresponding payment of the
 promissory note by the trust.
- The payment of principal which would otherwise be subject to the capital gain to the grantor is taxable since the transaction is between a grantor and a grantor trust. Rev. Rul. 85-13
- The payment of interest is not taxable to the grantor even though it is a transaction between a grantor and a grantor trust. Rev. Rul. 85-13
- The grantor must pay the income taxes attributable to the income allocated to the IDGT. Rev. Rul. 2004-64

PLANNING NOTE

Revenue Ruling 2004-64 provides that the independent trustee can reimburse the grantor each and every year for his or her incremental income tax.

- If income from the enterprise is insufficient to pay the annuity, then consider using either membership interests or S corporation shares to pay amounts due under the note.
- Consider distributing low basis appreciated assets from the enterprise (at least in the case of a partnership) to the trust, which can be used to repay the note on a non-discounted basis.

PLANNING NOTE

This will not work in the case of an S corporation because of Code Section 311(b). The trust's basis is a carryover basis since no taxable gain was recognized at the time of the sale. Consider using a self-cancelling installment note or a private annuity.

• An installment note is not a retained interest subject to IRC § 2702. PLR 9535026 and PLR 9436006

V. SELF-CANCELLING INSTALLMENT NOTE

- No amount attributable to the note is includible in the decedent's estate.
- At the time of the sale, a premium must be built in to either the interest rate or the principal payment. (This could be a disadvantage if death does not occur within the anticipated term.)

VI. PRIVATE ANNUITY

- Use IRC § 7520 rate to determine the appropriate annuity to avoid excess gift.
- No amount is includible in the decedent's estate upon death since the private annuity terminates and no portion of it passes to any other person.

VII. INCOME TAX CONSEQUENCES ON TERMINATION OF GRANTOR STATUS UNCERTAIN

- In the Estate of Frane, the promissory note in question was between the settlor and an individual so that, while no amount was included in the decedent's estate, the amount of the deferred gain was recognized on death and became taxable to the estate as part of the fiduciary income tax return.
- The same rule would apply in the case of a regular note.
- In the case of a sale to an intentionally defective trust, there is no specific authority.

TO ANNING NOTE

there is no dispositive authority indicating how the termination of grantor trust status

should be treated where, at that time, the trust continues to owe a debt to the grantor. In Reg. 1.1001-2(c), Example 5, the grantor is required to recognize a gain because the property held in trust at the time grantor trust status terminates is encumbered by a debt owed to a third party (not the grantor) that exceeds the grantor's basis in the assets. Clearly, the example was designed to confirm the result in Madorin, 84 TC 667 (1985), and Rev. Rul. 77-402, 1977-2 CB 222, in order to prevent tax payers owning a "burnt out" tax shelter from disposing of it without recognizing the "recapture" income.

Similarly, in <u>TAM 200011005</u> (which, of course, is not precedential authority), at the time grantor trust status terminated, the trust owes a debt to a third party. And, unlike Example 5, the debt did not arise in a tax-shelter context, but rather as a result of a loan taken by the trustee. The IRS concluded that the transaction was "substantially similar" to the one posited in Example 5 and that, as a result, the grantor had to recognize gain on the excess of the debt over basis. However, in neither Example 5 nor the TAM is the debt owed to the grantor. Thus no authority clearly determines the treatment of the grantor in connection with the trust's debt to the grantor where grantor trust status terminates during the grantor's life.

PLANNING NOTE

Try to pay the note off before death.

VIII. CONSIDER USING A DOMESTIC ASSET PROTECTION TRUST

- In most states, the settlor cannot be a beneficiary, otherwise the assets in the trust are included in the decedent's estate. <u>Ware v. Gulda</u>, 331 Mass. 68 (1954); <u>State Street Bank & Trust Company v. Reiser</u>, 7 Mass. App. 663 (1979); Rev. Rul. 76-103; Rev. Rul. 77-378
- Generation skipping transfer exemption can be allocated at the time of the sale and the trust will forever be free of generation skipping transfer and can last literally forever.
- In connection with paying the annuity, amounts under the trust will include children, grandchildren, and great-grandchildren, and will automatically be added as new members arrive, all of whom would be eligible for the annual exclusion gifts.
- Consider using annual exclusion gift to forgive the note and reducing the amount that needs to be paid back to the grantor by including Crummey trust provisions.

PLANNING NOTE

Crummey withdrawal powers does not change from the grantor to the beneficiaries under $IRC \S 678(a)$ by virtue of $IRC \S 678(b)$

• Consider using a state which has repealed the self-settled rule, such as New Hampshire, Rhode Island, or Delaware (and also repealed the rule of perpetuities).

- Such a trust requires that the trustee be a resident of the applicable state.
- All statutes also allow the appointment of a trust advisor who is responsible for telling the trustee where to invest the assets (and when and if to make distributions).

IX. INCOME TAX REPORTING PRIOR TO AND AFTER GRANTOR'S DEATH

- The trust does not pay any income taxes and merely fills out Form 1041 identifying it as a grantor trust and sending a tax letter to the grantor advising the grantor to include the items of income, deduction, and credit on his or her personal income tax return.
- After death, the trust will become a complex trust, with income taxable to the trust unless income is distributed under the income distribution rules of IRC § 661 and IRC § 662.
- If the irrevocable trust owns S corporation stock, be sure to monitor the period to avoid an inadvertent termination of the S election.
- IRC § 1361(c)(2)(A)(ii) provides that for the first two years after death, since the trust was considered wholly owned by the grantor, it remains an eligible S corporation shareholder.
- Thereafter, it must convert to either a qualified subchapter S trust or to an electing small business trust. (ESBT)
- It is unlikely that the trust is eligible as a qualified subchapter S trust since it can only have one income beneficiary and where it will likely default to an electing small business trust. See, IRC § 1361(d).
- As an ESBT, a separate sub-share is effectively created within the irrevocable trust to hold the S corporation shares.
- A new identification number will be issued relative to such share.
- In computing taxable income of the trust, the income distribution rules do not apply and all income attributable to the S corporation will be taxed at the highest applicable federal rate.

PLANNING NOTE

Funds actually distributed from the S corporation will be consolidated with the remaining trust assets, which will be subject to the usual fiduciary income tax rules (i.e., taxable to the trust unless money is actually distributed from the trust to a beneficiary).

X. SAMPLE INCOME TAX COMPLIANCE

(Form 1041 – before Death) (Form 1041 – after Death)

XI. QUALIFIED PERSONAL RESIDENCE TRUST (QPRT v. HOME SECURITY TRUST

INTRODUCTION TO QPRT

- This is similar to the GRAT, but no amount is required to be paid pursuant to the terms of the QPRT. Regs. 25.2702(5)(c)
- This is an exception to the IRC § 2702 rules for a home and a second home.
- Very ineffective for allocation of generation skipping transfer tax exemption since the ETIP rules apply. IRC § 2642(f)(3), (4); Reg. 26.2632-1(c)(2)
- Ineffective if the property has a mortgage since the payment of mortgage represents an addition to the trust.
- No step-up for GST purposes in the case of a child who dies after creation of the trust since the "deceased parent exception" is measured at the time the gift is complete.
- The property will be included in the Donor's estate if the Donor dies during the term of the trust. IRC § 2036(a)(1)
- The QPRT (and any residual grantor trust) must prohibit the reacquisition of the property by the Donor. Regs. 25.2702-5(c)(9)

INTRODUCTION TO HOME SECURITY TRUST

- As an alternative consider transferring outright over a number of years the property to an irrevocable intentionally defective grantor trust using Crummey withdrawal notices.
- If the value of the property exceeds \$5,000,000, have the grantor take back a promissory note.
- The property must be rented by the grantor for fair rent in order to avoid estate tax inclusion.
- The payment of rent to the IDGT is income tax free.
- The receipt of payments under the installment note are income tax free.

• The trust takes a carryover basis so consider having the grantor repurchase the property before death for cash so the decedent dies with low basis property to take advantage of a step up in basis.

PLANNING NOTE:

This provision is so important that it is prohibited to be included in the terms of a qualified personal residence trust or in any trust into which the property flows after the termination of the qualified personal residence trust.

SALE OF NON-VOTING SHARES TO DEFECTIVE TRUST Estate Planning Analysis

ASSUMPTIONS	
EMV of Asset	10,000,000
Interest Rate	2.44%
Term of Note	6
Annual Payment	675,550.98
Tax Liability	40.0%
ust Share of Cash Flow	%06

FMV of Asset			10,000,000
Shares			1,000
Price Per Share			10,000
Discount	1	40%	(4,000)
Discounted Share			000'9
Multiplied by interests to be sold	×	006	5,400,000

	ATE	\$5,400,000.00 \$5,246,640.00 \$4,688,507.74 \$4,16,706.00 \$3,530,897.56 \$2,315,889.00 \$1,640,550.43 \$379,344.97
ã	NET ESTATE	3 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0
TATE ANALYS	40% TAX LIAB	\$285,120,00 \$286,192,77 \$287,342,78 \$288,575.59 \$289,897,17 \$291,313,90 \$292,832,63 \$294,460,71 \$296,206,01
TAXPAYERS ESTATE ANALYSIS	ANNUAL PAYMENT	\$675,550.98 \$675,550.98 \$675,550.98 \$675,550.98 \$675,550.98 \$675,550.98 \$675,550.98 \$675,550.98
,-	NOTE REC	\$5,400,000.00 \$4,856,209.02 \$4,299,149.53 \$3,728,497.80 \$3,143,922.16 \$2,545,082.88 \$1,393,1631.81 \$1,393,122.75 \$659,460.16
	END OF YEAR	\$9,900,000.00 \$9,937,249.02 \$10,019,985.93 \$10,019,985.94 \$10,115,065.88 \$10,167,799.64 \$10,224,330.23 \$10,284,931.02 \$10,349,885.07
COUNTED	PAYMENT	\$675,550.98 \$675,550.98 \$675,550.98 \$675,550.98 \$675,550.98 \$675,550.98 \$675,550.98 \$675,550.98
DEFECTIVE TRUST-UNDISCOUNTED	7.2% APPRECIATION	\$712,800.00 \$715,481.93 \$718,366.96 \$721,428.99 \$724,742.92 \$728,284.74 \$732,081.57 \$732,081.57
DEFECTIVE	FMV ASSETS	\$9,900,000.00 \$9,837,249.02 \$9,977,179.96 \$10,019,985.93 \$10,065,873.94 \$10,115,065.88 \$10,1224,330.23 \$10,224,330.23
	BALANCE	\$5,400,000.00 \$4,856,209.02 \$4,299,149,53 \$3,728,487.80 \$3,143,922.16 \$5,45,931,631.91 \$1,303,212.75 \$659,460,16
CASH FLOW	PRINCIPAL	\$543,790.98 \$557,059.48 \$570,651.74 \$584,575.64 \$598,430.28 \$613,450.96 \$628,419.17 \$643,752.59 \$659,460.16
	2.44% INTEREST	\$131,760.00 \$118,491.50 \$104,899.25 \$90,975.35 \$76,711.70 \$62,1131.82 \$31,798.39 \$16,090.83
NOTE	TOTAL	\$675,550.98 \$675,550.98 \$675,550.98 \$675,550.98 \$675,550.98 \$675,550.98 \$675,550.98 \$675,550.98
	YEAR	~ N % 4 \psi \psi \co

PART II

Functional Analysis & Income Tax Compliance

ZERO ESTATE TAX PLANNING

The Sale of Assets to an Intentionally Defective Grantor Trust
The Ultimate Estate Tax End Game!

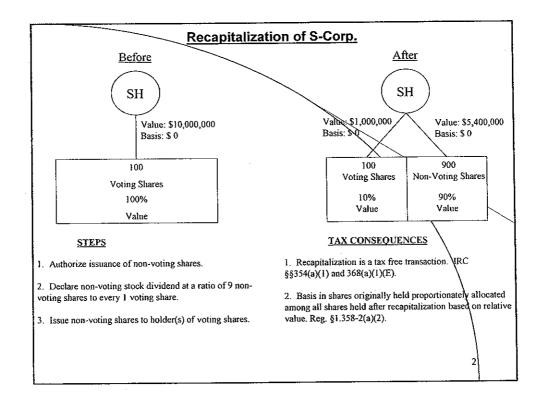
May 12, 2011

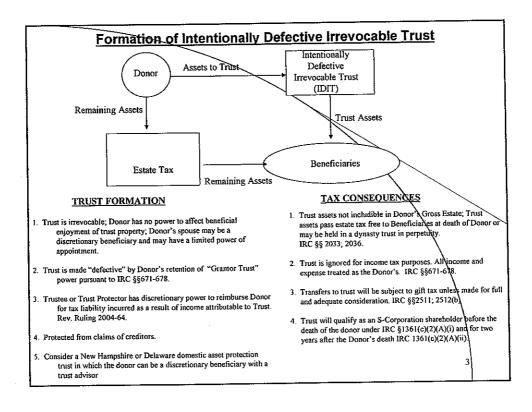
Leo J. Cushing, Esq., CPA, LL.M.

