

## MAFI 2021 GST Handout

In 1999, Tina created a trust (the “Dynasty Trust”) for the benefit of all of her issue and charity. All distributions from the Dynasty Trust are in the discretion of the trustees. Tina funded the Trust with \$2,000,000. She and her husband Harry timely filed gift tax returns for 1999 on which they elected to gift split. They each allocated GST exemption to the gift using a formula allocation (which allocated as much exemption as was needed to give the trust an inclusion ratio of zero).

In 2010, when the initial contribution to the Dynasty Trust had grown to a value of \$2,500,000, Tina contributed another \$2,500,000 to the Trust. She also funded a second trust (the “SLAT”) for the benefit of all of her issue and Harry. All distributions from the SLAT are in the discretion of the trustees. Tina funded the SLAT with \$2,000,000. She and Harry timely filed gift tax returns for 2010 on which they elected to gift split. They each again used a formula allocation to allocate GST exemption to the gift.

In 2014, when the assets of the Dynasty Trust were valued at \$6,000,000, Tina contributed another \$2,000,000 to the Dynasty Trust. Unfortunately, Harry was sick in April 2015 and although Tina remembered to file their joint income tax return on time, she forgot to prepare and file their gift tax returns. Harry died on November 4, 2015. As of Harry’s date of death, the assets in the Dynasty Trust were valued at \$8,500,000 and the assets in the SLAT were valued at \$3,000,000. No distributions had been made from either trust during Harry’s lifetime. Harry had made no use of his GST exemption other than as discussed in this problem. His executor did not manually allocate any of his remaining GST exemption on his estate tax return. Neither Tina nor Harry ever filed a 2014 gift tax return.

Tina died in 2021. Her Will directed her executor to do the following: First, to allocate GST exemption to any trust Tina funded during her lifetime to the extent necessary to give all such trusts an inclusion ratio of zero (if possible, otherwise get a zero inclusion ratio for the SLAT first, then allocate the rest of her GST exemption to the Dynasty Trust). Second, the executor should determine how much GST exemption Tina had remaining after those allocations. Third, Tina made a bequest equal to that remaining GST exemption amount to the Dynasty Trust and instructed her executor to allocate Tina’s remaining GST exemption to the Dynasty Trust. As of the date of Tina’s death, the assets in the Dynasty Trust of which Tina was the transferor were valued at \$10,000,000 and the assets in the SLAT were valued at \$3,500,000. No distributions had been made from either trust during Tina’s lifetime.

How much is the bequest to the Dynasty Trust under Tina’s will?