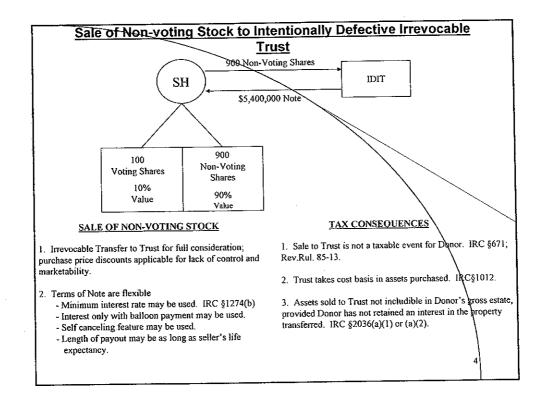
Cushing & Dolan, P.C.
Attorneys at Law
Ten Post Office Square, Suite 1205
Boston, MA 02109
www.cushingdolan.com
lenshing@cushingdolan.com

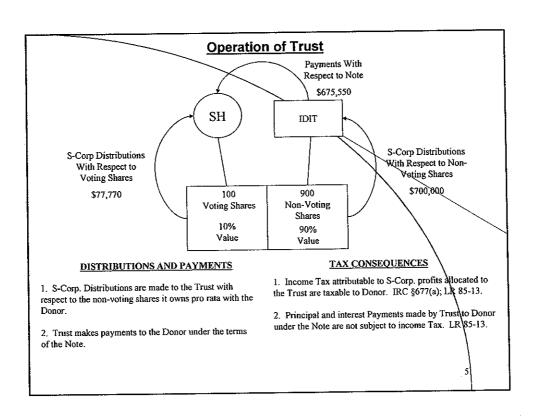
Tel: 617-523-1555 Fax: 617-523-5653

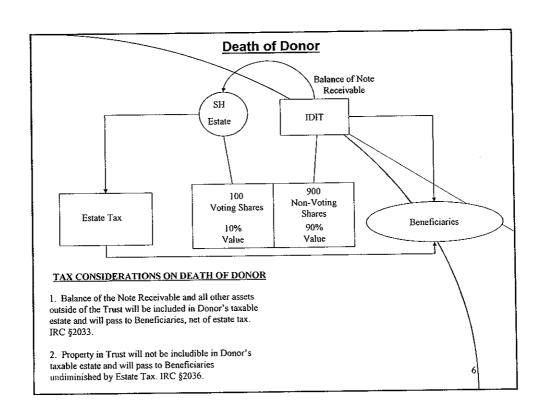
BOSTON 10 Post Office Square Suite 1205 Boston, MA 02109 T: 617-523-1555 F: 613-523-5653 NORWOOD 520 Providence Highway Route 1, Suite 10 Norwood, MA 02062 T: 781-278-9901 F: 781-278-9911 CHESTNUT HILL 1330 Boylston Street Suite 100 Chestnut Hill, MA 02467 T: 617-523-1555 F: 617-523-5653 WESTBOROUGH 276 Tumpike Road (Rtc. 9) Suite 228 Westborough, MA 01518 T: 617-523-1555 F: 617-523-5653 WOBURN
444 Washington Street
Suite 203
Woburn, MA 01801
T: 617-523-1555
F: 617-523-5653













Part III:

Functional Analysis & Income Tax Compliance

Schedule K-1	0000		Final K-1	Amended K-1		OMB No. 1545-0130
Scredule K-1 (Form 1120S)	2009	Pa	till?	Shareholder's Share		
Department of the Treasury		2.00	. 166.62	Deductions, Credits		
Department of the Treasury Internal Revenue Service For calendar year 2009, or tax		1	Ordinary bu	200,000 .	13	Credits
year beginningending		2	Net rental r	eal estate inc (loss)	\vdash	
Churing						
Shareholder's Share of Income, Deduct Credits, etc. See separate instructions.	ions,	3		ental income (loss)		
Part I Information About the Corp	oration	4	Interest inc			
A Corporation's employer identification number 04–1234567		5a	Ordinary di		14	Foreign transactions
B Corporation's name, address, city, state, and ZIP code	3	5b	Qualified d	widends	'*	ryleigh transactions
JOHN Q. PUBLIC, INC. 123 MAIN STREET		6	Royalties			
WALTHAM, MA 02451		7	Net short-	term capital gain (loss)		
C IRS Center where corporation filed return		82		erm capital gain (loss)		
Part II Information About the Shar	reholder	8b		s (28%) gain (loss)		
D Shareholder's identifying number 123-45-6789		8c		red sec 1250 gain		
E Shareholder's name, address, city, state and ZIP cod	8	9	Net sectio	n 1231 gain (loss)		
JOHN Q. PUBLIC 375 TOTTEN POND ROAD WALTHAM, MA 02451		10	Other inco	ome (loss)	15	Alternative min tax (AMT) items
F Shareholder's percentage of stock ownership for tax year 10	0.00000%					
		11	Section 1	179 deduction	16	Items affecting shareholder basis
		12	Other de	ductions		
Only						
For IRS Use Only						
R R					1	7 Other information
					\perp	
				*See attached states	neot fo	r additional information.

Schedule K-1 (Form 1120S) 2009 SHAREHOLDER NUMBER 1

Schedule K-1		Final K-1	Amended K-1		OMB No. 1545-0130
(Form 1120S) 2009	Pa	77. 78. 2 57.			irrent Year Income,
Department of the Treasury Internal Revenue Service For calendar year 2009, or tay	ļ		Deductions, Gredits		
1 of building your 2000; of the	1		ess income (loss) 800,000.	13	Gredits
year beginning ending	-		estate inc (loss)		
Shareholder's Share of Income, Deductions, Credits, etc. See separate instructions.	3		al income (loss)		
Part Information About the Corporation	4	Interest incom	e		
A Corporation's employer identification number 04–1234567	5a	Ordinary divide	ends		
B Corporation's name, address, city, state, and ZIP code	5 b	Qualified divide	ends	14	Foreign transactions
JOHN Q. PUBLIC, INC. 123 MAIN STREET	6	Royalties			
WALTHAM, MA 02451	7	Net short-term	capital gain (loss)		
C IRS Center where corporation filed return CINCINNATI, OH	Ва	Net long-term	capital gain (loss)		
Part II Information About the Shareholder	Bb	Collectibles (2	8%) gain (loss)		
D Shareholder's identifying number 04-9876543	Bc	Unrecaptured	sec 1250 gain		
E Shareholder's name, address, city, state and ZIP code	9	Net section 12	31 gain (loss)		
IRREVOCABLE DYNASTY TRUST 375 TOTTEN POND ROAD WALTHAM, MA 02451	10	Other income	(loss)	15	Alternative min tax (AMT) items
F Shareholder's percentage of stock ownership for tax year 90.00000%					
	11	Section 179 d	eduction	16	Items affecting shareholder basis
	12	Other deduction	ons		·
Ano i					
For IRS Use Only					
FOT 10				17	Other information
		*0^-	a attached etetermen	for a	dditional information.

JWA For Paperwork Reduction Act Notice, see Instructions for Form 1120S.

Schedule K-1 (Form 1120S) 2009 SHAREHOLDER NUMBER 2

돌 1	041 Department of the In	U.S. Income Tax Return for Estates and Tru	<u>ısts</u>	2009
For c	alendar year 2009 or fiscal y	/ear beginning , 2009 and ending	,	OMB No. 1545-0092
Α	Type of entity:	Name of estate or bust (if a granter type bust, see page 14 of the instructions.)		yer identification number
	Decedent's estate			9876543
		IRREVOCABLE DINASII IROSI		tity created
	Complex trust	Name and title of fiduciary		01/01/2009
	Qualified disability trust			empt charitable and split-
	ESBT (S portion only)	LEO J. CUSHING, TRUSTEE Number, street, and room or suite no. (If a P.O. box, see page 15 of the instructions.)		t trusts, check applicable
X	Grantor type trust	Number, street, and room or suite no. (If a P.O. box, see page 15 of the instructions.)	poxes	(see pg 16 of the instr.):
	Bankruptcy estate-Ch. 7	375 TOTTEN POND ROAD	닏	Described in section 4947(a)(1)
	Bankruptcy estate-Ch. 11	Gity or town, state, and ZIP code	<u> </u>	vot a private foundation
	Pooled income fund	WALTHAM MA 02451		Described in section 4947(a)(2)
B No	o. of Schedules K-1	F Check X Initial return Final return Amended return applicable		ge in trust's name
	ached ►	boxes: Schange in flouciary Change in flouciary s harries to	Chan	ge in fiduciary's address
G Ch	eck here if the estate or filin	g trust made a section 645 election		
				····
		ends	2a	
		allocable to: (1) Beneficiaries (2) Estate or trust	34 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	
o l		(loss). Attach Schedule C or C-EZ (Form 1040)		
Income). Attach Schedule D (Form 1041)		
ĕ		tnerships, other estates and trusts, etc. Attach Schedule E (Form 1040)		
_	6 Farm income or (los	ss). Attach Schedule F (Form 1040)	6	
		ss). Attach Form 4797 "UNDER THE TERMS OF THE TRUST	7	
	8 Other income. List t	ype and amount INSTRUMENT, THIS IS A GRANTOR	8	
	9 Total income. Com	bine lines 1, 2a, and 3 through 8 TRUST. IN ACCORDANCE WITH	10	
	10 Interest, Check if Fo	rm 4952 is attached SECTIONS 671-678 IRC, 1986,	11	
	11 Taxes	ALL INCOME IS TAXABLE TO THE		
	12 Fiduclary fees	GRANTOR STATEMENTS OF INCOME (from Schedule A, line 7) DEDUCTIONS AND CREDITS ARE	13	
	13 Charitable deductio	nt, and return preparer fees ATTACHED."	14	
us.		of subject to the 2% floor (attach schedule)		
Deductions		reous itemized deductions subject to the 2% floor	·	
2	B Allowable misceral	ph 15b		
ed	16 Add lines 10 throug	ne or (loss). Subtract line 16 from line 9	7557973 64253	
	17 Adjusted total incom 18 Income distribution	deduction (from Schedule B, line 15). Attach Schedules K-1 (Form 1041)		And the many of the party of th
		n including certain generation-skipping taxes (attach computation)		
		i induding contain governed in suppling above (all and a suppling abov	1	
		jh 20		
		ubtract line 21 from line 17. If a loss, see page 23 of the instructions		
	23 Total tax (from Sci		1 00	
	24 Payments: a 2009	estimated tax payments and amount applied from 2008 return	24a	
င့္သ		nents allocated to beneficiaries (from Form 1041-T)		
Je.	c Subtract line 24b fo	om line 24a	240	
Payments	d Tax paid with Form	7004 (see page 24 of the instructions)	240	1
ď	e Federal income tax	withheld. If any is from Form(s) 1099, check	246	
Tax and	Other payments: fl	Form 2439 ; gForm 4136 ; Total	241	1
ij		dd lines 24c through 24e, and 24h	25	
ි	26 Estimated tax pena	Ity (see page 24 of the instructions)	26	
		is smaller than the total of lines 23 and 26, enter amount owed		
	28 Overpayment. If li	ne 25 is larger than the total of lines 23 and 26, enter amount overpaid	28	
	29 Amount of line 28	to be; a Gredited to 2010 estimated tax 🕨 ; b Retunded	> 29	OR
Sig	gn and belief, it is true, com	(O De; a Greattee to 2010 estimated tax y Toeclare that I have examined this return, including accompanying schedules and statements, and to the best of its sct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any	knowledge	May the IRS discuss this return with the preparer
He	ere 📗	- ▶		shown below (see instr.)?
	Signature of fiducia	financial institution		Yes No
	Preparer's	Date Check if self	- <u> </u> -	reparer's SSN or PTIN
₽a	nid signature	employed		NA :20712EN
₽r	enarer's Firm's name (or	CUSHING & DOLAN, P.C.	EIN	04 2871360
	yours if self-employed	, 5,5 totami total moral, 2011	Phone	no 617E02. 1EEE
Acceptance of		WALTHAM, MA 02451	Prione i	no. 617-523-1555
9 108 11-3	861 30-09 For Privacy Act and F	aperwork Reduction Act Notice, see the separate instructions.		Form 1041 (200

Form 1041 (200	IRREVOCABLE DYNASTY TRUST			04-	-98765	543	Page	2
_	Charitable Deduction. Do not complete for a simple trust or a	nonled i	ncome fund					
Schedu	paid or permanently set aside for charitable purposes from gross income (see page	e 95 of	the instructions)	1				
1 Amounts	pale or permanently set aside for charitable purposes from gross medice (see page) pt income allocable to charitable contributions (see page 25 of the instructions)	C & U U	Mic Michael deachie)	2	***			
				3				_
3 Subtract	line 2 from line 1	tahla nu	rnneae	4				
			· ·	5				
5 Add line	3 and 4		non (one inclusione)	6	·····			
	202 exclusion allocable to capital gains paid or permanently set aside for charitable			7				—
	de deduction. Subtract line 6 from line 5. Enter here and on page 1, line 13		***************************************					
	Income Distribution Deduction			ПП				_
	total income (see page 26 of the instructions)			2				—
2 Adjusted	tax-exempt interest	l		3	-			
3 Total net	gain from Schedule D (Form 1041), line 15, column (1) (see page 26 of the instruc	inons)	***************************************	4				
	ount from Schedule A, line 4 (minus any allocable section 1202 exclusion)			5				
5 Capital g	ains for the tax year included on Schedule A, line 1 (see page 26 of the instructions	·)						
	gain from page 1, line 4, as a negative number. If page 1, line 4, is a loss, enter th			6				
loss as a	positive number		.,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	7				
	able net income. Combine lines 1 through 6. If zero or less, enter -0-			391,377				
8 Ifacom	lex trust, enter accounting income for the tax year as	ما	i					
	ed under the governing instrument and applicable local law			9				
	equired to be distributed currently			10				—
	ounts paid, credited, or otherwise required to be distributed			11				
	ributions. Add lines 9 and 10. If greater than line 8, see page 27 of the instructions			12				
	amount of tax-exempt income included on line 11			13				
	income distribution deduction. Subtract line 12 from line 11							
	income distribution deduction. Subtract line 2 from line 7. If zero or less, enter -0			15				
	distribution deduction. Enter the smaller of line 13 or line 14 here and on page 1,	ine 18	***************************************	1 10	<u> </u>			
	e G Tax Computation (see page 27 of the instructions)	1 4	1	15683				
	Tax on taxable income (see page 27 of the instructions)				1			
	Tax on lump-sum distributions. Attach Form 4972							
	Alternative minimum tax (from Schedule I (Form 1041), line 56)			188				
	Total. Add lines 1a through 1c			1d				
_	ax credit. Attach Form 1116			-				
	nbusiness credits (attach schedule)	-	·					
	business credit. Attach Form 3800							
	r prìor year minimum tax. Attach Form 8801			3				
	edits. Add lines 2a through 2d			4	 			
	line 3 from line 1d. If zero or less, enter-0-	•••••		5	 			
	re taxes, Check if from: Form 4255 Form 8611			1 -	 			
	old employment taxes. Attach Schedule H (Form 1040)				 			
	x. Add lines 4 through 6. Enter here and on page 1, line 23			-1./	1,	$\neg T$	Yes	No
Othe	Information						163	X
	estate or trust receive tax-exempt income? If "Yes," attach a computation of the allo	ication (n expenses		·····	····	Sec.	<u>-</u>
Enter th	e amount of tax-exempt interest income and exempt-interest dividends 🕨 💲					8		
	estate or trust receive all or any part of the earnings (salary, wages, and other com					ŀ	MEM.	X
individa			- 41 11 1 2 -			···· }		
3 At any	rne during calendar year 2009, did the estate or trust have an interest in or a signa	ture or	other authorny					X
over a	ank, securities, or other financial account in a foreign country?						-58-5K	51), V
	e 30 of the instructions for exceptions and filling requirements for Form TD F 90-2	2_1. It "Y	'es," enter			i		
the nar	e of the foreign country 🕨					— {	300	X DV
4 During	he lax year, did the estate or trust receive a distribution from, or was it the granto	of, or to	ransferor to,					х
a foreiç	n trust? If "Yes," the estate or trust may have to file Form 3520. See page 30 of the	mstruc	tions					Λ
5 Did the	estate or trust receive, or pay, any qualified residence interest on seller-provided f	nancing	? If "Yes,"			- !		v
see pa	e 30 for required attachment		***************************************	•••••		·	11/200	X
6 If this i	an estate or a complex trust making the section 663(b) election, check here (see	page 30	of the instructions)			뭐		
7 Tomal	e a section 643(e)(3) election, attach Schedule D (Form 1041), and check here (se	e page :	30 of the instructions)			닏		
s litthe d	cedent's estate has been open for more than 2 years, attach an explanation for th	e delay i	in closing the estate, and che	ck here		الما		
9 Arean	present or future trust beneficiaries skip persons? See page 30 of the instruction	s				<u></u>	041	X

Form **1041** (2009)

CUSHING & DOLAN, P.C. 375 TOTTEN POND ROAD, SUITE 200 WALTHAM, MA 02451

MAY 7, 2011

JOHN Q PUBLIC 375 TOTTEN POND ROAD WALTHAM, MA 02451

RE: IRREVOCABLE DYNASTY TRUST

DEAR GRANTOR:

ATTACHED IS YOUR COPY OF THE FIDUCIARY FORM 1041 GRANTOR LETTER. THIS GRANTOR LETTER SUMMARIZES YOUR INFORMATION FROM THE TRUST. THIS INFORMATION HAS BEEN PROVIDED TO THE INTERNAL REVENUE SERVICE WITH THE U.S. INCOME TAX RETURN FOR ESTATES AND TRUSTS.

THE INFORMATION PROVIDED ON THIS GRANTOR LETTER SHOULD BE ENTERED ON YOUR TAX RETURN, IN ACCORDANCE WITH THE INSTRUCTIONS ON THE GRANTOR LETTER. IF YOUR RETURN WILL BE PREPARED BY YOUR ACCOUNTANT OR ATTORNEY, YOU SHOULD PROVIDE A COPY OF THIS GRANTOR LETTER TO THE PREPARER WITH YOUR OTHER TAX INFORMATION.

WE THANK YOU FOR THE OPPORTUNITY TO SERVE YOU.

VERY TRULY YOURS,

LEO J. CUSHING, TRUSTEE

GRANTOR LETTER

LEO J. CUSHING, TRUSTEE 375 TOTTEN POND ROAD WALTHAM, MA 02451

Tax Year Ending: 12/31/09

Grantor Name & Address

JOHN Q PUBLIC

375 TOTTEN POND ROAD WALTHAM, MA 02451

Social Security Number: 123-45-6789

Name of Trust

IRREVOCABLE DYNASTY TRUST

Employer ID Number: 04-9876543

THE FOLLOWING INCOME, DEDUCTIONS AND CREDITS ARE TO BE REPORTED ON THE FEDERAL INCOME TAX RETURN OF THE ABOVE NAMED GRANTOR, IF REQUIRED.

FEDERAL INFORMATION INCOME 1,800,000. PASSIVE INCOME (LOSS) FROM S CORPORATIONS..... (ENTER ON FORM 1040, SCHEDULE E, PART II)

chedule K-1 form 1120S)	2010		Final K-1	Amended K-1 Shareholder's Share		
	E0.10	720.	Appear, .	Deductions, Credits,	and O	ther Items
partment of the Treasury ternal Revenue Service For calendar year 2010 year beginning), or tax			149,041.	13 (Credits
ending		-		al estate inc (loss)		
hareholder's Share of Income, Do	eductions, s.	3		ntal income (loss)		
Part I Information About the		4	Interest inco			
A Corporation's employer identification number 04–1234567		5a	Ordinary div			
B Corporation's name, address, city, state, and	ZIP code	5b	Qualified div	vidends	14	Foreign transactions
JOHN Q. PUBLIC, INC. 123 MAIN STREET		6	Royalties			
WALTHAM, MA 02451		7		erm capital gain (loss)		
C IRS Center where corporation filed return CINCINNATI, OH		8a		rm capital gain (loss)		
Part II Information About the	e Shareholder	8b	Collectibles	s (28%) gain (loss)		
D Shareholder's identifying number 123–45–6789		86	1	red sec 1250 gain		
E Shareholder's name, address, city, state and	ZIP code	9	Net section	n 1231 gain (loss)		
JOHN Q. PUBLIC 123 MAIN STREET		10	Other inco	me (loss)	15	Alternative min tax (AMT) items
WALTHAM, MA 02451			<u> </u>			
F Shareholder's percentage of stock ownership for tax year	7.452055%				_	
						" L' abandade boo
				79 deduction	10	Items affecting shareholder basi
		15	2 Other de	ductions		
	·					
Aluo						
For IRS Use Only				- · · · · · · · · · · · · · · · · · · ·		
o R	·					17 Other information
				·		
				*Con attached states	nent %	or additional information.
013271 JWA For Paperwork Reduction Ac			 			Schedule K-1 (Form 1120S) REHOLDER NUMBER

chedule K-1		Final K-1 Amended K-1		OMB No. 1545-0130
chedule K-1 Form 1120S) 2010	Pá	rt III Shareholder's Share		
epartment of the Treasury Iternal Revenue Service For calendar year 2010, or tax		Deductions, Credits		Other Nems Credits
to deforted your about the	1	Ordinary business income (loss) 50,959.	10	CIECUIS
year beginning ending	2	Net rental real estate inc (loss)		
Shareholder's Share of Income, Deductions, Credits, etc. See separate instructions.	3	Other net rental income (loss)		
Part I Information About the Corporation	4	Interest income		
A Corporation's employer identification number 04–1234567	5a	Ordinary dividends		
B Corporation's name, address, city, state, and ZIP code	5b	Qualified dividends	14	Foreign transactions
JOHN Q. PUBLIC, INC. 123 MAIN STREET	6	Royalties		
WALTHAM, MA 02451	7	Net short-term capital gain (loss)		
C IRS Center where corporation filed return CINCINNATI, OH	8a	Net long-term capital gain (loss)		
Part II Information About the Shareholder	8b	Collectibles (28%) gain (loss)		
D Shareholder's identifying number 04-8785895	86	Unrecaptured sec 1250 gain		
E Shareholder's name, address, city, state and ZIP code	9	Net section 1231 gain (loss)		
ESTATE OF JOHN Q. PUBLIC 123 MAIN STREET	10	Other income (loss)	15	Atternative min tax (AMT) items
WALTHAM, MA 02451				
F Shareholder's percentage of stock ownership for tax year 2.547945%				
	11	Section 179 deduction	16	Items affecting shareholder basis
	12	Other deductions		
Ajuo Ouis				
For IRS Use Only			17	7 Other information
ק	_			Odio momason
	-		+	
	-			
	-		-	
	-	*See attached statem	ent for	additional information.
013271 01-24-11 JWA For Paperwork Reduction Act Notice, see Instructions for Form	11208.			Schedule K-1 (Form 1120S) 20 EHOLDER NUMBER 2

Schedule K-1	2010		inal K-1 Amende		OMB No. 1545-0130
(Form 1120S)	ZU IU	Par	Shareholder's Deductions, G		urrent Year Income, Other Items
Department of the Treasury Internal Revenue Service For calendar year 2010, or tay	-	Π	Dedictions, C Ordinary business income (I		Credits
i de deletion your 2010, or and	T	' '	1,341,37		0,0010
year beginning ending		2	Net rental real estate inc (los		
Shareholder's Share of Income, Deduction Credits, etc. See separate instructions.			Other net rental income (los	s)	
Part Information About the Corpora	ation		Interest income		
A Corporation's employer identification number 04–1234567		l	Ordinary dividends		
B Corporation's name, address, city, state, and ZIP code] [5b	Qualified dividends	14	Foreign transactions
JOHN Q. PUBLIC, INC. 123 MAIN STREET			Royalties		
WALTHAM, MA 02451		7	Net short-term capital gain	(loss)	
C IRS Center where corporation filed return CINCINNATI, OH		8a	Net long-term capital gain ((loss)	
Part II Information About the Shareh	older	8b	Collectibles (28%) gain (lo	ss)	
D Shareholder's identifying number 04-9876543		80	Unrecaptured sec 1250 ga		
E Shareholder's name, address, city, state and ZIP code		9	Net section 1231 gain (los	s)	
IRREVOCABLE DYNASTY (GRANTO 375 TOTTEN POND ROAD WALTHAM, MA 02451	OR) TRUST	10	Other income (loss)	15	5 Alternative min tax (AMT) items
F Shareholder's percentage of stock ownership for tax year 67.0	068493%				
			Section 179 deduction	1	6 Items affecting shareholder basis
		12	Other deductions		
e Only	:				
For IRS Use Only		_			17 Other information
<u>L</u>					
		-	*See attached	statement fr	or additional information.
		1	555 61457165		Schedule K-1 (Form 1120S) 20

		Internal Revenue S		ome Tax Retui			ia iri	usts	2010
		ar 2010 or fiscal	year beginning		2010 and en	ding			OMB No. 1545-0092
A	Type of er	_	Name of estate or trust (if a grant	C Employer identification number					
<u>L.</u>	Deceden	t's estate							04 9876543
L	Simple to	rust	IRREVOCABLE I	D Date entity created					
] Complex	ctrust	Name and title of fiduciary	(01/01/2009				
] Qualified	disability trust		E Nonexempt charitable and split-					
	ESBT (S	portion only)	interes	it trusts, check applicable					
X	Grantor t		boxes	(see pg 16 of the instr.):					
	·			escribed in section 4947(a)(1)					
		y estate-Ch. 11	375 TOTTEN PC City or town, state, and ZIP code						lot a private foundation
	•	ncome fund		escribed in section 4947(a)(2)					
R No	of Schedi		F Check Initial re	turn X Final return	, , , , , , , , , , , , , , , , , , , ,	A 02451 led return			ge in trust's name
	ached >		applicable	in fiduciary		in fiduciary's name	. [Chan	ge in fiduciary's address
		the estate or filir	ng trust made a section 645 e						
- 1								1 1	<u> </u>
	2 a Tot	tal ordinary divid	ends				.,	1	
	h Du	alified dividends	allocable to: (1) Beneficiaries		\ Estate or tri	ust	************	23	
			r (loss). Attach Schedule C or					3	
2			s). Attach Schedule D (Form 1						
Income	5 Rei	pharyanior (1032 nto rovaltice par	rtnerships, other estates and	tructo etc. Attach Schadule E	/Enrm 1040	Λ		5	
트								6	
	7 Ora	dinantania or (lo:	ss). Attach Schedule F (Form ss). Attach Form 4797	"IMDER THE	PERMS	איי אויי שה	शादक	7	
	8 Oth	omary gam or to	type and amount	TNOTOTIMENO	ייייייייייייי	TC A CRZ	AUTHUE	8	
ļ	0 UII	tel income. Com	ibine lines 1, 2a, and 3 throug	LINDIRORINI	ACCORD	ANCE MITTE	1	. 9	
			orm 4952 is attached					10	
[11	
ł	11 Ta	xes		ממט באכטמט ביי	TO TO	NEC OF TH	TOME		
İ	12 Fid	iliciary iees	- Ham Pak-Ad- A K 7)	DEDITION D		DEDIMG YE	COME	13	
	13 Ch	arnable deductio	n (from Schedule A, line 7)	DEDUCTIONS	AND C	KEDIIO WE	; ;;		
2			nt, and return preparer fees						
Deductions	15 a UT	ner deductions in	ot subject to the 2% floor (att	15a 15b					
2			eous itemized deductions suf			 :			
e			jh 15b		700-27-2000-00-28-28-28-28-28-28-28-				
	17 Ad	justed total incon	ne or (loss). Subtract line 16	3000					
- 1			deduction (from Schedule B						
1			n including certain generation			• • • • • • • • • • • • • • • • • • • •			
								20	
_			jh 20						
			obtract line 21 from line 17. If						
	23 To	tal tax (from Sch	nedule G, line 7)					23	
ıα			estimated tax payments and a						
其			nents allocated to beneficiaries						
Ĕ		btract line 24b fr						24c	
á	di Ta	x paid with Form	7004 (see page 24 of the ins	tructions)					
Tax and Payments			withheld. If any is from Form			***************************************		248	
Ĕ		her payments: fF	orm 2439	; g Form 4136			, Totai 🕨		
×	25 To	ital payments. A	dd lines 24c through 24e, and	d 24h			•	25	
Ta			lty (see page 24 of the instruc						
Ì			is smaller than the total of line						
			ne 25 is larger than the total o						
	29 An	nount of line 28 t	o be: a Credited to 2011 esti y, I declare that I have examined the et, and complete. Declaration of pa	imated tax	eshedi ('	; b Ref	unded)	≻j 29	L
Sig	and b	elief, it is true, corre	ot, and complete, Declaration of p	reparer (other than taxpayer) is bas	sed on all inform	nation of which prepare	r has any kn :	owledge.	May the IRS discuss this return with the preparer
					Date	<u> </u>			spowu pelow (see justir.)
	Signature of fiduciary or officer representing fiduciary Date Ein of fiduciary it a financial institution								Yes No
		Print/Type prep	parer's name	Preparer's signature		Date	Check L	if	PTIN
Pa	id	1					self- emp	loyed	[
				<u> </u>					
	eparer se Only	Firm's name	CUSHING & DO	DLAN, P.C.			Firm's E	IN 🕨	04-2871360
US	o c Omy	Firm's address	375 TOTTEN F		ITE 20	0			•
	LHA		WALTHAM MA (Phone r	10.	617-523-1555
0108 02-07	7-11 For P	aperwork Reduc	tion Act Notice, see the sepa	arate instructions.					Form 1041 (2010)

m '	1041 (2010) IRREVOCABLE DYNASTY TRUST			· (04-	987	654	3	Page :	2
	hedule A Charitable Deduction. Do not complete for a simple trust or a po	oled in	come fund							
	Amounts paid or permanently set aside for charitable purposes from gross income (see page 2			T	1 .					_
	Tax-exempt income allocable to charitable contributions (see page 25 of the instructions)	.0 0	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,		2					_
	•			-	3					
3	Subtract line 2 from fine 1 Capital gains for the tax year allocated to corpus and paid or permanently set aside for charitat	la nur	nneee	1	十					
	•			, ,	5					_
	Add lines 3 and 4		***************************************		6					
	Section 1202 exclusion allocable to capital gains paid or permanently set aside for charitable p				7					_
	Charitable deduction. Subtract line 6 from line 5. Enter here and on page 1, line 13									
	hedule B Income Distribution Deduction			_	i					—
	Adjusted total income (see page 25 of the instructions)			-	-					
2	Adjusted tax-exempt interest		2							
	Total net gain from Schedule D (Form 1041), line 15, column (1) (see page 26 of the instruction				3					—
	Enter amount from Schedule A, line 4 (minus any allocable section 1202 exclusion)			╌	4					
	Capital gains for the tax year included on Schedule A, line 1 (see page 26 of the Instructions)			-	5					—
6	Enter any gain from page 1, line 4, as a negative number. If page 1, line 4, is a loss, enter the				ļ					
	loss as a positive number			- ⊢	6					
	Distributable net income. Combine lines 1 through 6. If zero or less, enter -0-			_	7					_
8	If a complex trust, enter accounting income for the tax year as			3.						
	determined under the governing instrument and applicable local law	8			, C. L.					
9	Income required to be distributed currently				9					
0	Other amounts paid, credited, or otherwise required to be distributed			L	10					
i1	Total distributions. Add lines 9 and 10. If greater than line 8, see page 26 of the instructions	L	11							
12 Enter the amount of tax-exempt income included on line 11										
3 Tentative income distribution deduction. Subtract line 12 from line 11										
	Tentative income distribution deduction. Subtract line 2 from line 7. If zero or less, enter -0-		14							
15 Income distribution deduction. Enter the smaller of line 13 or line 14 here and on page 1, line 18										
	chedule G Tax Computation (see page 27 of the instructions)									
	Tax: a Tax on taxable income (see page 27 of the instructions)	13	30							
	b Tax on lump-sum distributions. Attach Form 4972	1b								
	c Alternative minimum tax (from Schedule I (Form 1041), line 56)	16								
	d Total. Add lines 1a through 1c			7	1d					
Ð2	Foreign tax credit. Attach Form 1116	2a	I.	R						
	General business credit. Attach Form 3800	2b								
	Credit for prior year minimum tax. Attach Form 8801	2¢			Nation:	l				
	Bond credits. Attach Form 8912	2đ		7		İ				
	Total credits. Add lines 2a through 2d		1	丌	3					
_				t	4					
4	Subtract line 3 from line 1d. If zero or less, enter -0- Recapture taxes. Check if from: Form 4255 Form 8611		***************************************	1	5				-	
	Household employment taxes. Attach Schedule H (Form 1040)			ı ı	6	—				
					7	┢				
-	Total tax. Add lines 4 through 6. Enter here and on page 1, line 23 Other Information				<u></u>			T	Yes	No
_	Did the estate or trust receive tax-exempt income? If "Yes," attach a computation of the allocation	tion o	f pynancec						-	X
1		aut U	who is a second					· 📴	- N	Signal.
_	Enter the amount of tax-exempt interest income and exempt-interest dividends > \$	neatio	n) of ami							
2	Did the estate or trust receive all or any part of the earnings (salary, wages, and other compe							- [2000	X
	individual by reason of a contract assignment or similar arrangement?				•••••	******		"	-	
3	At any time during calendar year 2010, did the estate or trust have an interest in or a signatu									Х
over a bank, securities, or other financial account in a foreign country?								.	52753	ugasis
See page 29 of the instructions for exceptions and filing requirements for Form TD F 90-22.1. If "Yes," enter								Ė		
	the name of the foreign country					- F	ija, vai	: Ni		
4	During the tax year, did the estate or trust receive a distribution from, or was it the granter of	, or tr	ansferor to,						į	-07
	a foreign trust? If "Yes," the estate or trust may have to file Form 3520. See page 29 of the in	structi	ions			·····	· · · · · · · · · · · · · · · · · · ·	··		X
5	Did the estate or trust receive, or pay, any qualified residence interest on seller-provided fina	ncing'	? If "Yes,"							77
	see page 29 for required attachment							ـــا		X
ϵ	If this is an estate or a complex trust making the section 663(b) election, check here (see pa	ge 29	of the instructions)				▶		\$50	7.46
ï	to make a section 643(e)(3) election, attach Schedule D (Form 1041), and check here (see	oage 2	9 of the instructions)				▶ ڸ਼਼	4		
8	If the decedent's estate has been open for more than 2 years, attach an explanation for the d	lelay ir	n closing the estate, and ch	eck	here .		▶ L	_		
Ŀ	Any present or future trust beneficiaries skip persons? See page 29 of the instructions									X
~							For	m 11	n41 /	เวกโด

Form 1041 (2010)

GRANTOR LETTER

LEO J. CUSHING, TRUSTEE 375 TOTTEN POND ROAD WALTHAM, MA 02451

Tax Year Ending: 12/31/10

Grantor Name & Address

Name of Trust

JOHN Q PUBLIC

IRREVOCABLE DYNASTY TRUST

375 TOTTEN POND ROAD WALTHAM, MA 02451

Social Security Number: 123-45-6789

Employer ID Number: 04-9876543

THE FOLLOWING INCOME, DEDUCTIONS AND CREDITS ARE TO BE REPORTED ON THE FEDERAL INCOME TAX RETURN OF THE ABOVE NAMED GRANTOR, IF REQUIRED.

FEDERAL INFORMATION INCOME 1,341,370. PASSIVE INCOME (LOSS) FROM S CORPORATIONS..... (ENTER ON FORM 1040, SCHEDULE E, PART II)

Name(s) shown on return. Do not enter name and social:	secunty number it shown	on page 1.				ŀ	1001	Social Secu	rity number		
IRI	REVOCABLE DYNASTY T	RUST					ļ	04	1-9876	5543		
auti	on. The IRS compares amounts reported o	on your tax return wit	h amounts sh	own on Schedule(s)	K-1.							
	till Income or Loss From	Partnerships a	and S Co	rporations Not	e. If you	report a loss	from an	at-risk	activity fo	r which		
	any amount is not at risk, you	ı must check colu	mn (e) on lin	e 28 and attach Fo	rm 6198	3. See page E	51.					
27	Are you reporting any loss not allowed in	a prior year due to th	ne at-risk or ba	asis limitations, a pric	r year un	allowed loss fro	om a					
	passive activity (if that loss was not report	ted on Form 8582), o	or unreimburs	ed partnership expen	ises?				Yes	LX No		
	If you answered "Yes," see page E-7 before	re completing this se	ction.							(e) Check if any amount is		
8		(a) Name (b) Enter P tout (c) Check patheship S if foreign of Scorporation partnership identification										
										not at risk		
<u> </u>	TOTAL O DUDI TO TH	-C			P S		04-	1 2 2	4567			
B	JOHN Q. PUBLIC, IN	c.			8		04-	TZ3,	4 20/			
C					┼							
D	Passive Income a	nd! ooo			Ne	onpassive In	rome ar	പ് വ	<u> </u>	<u> </u>		
	(f) Passive loss allowed	(g) Passiv	emonni e	(h) Nonpassive lo		Section 179			i) Nonpassiv	e income		
	(attach Form 8582 if required)	from Scho		from Schedule K		Juction from F			from Sche			
ΑT					0.							
В		1.34	1,370.									
c												
D												
9a	Totals	1,34	1,370.				19,32					
b	Totals	经验证证据										
0	Add columns (g) and (j) of line 29a						30 1,341					
1	Add columns (f), (h), and (i) of line 29b	***************************************						31	(
2	Total partnership and S corporation inc								1 24	1 270		
	result here and include in the total on line	41 below						32	1,34	1,370.		
Pa	III Income or Loss From	Estates and T	usis						/h) E			
3		(a) Name					(b) Employer identification num				
A								+				
B								一				
	Passive	Income and Los	5			Nonp	passive I	ncome	and Los	<u></u>		
	(c) Passive deduction or loss all			ssive income		Deduction or			(f) Other inc			
	(attach Form 8582 if require	d)	from	Schedule K-1	fr	om Schedule i	K-1		Schedu	Je K-1		
Α												
В												
4 a	Totals Totals						() ()	er Sudaust, ett over sak	O Stations were the			
b	Totals				<u> </u>							
5	Add columns (d) and (f) of line 34a		************		.;			35	1,			
6	Add columns (c) and (e) of line 34b Total estate and trust income or (loss).	Combine lines 25 az	d 26 Enter th	o recult have and inc	lude in th	anii na Istat e	ti halmu	36	<u> </u>			
7 Dai	I oral estate and dust income or hoss).	Real Estate M	ortaaae !	nvestment Co	nduits	(REMICs) - Res		Holder	· · · · · · · · · · · · · · · · · · ·		
্ছ ব	TELES INSUITE OF LOGS I TOTAL	(b) Em		(c) Excess inclusio	n from 1	d) Taxable inci	ome (net			ne from		
8	(a) Name	identification		Schedules Q, lin		ośs) from Sch line 11	edules Q,)		Schedules			
				1				Section 1	5.			

reported on Form 4835, line 7; Schedule K-1 (Form 1065), box 14, code B; Schedule K-1 (Form 1120S), box 17, code U; and Schedule K-1 (Form 1041), line 14, code F (see page E-8) Reconciliation for real estate professionals. If you were a real estate professional (see page E-2), 43

Reconciliation of farming and fishing income. Enter your gross farming and fishing income

Combine columns (d) and (e) only. Enter the result here and include in the total on line 41 below

Net farm rental income or (loss) from Form 4835. Also, complete line 42 below

Total income of (loss). Combine lines 26, 32, 37, 39, and 40. Enter the result here and on Form 1040, line 17, or Form 1040NR, line 18

Schedule E (Form 1040) 2010

1,341,370.

40

41

42

Part V Summary

INCOME FROM PASSTHROUGH STATEMENT, PAGE 1

		INCOME	INCOME FROM PASSTHROUGH STATEMENT, PAGE	UGH STATEMENT,	PAGE 1			2010
SCHEDULEE								
1	UST						SSN/EIN	04-9876543
Passthrough John Q. PUBLIC, INC.	ıc.		₽	04-1234567			1	
THE CANAL ACTION	tical t.X	Prior Year Unallowed Rasis Loss	Disallowed Due to	Prior Year Unallowed At-Bick Loss	Disallowed Due to		Prior Year Passive Disallowed Passive	Tay Bottim
SCHEDILLE PAGE 2				大大学 からい 大学 かいかん				Colored to the second
Ordinary business income (loss)	1,341,370.							
Rental real estate income (loss)								
Other net rental income (loss)								
Intangible drilling costs/dry hole costs		A. 的用的加加多数数		が進むなどの対象	经基础等以为 企业之外			
Self-charged passive interest expense								
Guaranteed payments								
Section 179 and carryover								
Disallowed section 179 expense		经是一种专家的基础			語を発展している。	ではないない。		
Net Income (loss)	1,341,370.							1,341,370.
First passive other								
her								
Cost depletion								
Percentage depletion								
Depletion carryover								
Disallowed due to 65% limitation								
Unreimbursed expenses (nonpassive)								
Nonpassive other								
	1,341,370,				-	2 1 2 2 2		1,341,370.
								数のないできる。
Section 1231 galn (loss)								
Section 179 recapture on disposition			2000		2		20 V 1 V 1 V 10 V	- 4:
SCHEDULED		を文字が変数				後の一を持ちる。		
Net short-term cap, gain (loss)								
Net long-term cap. gain (loss)								
Section 1256 contracts & straddles						1 (2 (2 (2 (2 (2 (2 (2 (2 (2 (2 (2 (2 (2		200 C
FORM 4952	は他人を入っている。	が、文章を含む場合				(V) - 22 (2.5)		:::
Investment interest expense · Sch. A			-					
Other net investment income			and the second of the second o			0.00 m 2.00 m 2.		100 may 100 3 mg 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1
ITEMIZED DEDUCTIONS								
Charitable contributions								
Deductions related to portfolio income								
Other								

Schedule K-1 (Form 1120S) 2010		Final K-1	Amended K-1		OMB. No. 1545-0130
Department of the Treasury	Pa	et III	Shareholder's Share Deductions, Gredits		*
Internal Revenue Service For calendar year 2010, or tax	1	Ordinary bu	siness income (loss) 458,630.		Credits
year beginning ending	_ 2	Net rental re	eal estate inc (loss)		
Shareholder's Share of Income, Deductions, Credits, etc. ▶See separate instructions.	3	Other net re	ental income (loss)		
Part I Information About the Corporation	4	Interest inc	ome		
A Corporation's employer identification number 04–1234567	Бa	Ordinary di	vidends		
B Corporation's name, address, city, state, and ZIP code	5b	Qualified di	vidends	14	Foreign transactions
JOHN Q. PUBLIC, INC. 123 MAIN STREET	6	Royalties	111111111111111111111111111111111111111		
WALTHAM, MA 02451	7	Net short-t	erm capital gain (loss)		
C IRS Center where corporation filed return CINCINNATI, OH	8a	Net long-te	rm capital gain (loss)		
Part II Information About the Shareholder	8b	Collectible	s (28%) gain (loss)		
D Shareholder's identifying number 04-3579517	8c	Unrecaptu	red sec 1250 gain		
E Shareholder's name, address, city, state and ZIP code	9	Net section	1231 gain (loss)		
IRREVOCABLE DYNASTY (NON-GRANTOR) T	'IR 10	Other inco	me (loss)	15	Alternative min tax (AMT) items
WALTHAM, MA 02451					
F Shareholder's percentage of stock ownership for tax year 22.931507%					·
Officially for tax year					
	11	Section 17	79 deduction	16	Items affecting shareholder basis
	12	Other ded	uctions		
VinO :					
For IRS Use Only					
7 10 17				17	Other information
			27-01-30-01-30-7		
			*See attached stateme	nt for	additional information.

<u> </u>	<u>U4</u>	Department of the I Internal Revenue S	Service U.S. Inco	ome Tax Returi	<u>n tor E</u>	<u>:states a</u>	and ir	<u>usts</u>	2010
		r year 2010 or fiscal	year beginning	,2	010 and end			,	OMB No. 1545-0092
A	Туре	of entity:	Name of estate or trust (if a grant	or type trust, see page 15 of the inst	ructions.)				yer identification number
	Dece	edent's estate	}					(04 3579517
	Sim	ole trust	IRREVOCABLE D	YNASTY TRUST				_	tity created
X	Com	plex trust	Name and title of fiduciary						01/01/2009
	Qual	lfied disability trust	1				F	E Nonex	empt charitable and split-
	ESB	T (S portion only)	LEO J CUSHING	, TRUSTEE				interes	st trusts, check applicable
	Gran	itor type trust	Number, street, and room or suite	no. (If a P.O. box, see page 15 of the	e instructions.	}		boxes	(see pg 16 of the instr.):
	Bankı	ruptcy estate-Ch. 7	375 TOTTEN PO					E	Described in section 4947(a)(1)
	Bankı	ruptcy estate-Ch. 11	City or town, state, and ZIP code					<u> </u>	lot a private foundation
	Pool	ed income fund	WALTHAM		MA	02451	<u>j</u>		escribed in section 4947(a)(2)
B No.	of Sc	hedules K-1	F Check applicable Doxes: X Initial re	turn Final return	Amende	d return	<u>_</u>	Chan	ge in trust's name
	ched			in fiduciary	Change	in fiduciary's na	me L	Chan	ge in fiduciary's address
G Che	ck he	re if the estate or filir	ng trust made a section 645 e	lection					
	1	Interest income		*************				1	
	2 a	Total ordinary divid	lends	***************************************				2a	
	b	Qualified dividends	allocable to: (1) Beneficiaries	(2)	Estate or tru:	st			
<u>o</u>	3			C-EZ (Form 1040)					
티	4	Capital gain or (loss	s). Attach Schedule D (Form 1	041)	*			4.	450 600
Income	5			trusts, etc. Attach Schedule E ($\overline{}$	458,630.
-	6			1040)					
	7								
	8	Other income. List i						8	150 620
-	9	Total income, Con	nbine lines 1, 2a, and 3 throug	h8				9	458,630.
- 1	10								
İ	11			••••••					2,500.
l	12	Charitable deduction	on Hyper Cahadula & line 7)	***************************************	· · · · · · · · · · · · · · · · · · ·		••••••	13	2,5002
တ	13		nt, and return preparer fees						2,500.
Š	14	• • • • • • • • • • • • • • • • • • • •	* *	ach schedule)					1,3000
왍	10 8	. Allowable micrelian	norsablect to the 2 M hour fact neone itemized deductions cul	oject to the 2% floor	**			155	
Deductions									5,000.
١×	17			from line 9			53,630		
	18			line 15). Attach Schedules K-				18	100,000.
[19	and the second second	•	-skipping taxes (attach compu	-				
-	20	Exemption						20	100.
ŀ	21	Add lines 18 throug	gh 20)	21	100,100.
\Box	22	Taxable income. Su	ubtract line 21 from line 17. If	a loss, see page 23 of the instr	ructions			22	353,530.
1	23	Total tax (from Sch	hedule G, line 7)	23	122,711.				
(0	24	Payments: a 2010	estimated tax payments and a	amount applied from 2009 retu	KD			24a	
Ë	t	B Estimated tax paym	nents allocated to beneficiaries	s (from Form 1041-T)					
Ē		s Subtract line 24b fr	***************************************						
8				tructions)					
Tax and Payments	(withheld. If any is from Form						
ᇎ		Other payments: ff	Form 2439	; g Form 4136			_ ; rotal	24h	
×	25			1 24h				25	2,632.
"	26			etions)					125,343.
1	27			es 23 and 26, enter amount ow					123,343.
	28			f lines 23 and 26, enter amoun	u overpaiu			29	
	29	Amount of the 25 to Under penalties of perjur	to be: a Credited to 2011 esti y, I declare that I have examined th	mateu tax is return, including accompanying s reparer (other than taxpayer) is base	chiedules and s	statements, and to	Refunded I	knowledge) <u> </u>
Sig	յո լ	and belief, it is true, corre	ect, and complete. Declaration of p	reparer (other than taxpayer) is base	a on all informa	ation of which prej	oarer nas any kr	uwieage.	return with the preparer
He	re	Signature of fiducial	ry or officer representing fiduciary		Uate	EIN	of fiduciary if a notal institution		shown below (see instr.)? Yes No
		Print/Type pre	narer's name	Preparer's signature	1	Date	Check	if	PTIN
		i initiyee pre	paid o maine	, reparer a argulature			self- emp		
Pa		1					25 5.11	,+•	
	epai	T LUSII 2 HAING	► CUSHING & DO	DLAN, P.C.			Firm's l	IN 🕨	04-2871360
Us	e O			OND ROAD, SUI	TE 20	0	-		
	ŧ	на	WALTHAM MA (-			Phone	no.	617-523-1555
07081 02-07	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,		ction Act Notice, see the sepa		····				Form 1041 (2010)

-crm '	1041 (2010) IRREVOCABLE DYNASTY TRUST	04-	35795	<u> 17</u>	Page	2
S	hedule A Charitable Deduction. Do not complete for a simple trust or a pooled income fund.					_
	Amounts paid or permanently set aside for charitable purposes from gross income (see page 25 of the instructions)	1				
	Tax-exempt income allocable to charitable contributions (see page 25 of the instructions)	2				
	Subtract line 2 from line 1	3				
4	Capital gains for the tax year allocated to corpus and paid or permanently set aside for charitable purposes	4				
	Add lines 3 and 4	5				_
	Section 1202 exclusion allocable to capital gains paid or permanently set aside for charitable purposes (see pg 25 of the instructions)	6				
	Charitable deduction. Subtract line 6 from line 5. Enter here and on page 1, line 13	7				_
	hedule B. Income Distribution Deduction					
	Adjusted total income (see page 25 of the instructions)	1	4	453,	, 63	<u>0 </u>
	Adjusted tax-exempt interest	2				_
2	Total net gain from Schedule D (Form 1041), line 15, column (1) (see page 26 of the instructions)	3				
	Enter amount from Schedule A, line 4 (minus any allocable section 1202 exclusion)	4				
	Capital gains for the tax year included on Schedule A, line 1 (see page 26 of the instructions)	5				
	Enter any gain from page 1, line 4, as a negative number. If page 1, line 4, is a loss, enter the					_
v	loss as a positive number	6				
7	Distributable net income. Combine lines 1 through 6. If zero or less, enter -0-	7		453	,63	0.
	If a compley trust, enter accounting income for the tay year as	14.46				
0	determined under the governing instrument and applicable local law 8 453,630.					
a	Income required to be distributed currently	9				
	Other amounts paid, credited, or otherwise required to be distributed	10		100	,00	0 -
	Total distributions. Add lines 9 and 10. If greater than line 8, see page 26 of the instructions	11		100		
	Enter the amount of tax-exempt income included on line 11	12			-	
	Tentative income distribution deduction. Subtract line 12 from line 11	13		100	,00	O.
	Tentative income distribution deduction. Subtract line 2 from line 7. If zero or less, enter -0-	14		453		
	Income distribution deduction. Enter the smaller of line 13 or line 14 here and on page 1, line 18	15		100		
	chedule G Tax Computation (see page 27 of the instructions)					
	Tax: a Tax on taxable income (see page 27 of the instructions) 1a 122,711.	Y. S.				
•	b Tax on lump-sum distributions. Attach Form 4972 1b					
	c Alternative minimum tax (from Schedule I (Form 1041), line 56)					
	d Total. Add lines to through 1c	10		122	,71	11.
0-	Foreign tax credit. Attach Form 1116 22					
	General business credit. Attach Form 3800 2b					
	Credit for prior year minimum tax. Attach Form 8801 2c	200 M				
	Bond credits. Attach Form 8912	100				
	Total credits. Add lines 2a through 2d	3				0.
		4		122	.,73	11.
9	Subtract line 3 from line 1d. If zero or less, enter -0- Recapture taxes. Check if from: Form 4255 Form 8611	5				
		6				
8	Household employment taxes. Attach Schedule H (Form 1040) Total tax. Add lines 4 through 6. Enter here and on page 1, line 23			122	7:	11.
	Other Information	· l	·		Yes	No
	Did the estate or trust receive tax-exempt income? If "Yes," attach a computation of the allocation of expenses					X
1	Enter the amount of tax-exempt interest income and exempt-interest dividends \$\Bigsir \\$\$	•••••			3.89	3333
	Did the estate or trust receive all or any part of the earnings (salary, wages, and other compensation) of any					à Ŵ
2	individual by reason of a contract assignment or similar arrangement?			ľ	(ACPTE)	Х
_	At any time during calendar year 2010, did the estate or trust have an interest in or a signature or other authority			····· }		
3	At any time during carefular year 20 to, and the estate of frost have an interest in or a signature of outer administry					х
	over a bank, securities, or other financial account in a foreign country?			}	2.35	
	See page 29 of the instructions for exceptions and filling requirements for Form TD F 90-22.1. If "Yes," enter			ŀ		in'.
	the name of the foreign country		····	— I	(San Page)	118.11
4	During the tax year, did the estate or trust receive a distribution from, or was it the grantor of, or transferor to,			1		X
	a foreign trust? If "Yes," the estate or trust may have to file Form 3520. See page 29 of the instructions					
5	Did the estate or trust receive, or pay, any qualified residence interest on seller-provided financing? If "Yes,"]		x
	see page 29 for required attachment			;;;;; <u> </u>	70300	1000
6				\exists	30.36	13.60
7	To make a section 643(e)(3) election, attach Schedule D (Form 1041), and check here (see page 29 of the instructions)	le here	······ 💍			100 g/3
8	If the decedent's estate has been open for more than 2 years, attach an explanation for the delay in closing the estate, and chec			السا	NOSE	X
g	Are any present or future trust beneficiaries skip persons? See page 29 of the instructions			Form 1	044	
				OUN F	UTI	15010

010882 01-10-11

Schedule K-1 (Form 1941)			inal K-1 Amend	_	,
(FOIRE 1041) For calendar year 2010,	j.	Pa	rt III Beneficiary's Share Deductions, Credits		
Department of the Treasury or tax year beginning	— 	11	nterest income		Final year deductions
Beneficiary's Share of Income, Deductions,	— ′	1"	na cet moone	"	Tillar your observations
Credits, etc. See separate instruct	ions. 2a	(Ordinary dividends		
Part Information About the Estate or Trust A Estate's or trust's employer identification number	2b	C	Qualified dividends		
04-3579517	3	1	let short-term capital gain		
8 Estate's or trust's name	4a		let long-term capital gain		
IRREVOCABLE DYNASTY TRUST	4b	1 2	28% rate gain	12	Alternative min tax adjustment
	4c	+	Inrecaptured section 1250 gain		
C Fiduciary's name, address, city, state, and ZIP code LEO J CUSHING, TRUSTEE	5		Jiner pardollo and Ionbusiness income		
375 TOTTEN POND ROAD WALTHAM, MA 02451	6	-	Ordinary business income		
	* 7	ч.	50,000. Vet rental real estate income		
D Check if Form 1041-T was filed and enter the date it was filed	8	1	Other rental income	13	Credits and credit recapture
Officer in the last chief the back was need	9	_	Directly apportioned deductions	Ľ.	
E Check if this is the final Form 1041 for the estate or trust	_		жему дрошине основки		
Part II Information About the Beneficiary					
F Beneficiary's identifying number 321-65-4987				14	Other information
6 Beneficiary's name, address, city, state, and ZIP code JOHN Q PUBLIC JR	10)	Estate tax deduction		
357 TOTTEN POND ROAD WALTHAM, MA 02451					
,					
		rivo Anti- Anti-			
	*	See	attached statement for addition	nal int	formation.
	b d	ene tedu	 A statement must be attached ficiary's share of income and d actions from each business, ren r rental activity. 	irectly	apportioned
	For IRS Use Only	?			
H X Domestic beneficiary Foreign beneficiary	For RR				

LHA For Paperwork Reduction Act Notice, see the Instructions for Form 1041.

Schedule K-1 (Form 1041) 2010

Schedule K-1 (Form 1041) Engales des page 2010			nal K-1 Amend		
For Calcindar year 2010,	3.	r di	L III Senenciary's Share Deductions, Credit		
Department of the Treasury or tax year beginning Internal Revenue Service and ending	_ 7	lr	nterest income		Final year deductions
Beneficiary's Share of Income, Deductions, Credits, etc. See separate instruction	ns. 2a	0	rdinary dividends		
Part I Information About the Estate or Trust A Estate's or trust's employer identification number	2b) Q	walified dividends		
04-3579517 B Estate's or trust's name	3	N	let short-term capital gain		
IRREVOCABLE DYNASTY TRUST	4a	a N	let long-term capital gain		
TWGAOCUDER RIMORIA 111001	4b	b 2	8% rate gain	12	Alternative mln tax adjustment
C Fiduciary's name, address, city, state, and ZIP code	4c	G L	Inrecaptured section 1250 gain		
LEO J CUSHING, TRUSTEE 375 TOTTEN POND ROAD	5	, ,	nhar portolio and conbusiness income		
WALTHAM, MA 02451	6	; (Ordinary business income 50,000.		
	7	7 1	Net rental real estate income		
D Check if Form 1041-T was filed and enter the date it was filed	8	3 (Other rental income	13	Credits and credit recapture
E Check if this is the final Form 1041 for the estate or trust	9	9 1	Directly apportioned deductions		
Part II Information About the Beneficiary					
F Beneficiary's Identifying number 159–85–7532				14	Other information
G Beneficiary's name, address, city, state, and ZIP code JANE Q PUBLIC	110	0	Estate tax deduction		
347 TOTTEN POND ROAD WALTHAM, MA 02451					
				Š	
			e attached statement for additi-		formation
		ben ded	e. A statement must be attache eficiary's share of income and uctions from each business, re er rental activity.	direct	ly apportioned
	Man Only	For IRS Use Only			
Poreign beneficiary Foreign beneficiary	OGI 100	For IR			

통 1	041	Department of the I - Internal Revenue S	Service U.S.	Income Tax Retu	rn fo	r Es	states and	<u>ir</u>	<u>ists</u>	
		ear 2010 or fiscal			, 2010 an		0		,	OMB No. 1545-0092
Α	Type of e	entity:	Name of estate or trust (if a grantor type trust, see page 15 of the	instructions	3.)		- 10		yer identification number
	Decede	nt's estate						L		3579517
<u>_</u>	Simple			E DYNASTY TRUST				ال_		tity created
X	Comple	ex trust	Name and title of fiduciar	y				L		01/01/2009
	-	d disability trust								empt charitable and split-
X	ESBT (8	S partion only)	LEO J CUSE	IING, TRUSTEE						t trusts, check applicable
	Grantor	type trust		n or stute no. (If a P.O. box, see page 15	or the instru	ictions:)		-	boxes	(see pg 16 of the instr.):
	Bankrupi	tcy estate-Ch. 7		POND ROAD					닏	escribed in section 4947(a)(1)
<u> </u>		toy estate-Gh. 11	City or town, state, and 2	(IP code						lot a private foundation
<u>L</u>			WALTHAM				02451	L		escribed in section 4947(a)(2)
		dules K-1	applicable ====	nitial return Final return		nended :		느	_	ge in trust's name
	ached 📂			Change in fiduciary		range in	fiduciary's name		Chan	ge in fiduciary's address
G Chi			ng trust made,a section	n 645 election			** ************************************			10.000
1		iterest income			35	R 2.	PATEMENT 1		1	10,000.
1	2 a T	otal ordinary divid	ends						2a	
1			allocable to: (1) Benef	iciaries (2) Estate	or trust			\$2.95A	
a				ale C or C-EZ (Form 1040)					3 4	
Income	4 C	apital gain of (loss	S). Attach Schedule D ((Form 1041)		40.401			5	
프				es and trusts, etc. Attach Schedule					6	
[(Form 1940)					7	
		ther income, List 1		***************************************	**********				8	
			· · · · · · · · · · · · · · · · · · ·	through 8	. ,,,			$\overline{}$	9	10,000.
	10. In	terest. Check if Fo	orm 4952 is attached	>	************		***************************************		10	
Ţ									111	
Í		***************************************							12	2,500.
ı	13 C	haritable deductio	n (from Schedule A, li	ne 7)					13	
Ø			nt, and return preparer						14	2,500.
5 L	15 a O	ther deductions n	ot subject to the 2% fl	oor (attach schedule)					15a	
Deductions	b Al	llowable miscellan	eous itemized deducti	ons subject to the 2% floor					15b	
쥣	16 A	dd lines 10 throug	gh 15b							5,000.
മ്	17 A	djusted total incor	ne or (loss). Subtract i	line 16 from line 9		17	5,0	00.		
				edule B, line 15). Attach Schedules					18	5,000.
			•	eration-skipping taxes (attach com					19	100
				,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,					20	100. 5,100.
\rightarrow	21 A	dd lines 18 throug	ph 20	1- 1- 1- 1- 1- 1- 1- 1- 1- 1- 1- 1- 1- 1				<u></u>		-100.
				e 17. If a loss, see page 23 of the ir					22	628,950.
- 1	23 T	otat tax (irotti Scii	setimete di tava accument	to and amount applied from 2000 a		• • • • • • • • • • • • • • • • • • • •		•••••	24a	020,530.
2		-		ts and amount applied from 2009 r ficiaries (from Form 1041-T)					24b	
e l		sumaceo cax paym ubtract line 24b fr		incidence from Lord Lat.					24c	
Tax and Payments				the instructions)		********			24d	
a				n Form(s) 1099, check	<u> </u>				24e	
힐		ther payments: f F		; g Form 4136	3		; To	tal >		
ਲ			dd lines 24c through 2	4e, and 24h				•	25	
ă.	26 E:	stimated tax penal	lty (see page 24 of the	instructions)				•	26	13,489.
				i of lines 23 and 26, enter amount					27	642,439.
				total of lines 23 and 26, enter amo						
j	20 A	mount of line 28 t	n her a Credited to 20	tt netimatori tav			- h Refunde		- 29	
	Und	er penalties of perjury belief, it is true, come	y, I declare that I have exament, and complete. Declara	nined this return, including accompanyin tion of preparer (other than taxpayer) is b	g schedule ased on all	s and sta Information	tements, and to the best on of which preparer has	of my k any kno	nowiedge wiedge.	May the IRS discuss this
Siç He	J11						▶ .			return with the preparer shown below (see instr.)?
		Signature of fiducial	y or officer representing fi	duciary	Vate		EIN of fiducia financial insti	ution		Yes No
		Print/Type pre	parer's name	Preparer's signature		0	ate Che	ck L	if	PTIN
Pa	id						sel	- empl	loyed	
-	epa re r	-								04 0054765
	e Only	FILLIE		DOLAN, P.C.		000	Fi	m's E	N 🟲	04-2871360
		Firm's address		EN POND ROAD, SU	JITE	200				C4D F00 4FFF
ยาบส	LHA		WALTHAM 1				Pi	ione n	0-	617-523-1555
02-07	-11 Forl	Paperwork Reduc	tion Act Notice, see tl	ne separate instructions.						Form 1041

5 Did the estate or trust receive, or pay, any qualified residence interest on seller-provided financing? If "Yes,"	Form	17847 IRREVOCABLE DYNASTY TRUST		04-	-3579	517 p	age	2
Tax-exempt Income ablocable to charitable contributions (see page 26 of the Instructions) Schizotaci Inc. 2 from in 1 Copiel gains for the tax year allocated to corpus and pald or permanently set adde for charitable purposes A	S	chedule A Charitable Deduction. Do not complete for a simple trust or a pooled income fund.						_
3 Subtract line 2 from line 1				1				
A Capital gains for the buyes affocated to corpus and paid or permanently set aside for charitable purposes A did lines 3 and 4 Section 1202 exclusion allocable to capital gains paid or permanently set aside for charitable purposes over age 36 of the instructional Charitable deletion. Subtract line 6 from los 6. Enter here and on page 1, line 13 Schiedulic IBE Income Distribution Deduction 1 Adjusted total income (see page 25 of the instructions) 2 Adjusted total income (see page 25 of the instructions) 3 Total and spin from Schedula 6, line 14 (see page 25 of the instructions) 5 Either any pain from Schedula 6, line 14 (see page 25 of the instructions) 5 Either any pain from Schedula 6, an angelviar unbract 1, page 1, line 4, see, seate the loss as a positive number. 5 Either any pain from page 1, line 4, an angelviar unbract 1, page 1, line 4, see, seate the loss as a positive number. 6 Instruction of the posenting fister 1 through 6, lif zero or less, enter 4 or 10 instructions in the liceane, Combine lines 1 through 6, lif zero or less, enter 4 or 10 instructions in the liceane, Combine lines 1 through 6, lif zero or less, enter 4 or 10 instructions in the liceane, Combine lines 1 through 6, lif zero or less, enter 4 or 10 instructions in the liceane, Combine lines 1 through 6, lif zero or less, enter 4 or 10 instructions in the liceane, Combine lines 1 through 6, lif zero or less, enter 4 or 17 instructions 1 instructions 1 instructions 1 instructions 1 instructions 1 instructions 1 instructions 1 instructions 1 instructions 1 instructions 1 instructions 1 instructions 1 instructions 1 instructions 1 instructions 1 instructions 1 instructions 1 instructions 2 instructions 1 instructions 1 instructions 1 instructions 1 instructions 2 instructions 1 instructions 2 instructions 2 instructions 1 instructions 2 instructions 2 instructions 2 instructions 2 instructions 2 instructions 2 instructions 2 instructions 2 instructions 2 instructions 2 instructions 2 instructions 2 instructions 2 instructio				2				
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7 Chartable deduction. Subtract line 6 from the E. Inter here and on page 1, line 13 7 Schlicidius Sill Income Distribution Deduction 1 Adjusted total focums (see page 26 of the instructions) 1 Adjusted total focums (see page 26 of the instructions) 2 Adjusted total focums (see page 26 of the instructions) 3 Total net gain from Schoolub D (Form 1041), line 15, column (1) (see page 26 of the instructions) 3 Total net gain from Schoolub D (Form 1041), line 15, column (1) (see page 26 of the instructions) 4 Enter amount from Schoolub D (Form 1041), line 15, column (1) (see page 26 of the instructions) 5 Capital gains for the Excy are inducted on Schoolub A, line 1 (see page 26 of the instructions) 5 Enter any gain from page 1, line 4, as a negative number. If page 1, line 4, is a loss, enter the loses as a poolitive number 6 Income 10 I	5	***************************************		_				
Adjusted to the license (see page 25 of the instructions) 1 5 , 000	6	Section 1202 exclusion allocable to capital gains paid or permanently set aside for charitable purposes (see pg 25 of the inst	uctions)	6				
Adjasted taxed income (see page 25 of the instructions) 1 5,000	7	Charitable deduction. Subtract line 6 from line 5. Enter here and on page 1, line 13		7				
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1	-		000.					
10 Other amounts paid, or otherwise required to be distributed	9	Income required to be distributed currently		I1				
11 Total distributions, Add lines 9 and 10. If greater than line 8, see page 26 of the instructions	10	Other amounts paid, credited, or otherwise required to be distributed	•	⊢		100	00	0.
12 Enter the amount of two-exempt income included on line 1 12 13 100,000 14 15 15 100,000 15 16 16 16 16 16 16 16				\vdash				
13 Tentative income distribution deduction. Subtract line 12 from line 11 13 1.00 , 0.00 .	19	Enter the amount of tay-evernnt income included on line 11	*	-				<u> </u>
14 Tentative income distribution deduction. Subtract line 2 from line 7. If zero or less, enter -0- 15 Income distribution deduction. Enter the smaller of line 13 or line 14 here and on page 1, line 18. 1 Tax: a Tax on taxable income (see page 27 of the instructions) 1 Tax: a Tax on taxable income (see page 27 of the instructions) 1 Tax: a Tax on taxable income (see page 27 of the instructions) 1 Tax: a Tax on taxable income (see page 27 of the instructions) 1 Tax: a Tax on taxable income (see page 27 of the instructions) 1 Tax: a Tax on taxable income (see page 27 of the instructions) 1 Tax: a Tax on taxable income (see page 27 of the instructions) 1 Tax: a Tax on taxable income (see page 27 of the instructions) 1 Tax: a Tax on taxable income (see page 27 of the instructions) 1 Tax: a Tax on taxable income (see page 27 of the instructions) 1 Tax: a Tax on taxable income (see page 27 of the instructions) 1 Tax: a Tax on taxable income (see page 27 of the instructions) 1 Tax: a Tax on taxable income (see page 27 of the instructions) 1 Tax: a Tax on taxable income (see page 27 of the instructions) 1 Tax: a Tax on taxable income (see page 27 of the instructions) 1 Tax: a Tax on taxable income (see page 27 of the instructions) 1 Tax: a Tax on taxable income (see page 27 of the instructions) 2 Tax: a Tax on taxable income (see page 27 of the instruction (see page 27 of the instruction (see page 28 of the instruction deduction (see page 29 of the instructions) 1 Tax: a Tax on taxable income (see page 27 of the instructions) 1 Tax: a Tax on taxable income (see page 27 of the instructions) 2 Tax: a Tax on taxable income (see page 28 of the instructions) 2 Tax: a Tax on taxable income (see page 28 of the instructions) 2 Tax: a Tax on taxable income (see page 28 of the instructions) 3 O O O O O O O O O O O O O O O O O O	13	Tentative income distribution deduction Subtract line 19 from line 11	******	-		100.	ดด	<u> </u>
18 Income distribution deduction. Enter the smaller of line 13 or line 14 here and on page 1, line 18.	14	Togrative income distribution deduction Subtract line 2 from line 7. If zero ex lens enter -0-			<u>-</u>			
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1 Tax: a Tax on taxable income (see page 27 of the instructions)				1 10				-
b Tax on lump-sum distributions. Attach Form 4972			0	030346				
c Alternative minimum tax (from Schedule I (Form 1041), line 56)			0.					
d Total. Add lines 1a through 1c 2a Foreign tax credit. Attach Form 1116 2a b General business credit. Attach Form 3800 c Credit for prior year minimum tax. Attach Form 8801 d Bond credits. Add lines 2a through 2d Subtract line 3 from line 1d. If zero or less, enter -0- 5 Recapture taxes. Check if from: Form 4255 Form 6611 5 Household employment taxes. Attach Schedule H (Form 1040) 6 Household employment taxes. Attach Schedule H (Form 1040) 7 Total tax. Add lines 4 through 6. Enter here and on page 1, line 23 Other Information SEC 641 (C) 628,950. Yes No Other Information SEC 641 (C) 628,950. Yes No Did the estate or trust receive tax-exempt income? If "Yes," attach a computation of the allocation of expenses Enter the amount of tax-exempt interest income and exempt-interest dividends \$\begin{array}{c} \begin{array}{c} \begin								
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Expense Allocation by Income Type

Income Type	Income	Charity	Direct Expenses Specifically Allocated	Indirect and Direct Expenses not Specifically Allocated	Net Income
Other Taxable					
Non-Passive					
Ordinary Business			·		·
Net Rental Real Estate					
Other Rental			:		,
interest	10,000.			5,000.	5,000.
Non-qualified Dividends					
Passive			·		
Ordinary Business					
Net Rental Real Estate			÷		
Other Rental					
U.S. Interest					
U.S. Interest/Dividends					: :
Qualified Dividends		-	;		
Short-term Capital Gains		-			
Long-term Capital Gains					
Tax-exempt Interest		·			
Total	10,000.			5,000.	5,000.

1041

Electing Small Business Trust Tax Calculation

Employer ID Number Name of Trust 04-3579517 IRREVOCABLE DYNASTY TRUST Income Interest _____ Total Ordinary Dividends Less: Qualified Dividends Net Dividends Other Ordinary Income SEE STATEMENT 2 Net Short-Term Capital Gain 1,800,000. Total Income _____ Deductions Interest Taxes Fiduciary Fees Charitable Deduction Attorney, Accountant, Return Preparation Fees Other Deductions - Not Subject to 2% Limit Other Deductions - Subject to 2% Limit 3,000. Total Deductions _____ Tax and Credits 1,797,000. Taxable Income Tax - 35% ______ Net Long-Term Capital Gain and Qualified Dividends Tax ______ Total Regular Tax Alternative Minimum Tax Totai Tax _____ Credits Recapture and Other Taxes 628,950. Net Tax - to Form 1041, Schedule G, line 7



S CORPORATION PORTION

Passive Activity Loss Limitations

OMB No. 1545-1008

Department of the Treasury

See separate instructions.

Attach to Form 1040 or Form 1041.

Attachment Sequence No. 88

Name(s) shown on return		Identifying number	_
TROPUCCIOL DUNIA CHU MRUCH		04-3579517	
IRREVOCABLE DYNASTY TRUST Part 2010 Passive Activity Loss Caution: Complete Workshee	to 1.0 and 2 or over 2 before our		—
		Transfer to the state of the st	56 2
Rental Real Estate Activities With Active Participation (For the definition of ac Special Allowance for Rental Real Estate Activities on page 3 of the instruction			
1a Activities with net income (enter the amount from Worksheet 1, column (a))	l ta l		
b Activities with net loss (enter the amount from Worksheet 1,			
column (b))	1b		
c Prior years unallowed losses (enter the amount from Worksheet 1, column (c))	10		W.
d Combine lines 1a, 1b, and 1c.		1d	
Commercial Revitalization Deductions From Rental Real Estate Activities			12.5° 13.5°
2a Commercial revitalization deductions from Worksheet 2, column (a)	2a		
b Prior year unallowed commercial revitalization deductions from			
Worksheet 2, column (b)	25		100
c Add lines 2a and 2b		2c	
All Other Passive Activities			ĮŠ.
3a Activities with net income (enter the amount from Worksheet 3,			#6 83
column (a))	за 1,800,00	0-1	
b Activities with net loss (enter the amount from Worksheet 3,	4		繜
column (b))	3tb		
c Prior years unallowed losses (enter the amount from Worksheet 3,			
column (c))		3d 1,800,000	ñ .
d Combine lines 3a, 3b, and 3c Combine lines 1d, 2c, and 3d. If the result is net income or zero, all losses a	es allowed including any prior yea		-
unallowed losses entered on line 1c, 2b, or 3c. Do not complete Form 8582			
No state and a second the second		1,800,000	o.
If line 4 is a loss and: • Line 1d is a loss, go to Part II.			
• Line 2c is a loss (and line 1d is zero or more), ski	n Part II and on to Part III		
 Line 3d is a loss (and lines 1d and 2c are zero or 	·	to line 15	
Caution: If your filing status is married filing separately and you lived with your s			
Part II or Part III. Instead, go to line 15.			
Part II Special Allowance for Rental Real Estate Activities	With Active Participation		
Note: Enter all numbers in Part II as positive amounts. See page 9 of	the instructions for an example.		
5 Enter the smaller of the loss on line 1d or the loss on line 4	*************	5	
6 Enter \$150,000. If married filing separately, see the instructions	6		
7 Enter modified adjusted gross income, but not less than zero (see the instr.) 7		
Note: If line 7 is greater than or equal to line 6, skip lines 8 and			
9, enter -0- on line 10. Otherwise, go to line 8.	在1960年的		- (
8 Subtract line 7 from line 6			
9 Multiply line 8 by 50% (.5).Do not enter more than \$25,000. If married filing			
10 Enter the smaller of line 5 or line 9			
If line 2c is a loss, go to Part III. Otherwise, go to line 15.	advatana Posta District	-1 F-6-6- A -15-22	
Part III Special Allowance for Commercial Revitalization D Note: Enter all numbers in Part III as positive amounts. See the exam			
	······································		
	, ,,	····	
12 Enter the loss from line 4			
14 Enter the smallest of line 2c (treated as a positive amount), line 11, or line			
Part IV Total Losses Allowed		···· I ii l	
15 Add the income, if any, on lines 1a and 3a and enter the total		15	
16 Total losses allowed from all passive activities for 2010. Add lines 10, 1			
to find out how to report the losses on your tax return		16	
LHA 019761 01-12-11 For Paperwork Reduction Act Notice, see separate inst		Form 8582	

LHA 019761 01-12-11 For Paperwork Reduction Act Notice, see separate instructions.

FORM 1041	INTEREST INCOME	STATEMENT 1
DESCRIPTION	u. s. Interest	OTHER TAXABLE INTEREST
CITIZENS BANK		10,000.
SUBTOTALS		10,000.
TOTAL TO FORM 1041, LINE 1		10,000.

ESBT	OTHER	R ORDINARY	INCOM	E	ST	ATEMENT	2
DESCRIPTION						AMOUNT	
FROM - JOHN Q. PUBLIC,	INC.					1,800,00	00.
TOTAL TO ESBT WORKSHEET						1,800,00	00.
ESBT FORM 8582 OTI	HER PASSIVE	ACTIVITIES	s – Wo	RKSHEET	3 ST	ATEMENT	3
	CURRENT Y	YEAR		YEAR LOWED	OVERALL O	AIN OR LO	SS
NAME OF ACTIVITY N	ET INCOME 1	NET LOSS		SS	GAIN	LOSS	
JOHN Q. PUBLIC, INC. 1	,800,000.	0.		0.	1,800,000.		0.
TOTALS 1	,800,000.	0.		0.	1,800,000.	·	0.
ESBT FORM 8582	SUMMARY (OF PASSIVE	ACTIV	TTIES	S'	CATEMENT	4
R R FOI E OI A NAME SCHEI		PRIOR OSS YEAR C,	∕o g≱	net Lin/loss	UNALLOWI LOSS	ED ALLOW	ED
JOHN Q. PUBLIC, SCH I	E 180000	00.	0. 1,	800,000		D.	0.
TOTALS	180000	00.	0. 1,	800,000	•	0.	0.
PRIOR YEAR CARRYOVERS A	LLOWED DUE	TO CURRENT	YEAR	NET ACT	IVITY INC	OME	
TOTAL TO FORM 8582, LIN	E 16						0.

Schedule K-1 (Form 1041) For calendar year 2010,		Final K-1 Am	ended K-	
Department of the Treasury or tax year beginning		Deductions, Cre	dits, an	d Other Items
Internal Revenue Service and ending	1	Interest income		Final year deductions
Beneficiary's Share of Income, Deductions, Credits, etc. See separate instructions.	2a	2,500 Ordinary dividends	+	
Part light Information About the Estate or Trust	2Ъ	Qualified dividends	$\neg \vdash \neg$	
A Estate's or trust's employer identification number	Ļ			
04-3579517 B Estate's or trust's name	3	Net short-term capital gain	1	
IRREVOCABLE DYNASTY TRUST	4a	Net long-term capital gain		
:	4b	28% rate gain	12	Alternative min tax adjustment
C Fiduciary's name, address, city, state, and ZIP code	4c	Unrecaptured section 1250 gain		
LEO J CUSHING, TRUSTEE 375 TOTTEN POND ROAD	5	Other portfolio and honbusiness income		
WALTHAM, MA 02451	6	Ordinary business income		
	7	Net rental real estate incom	e	
D Check if Form 1041-T was filed and enter the date it was filed	8	Other rental income	13	Credits and credit recapture
E Check if this is the final Form 1041 for the estate or trust	9	Directly apportioned deductions		
Part II Information About the Beneficiary	-			
F Beneficiary's identifying number	 		14	Other information
159-85-7532			E	5,000.
G Beneficiary's name, address, city, state, and ZIP code JANE Q PUBLIC	10	Estate tax deduction		
347 TOTTEN POND ROAD	\$ 14.			
WALTHAM, MA 02451				
	40%			
	10 to	M. A. S. S. S. S. S. S. S. S. S. S. S. S. S.		
	*See attached statement for additional information.		formation.	
	Note. A statement must be attached showing the beneficiary's share of income and directly apportioned deductions from each business, rental real estate, and other rental activity.			
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) se (
	ન્યું નુદ્ધ			
H X Domestic beneficiary Foreign beneficiary	For IRS Use Only			
LHA For Paperwork Reduction Act Notice, see the Instructions for Form 1041.	<u>. L</u>			Schedule K-1 (Form 1941)

01-11-11

Schedule K-1 (Form 1041)

Schedule K-1		Final K-1		ded K-	
(Form 1041) For calendar year 2010, Department of the Treasury or tax year beginning	P		Beneficiary's Shar Deductions, Credi		Current Year Income, d Other Items
Internal Revenue Service and ending	1	Interest in			Final year deductions
Beneficiary's Share of Income, Deductions,	L		2,500.	<u> </u>	
Credits, etc. See separate instructions.	2a	Ordinary o	dividends		
Part I Information About the Estate or Trust	2b	Qualified o	dividends	1	
A Estate's or trust's employer identification number 04-357951.7	<u> </u>	Not about	tarm conital soin	┼—	
B Estate's or trust's name	- 3	Merzhor-	term capital gain		
	4a	Net long-t	erm capital gain		
IRREVOCABLE DYNASTY TRUST		28% rate	agin.	12	Alternative min tax adjustment
	45	20% (415)	ganı	"	Angualise min tax adjustment
	4c	Unrecapture	ed section 1250 gain		
C Fiduciary's name, address, city, state, and ZIP code LEO J CUSHING, TRUSTEE	5	Other porte honbusines	silo and	╀╌	
375 TOTTEN POND ROAD	ľ	nonousmes	s acome		
WALTHAM, MA 02451	5	Ordinary t	ousiness income		
	7	Net rental	real estate income	\dagger	
D Check if Form 1041-T was filed and enter the date it was filed	.8	Other rent	tal income	13	Credits and credit recapture
	9	Directly app	portioned deductions		
E Check if this is the final Form 1041 for the estate or trust	\vdash	<u> </u>		-	
Part II Information About the Beneficiary	1_				
F Beneficiary's identifying number 321–65–4987				14 E	Other information 5,000.
G Beneficiary's name, address, city, state, and ZIP code JOHN Q PUBLIC JR	10	Estate tax	deduction		. !
357 TOTTEN POND ROAD	14 14: 2013				
WALTHAM, MA 02451		- 1000 A. 1817			
				-	
		ektorio (no			
	*See attached statement for additional information.				formation.
	No	ote. A stater	ment must be attache	d sho	vina the
	beneficiary's share of income and directly apportioned deductions from each business, rental real estate, and				
		auctions ire her rental ac		indt fe	ar coldic, and
				.,	
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	ç				
] S Us				
H X Dornestic beneficiary Foreign beneficiary	For IRS Use Only				

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Schedule K-1 (Form 1041)



Supplements

Steve Leimberg	DataNet Newsletter		FAX: (610) 924-0514		
Bob LeClair				924-0515	
Data	1-May	1-Apr	Month's	12-Month's	
ltem	2011	2011	Change	Change	
120% AFMR	2.94%	2.98%	-0.04%	-0.51%	
Section 7520 Rate	3.00%	3.00%	0.00%	-0.40%	
Appl. Short-Term (0 - 3 Yrs.)	0.56%	0.55%	0.01%	-0.23%	
Fedl. Mid-Term (>3 - 9 Yrs.)	2.44%	2.49%	-0.05%	-0.43%	
Rates Long-Term (> 9 Yrs.)	4.19%	4.25%	-0.06%	-0.28%	
Prime Rate					
(Major Banks)	3.25%	3.25%	0.00%	0.00%	
Money Market					
Mutual Funds (Taxable)	0.02%	0.03%	-0.01%	-0.01%	
Mortgage 30-Yr. Fixed	4.78%	4.86%	-0.08%	-0.28%	
Rates 1-Yr. Adjustable	3.15%	3.26%	-0.11%	-1.10%	
London Interbank Offered					
Rate (LIBOR) 12-month	0.76%	0.78%	-0.02%	-0.22%	
Dow Jones					
Industrial Average	12,811	12,320	491	1,802	
Standard & Poor's					
500 Stock Index	1,364	1,326	38	177	
NASDAQ					
Composite Index	2,874	2,781	92	413	
Standard & Poor's					
500 Dividend Yield	1.84%	1.85%	-0.01%	0.05%	
Standard & Poor's 500		·			
Price/Earnings Ratio	16.1	16.0	0.10	-1.30	
U. S. Treasury			·		
Bills (90 Days)	0.04%	0.09%	-0.05%	-0.11%	
U. S. Treasury					
Bonds (30 Years)	4.39%	4.51%	-0.12%	-0.13%	
Tax-Exempt Municipal		·			
Bonds (15 Yr.;AAA;Rev)	3.65%	4.10%	-0.46%	-0.19%	
Consumer (1982-84 = 100)	223.5	221.3	2.2	5.9	
Price (1967 = 100)	669.4	662.9	6.5	17.5	
Index (Month)	(3/11)	(2/11)			
Consumer Price Index					
Annual Growth Rate	2.70%	2.10%	0.60%	0.40%	
RS Under and Over-					
ment Interest Rate	4.00%	4.00%	0.00%	0.00%	
Gold, Troy OZ.					
New York Close	\$1,562.70	\$1,431.80	\$130.90	\$383.40	



Section 7520 Interest Rates

To be used to value certain charitable interests in trusts. Pursuant to Internal Revenue Code 7520, the interest rate for a particular month is the rate that is 120 percent of the applicable federal midterm rate (compounded annually) for the month in which the valuation date falls. That rate is then rounded to the nearest two-tenths of one percent. For example, the rate that is 120 percent of the applicable federal rate (compounded annually) for January 1998 is 7.13 percent. That rate is then rounded to the nearest two-tenths of one percent or 7.2 percent for purposes of IRC 7520.

Section 7520 Interest Rates

Valuation Month	120% of Applicable Federal Midterm Rate	Section 7520 Interest Rate	Revenue Ruling
January - 2011	234%	2.4%	2011-2
February - 2011	280%	2.8%	2011-4
March - 2011	2.94%	3,0%	2011-6
April - 2011	2.98%	3.0%	2011-10
May 2011	2.94%	3.0%	2011-11

For prior years' rates, please refer to Section 7520 Interest Rates for Prior Years.

Note: This page contains one or more references to the Internal Revenue Code (IRC), Treasury Regulations, court cases, or other official tax guidance. References to the lines has revenue code (IRC), reasony regulations, controlled for the convenience of those who would like to read the technical reference material. To access the applicable IRC sections, Treasony Regulations, or other official tax guidance, visit the Tax Code, Regulations, and Official Guidance page. To access any Tax Court case opinions issued after September 24, 1995, visit the Opinions Search page of the United States Tax Court.

References/Related Topics

- Estate and Gift
 Estate and Gift Forms and Publications

Rate the Small Business and Self-Employed Web Site

Page Last Reviewed or Updated: April 21, 2011

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ŧA33 engy prices, to my through at he year. Many ist the with

heating season ists said, high ke a big bite of , slowing con-hich accounts is of economic ney costs could ess hiring and

harlotte N.C. n could create to Federal Rehalrman, Ren tes over after res in January. dding to infla-te Fed has fo-lerest rates to from growing king inflation. e expected to mark rate by percent when k, and follow te increase in ercent. But if signs of slow-livia said, the question of to target in-



Workers load a delivery truck at an Indiana furniture store. The US economy showed resilience in the face of hurricanes Katrina and Rita in the third quarter.

asked. "That is going to be the

asked. "That is going to be the challenge for Bernanic, who is going to have to make some tough judgments."

But with the economy's strong performance in the third quarter, many analysis expect the Fed to continue raising rates near year, "This and All seconds by either when the performance of the strong performance is the strong performance in the strong performance in the strong performance and possibly to 4.75 percent by spring. The economy has momentum, analysts said, and is likely to get a boost from billions of dollars spent rebuilding Gulf Coast communi-

In the third quarter, the econ-

nologies at Sun Microsystems, agreed that his company's SurOffice and OpenOffice programs are playing catch-up when it comes to features for disabled people. "We will cheerfully admit that it's not as good as what's there under Windows today." Bruy said.

The change will not affect how people gain access to state government websites. But it could cause problems for users of Microsoft Word who download state records street in the problems.

dows today," Bray said.

e in Beacon Hill software

result annual rate, compared to b percent in the second quarter. Ishess investment also rose. Of chusetts, corporate technology spending grew at a solid 8.9 per-cent annual pace, compared with 10.9 percent in the previous three

Robert Gavin can be reached at

omy showed broad strength. Consumer spending grew at its fastest pace of the year, advancing at a 3.9 particular importance to Mass

oned by advocates for blind

We're encouraged by the addi-tional and thorough review that the Legislature is purpoing to bet-ter understand the costs and issues associated with the exist Massachusetts proposal," Yates

Secretary of State William P.
Secretary of State William P.
Galvin, who oversees the state's
public documents, also opposes
the new storage standards, although his office has not explained

Microsoft Corp. has so far refused to How will people know make its software with disabilities the compatible with with disabilities

Pacheco wants to know whether Quinn has the au-thority to make a

Abigail Johnson sells part of stake

Move may be sign she won't take over at Fidelity

Fidelity Investments said Abi-Fidelity Investments said Abi-gail Johnson, 43, the company's largest shareholder and a leading candidate to succeed her father, chairman and chief executive Ed-ward Johnson III, sold some of her voting stake in the mutual fund farm to family trusts. Fidelity, the world's largest fund manager with \$1.1 trillion in assets, did not dis-close how much of her 24.5 per-51.1 trillion in assets, did not dis-close how much of her 24.5 per-cent stake was sold. The change didn't reduce the Johnson family 49 percent ownership of the Bos-ton-based company, spokeswom-an Anne Crowley said. Fidelity ex-centives hold 51 percent.

ecutives hold 51 percent.

Johnson, 43, sold the shares to "generation-skipping family tinuse" that benefit current and futitre family members, Crowley said. The transfer was part of the Johnsons' "estate planning and family succession process," she

. Johnson was reassigned in May from Fidelity's investment-management division to its retirement-

ageinst division to its retirement-service group.

The timing of the two events suggests that "Abby may not be in line to run the company," said Christopher Thaulsen, a fund ana-lyst with Chicago-based research firm Montheagness. firm Morningstar Inc.

People inside and outside the company have long identified Johnson as the heir apparent. The company hasn't said who is in line to succeed 75-year-old Edward

Johnson had mixed success in her four years as president of the investment group, Pidelity Management & Research Co. Its funds struggled to match past perform-ance or returns posted by rivals in-cluding American Funds and Van-

guard Group.

The flagship Magellan Fund, once the industry's largest stock fund, has gained an annual average of 8.6 percent in three years trailing 81 percent of similarly training 51 percent of similarly managed funds, according to data compiled by Bloomberg. The \$52.6 billion fund, managed by Robert Stangky was overtaken as Fidelity's biggest in September by the \$56.7 billion Contrafund, which is rin by William Danger which is run by William Danoff.

which is run by william Danoff.
Fidelity has endured yearlong
regulatory and criminal investiga-tions of its equity traders' accept-ance of gifts from outside brokers.

A half-dozen stock traders have since left the company, and Scott



Last month, Song named one of its 757s after Red Sox player David Ortiz. The moniker remains until at least the spring.

Delta takes Song under its wing

Continues from rugs Asso commuter service, Delta is the sec-ond biggest airline at Logan after American Abrines, ranked by pas-senger volume. Delta files 22 non-senger volume. Delta files 22 nonstop routes from Boston now, in-cluding its hourly New York shuttle and 12 daily flights to its main hub in Atlanta.

Delta executives yesterday sought to portray their decision sought to portray their decision not as abandoning the Song con-cept, but seeking to apply its best features across Delta as the airline fights to emerge from bankruptcy protection and return to profit-ability

ability.
"This is a great opportunity for
us to bring all that we have
learned from Song and its creatity and innovation into Deita," said
Joanne Smith, Song president,
who will hold that job through
May while also serving as a Deita
vice president of marketing. Smith
said she greater Deits greater for the said she greater for the greater for the said she greater for the said she greater for the said she greater for the great said she expects Delta to adopt Song's innovations in food service, Song's innovations in food service, so the soffering organic salads and gournet sandwiches aimed at health-conscious travelers. Although it has become a well-known brand name in the last two

years, Song files out of only 16 cities, and it has no presence in Delies, and it has no presence in Delies, and it has no presence in Delies Atlanta megahub. Switching the globally known, 70-year-old Delta brand to the newer Song was not considered as an option, Smith said.

The plane Sengment of Delta Control of the State of t

The plane Song renamed "Big The piane Song renamed Big Papi" this autumn in honor of Red Sox slugger David Ortir will keep its moniker until at least the spring. Another Boston Song inno-vation, a new menu developed by Chef Peter Davis of Heurictha Th-ha grad the Charles Head in Corn. ble and the Charles Hotel in Cam-bridge, was scheduled to run only from November through January before likely getting updated by a chef in another Song market.

ed as a separate brand, Song last year ranked as the fifth biggest carrier at Logan, serving 1.75 mil-lion passengers, or 6.7 percent of Logan's total, according to Massa-chusetts Port Authority statistics. That put Song just after mainline Delta, which ranked fourth with 2.1 million passengers, or 7.9 per-cent of the total.

Ray Neidl, an aviation industry stock analyst with Calyon Securi-ties Inc., said it made sense for Delta to collapse Song back into Delta to save money on marketing and avoid customer confusion.

Although other airlines, including United with its Ted sub-sidiary, have tried to set up low-cost divisions to compete with fast-growing and highly profitable Southwest Airlines Co. and Jet-Southwest Airmes Co. and Jet-Blue Airways Corp., Neidl said that model "has never worked in the past, and there was no reason to believe that it would in the futo believe that it would in the fatime, even though the Song product proved popular with customers." Delta, he said, had more
success with running a low-cost
operation than previous attempts
by other legacy aritime, "and the
lessons it learned on how to run a
more simplified operation
through Song it will now incorporate into its domestic operation."
As it returns the Song 78% to

As it returns the Song 757s to Delta service, Delta will reconfig-ture the existing one class aftimers with 26 first-class seats, in hopes of attracting lucrative business

converted to the Song interior cab-in style will be refuted with per-sonal entertainment systems of-fering 24 channels of live TV, 10 channels of on-demand vid interactive video games and imusic programming, Delta chief execu-tive Gerald Grinstein said.

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c Pacheco unton who ce, said he certer inth. Quinn rom storing y Microsoft