



CUSHING & DOLAN, P.C.
A T T O R N E Y S A T L A W

**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

Presented by:

Leo J. Cushing, Esq., CPA, LLM
Cushing & Dolan, P.C.
Attorneys at Law
Totten Pond Road Office Park
375 Totten Pond Road, Suite 200
Waltham, MA 02451
(617) 523-1555
lcushing@cushingdolan.com
www.cushingdolan.com



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ATTORNEYS AT LAW

Part 1:

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Cushing & Dolan Spring Seminar 2011
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PART I

**Introduction and Overview of the “Tax Relief, Unemployment Insurance
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Leo J. Cushing, Esq., CPA, LLM
Cushing & Dolan, P.C.
Attorneys at Law
Totten Pond Road Office Park
375 Totten Pond Road, Suite 200
Waltham, MA 02451
(617) 523-1555
lcushing@cushingdolan.com
www.cushingdolan.com

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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

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)	Total Assets at Death	- \$0 -
Line 3(b)	State Death Tax Deduction	- \$0 -
Line 3(c)	Taxable Estate	- \$0 -
Line 4	Adjusted Taxable Gifts Made After 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 *Walton v. Commissioner*, 115 T.C. 41 (2000). In *Walton*, 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	<u>\$ 5,000,000</u>
	Taxable GST Termination	\$15,000,000
	GST Tax (35%)	<u>\$ 5,250,000</u>

- 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 *Simches v. Simches*, 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 § 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, *Petter v. Comm.*, 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, *Frane v. Comm.*, 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, *Frazer 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, *Petter v. Comm.*, 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.) See, also, *Knight v. Comm.*, 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.); *McCord v. Comm.*, 461 F.3d. 614 (5th Cir. 2006); *Estate of Christensen*, 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.

PLANNING 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 TAM 200011005 (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. Ware v. Gulda, 331 Mass. 68 (1954); State Street Bank & Trust Company v. Reiser, 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 § 678(a) by virtue of IRC § 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	
FMV of Asset	10,000,000
Interest Rate	2.44%
Term of Note	9
Annual Payment	675,550.98
Tax Liability	40.0%
Defective Trust Share of Cash Flow	90%

CALCULATION OF FAIR MARKET VALUE AND SALES PRICE			
FMV of Asset			10,000,000
Shares		1,000	
Price Per Share		10,000	
Discount		(4,000)	
Discounted Share		6,000	
Multiplied by interests to be sold	X	900	
Total sale price			\$ 5,400,000

NOTE

YEAR	TOTAL PAYMENT	2.44% INTEREST	PRINCIPAL	BALANCE
1	\$675,550.98	\$131,760.00	\$543,790.98	\$5,400,000.00
2	\$675,550.98	\$118,491.50	\$557,059.48	\$4,856,209.02
3	\$675,550.98	\$104,899.25	\$570,651.74	\$4,299,149.53
4	\$675,550.98	\$90,975.35	\$584,575.64	\$3,728,497.80
5	\$675,550.98	\$76,711.70	\$598,839.28	\$3,143,922.16
6	\$675,550.98	\$62,100.02	\$613,450.96	\$2,545,082.88
7	\$675,550.98	\$47,131.82	\$628,419.17	\$1,931,631.91
8	\$675,550.98	\$31,798.39	\$643,752.59	\$1,303,212.75
9	\$675,550.98	\$16,090.83	\$659,460.16	\$659,460.16

DEFECTIVE TRUST-UNDISCOUNTED

FMV ASSETS	7.2% APPRECIATION	PAYMENT	END OF YEAR	NOTE REC
\$9,900,000.00	\$712,800.00	\$675,550.98	\$9,900,000.00	\$5,400,000.00
\$9,937,249.02	\$715,481.93	\$675,550.98	\$9,937,249.02	\$4,856,209.02
\$9,977,179.96	\$718,356.96	\$675,550.98	\$9,977,179.96	\$4,299,149.53
\$10,019,985.93	\$721,438.99	\$675,550.98	\$10,019,985.93	\$3,728,497.80
\$10,065,873.94	\$724,742.92	\$675,550.98	\$10,065,873.94	\$3,143,922.16
\$10,115,065.88	\$728,284.74	\$675,550.98	\$10,115,065.88	\$2,545,082.88
\$10,167,799.64	\$732,081.57	\$675,550.98	\$10,167,799.64	\$1,931,631.91
\$10,224,330.23	\$736,151.78	\$675,550.98	\$10,224,330.23	\$1,303,212.75
\$10,284,931.02	\$740,515.03	\$675,550.98	\$10,284,931.02	\$659,460.16
\$10,349,895.07				(\$0.00)

TAXPAYERS ESTATE ANALYSIS

ANNUAL PAYMENT	40% TAX LIAB	NET ESTATE
\$675,550.98	\$285,120.00	\$5,400,000.00
\$675,550.98	\$286,192.77	\$5,246,640.00
\$675,550.98	\$287,342.78	\$4,888,507.74
\$675,550.98	\$288,575.59	\$4,116,706.00
\$675,550.98	\$289,897.17	\$3,530,897.55
\$675,550.98	\$291,313.90	\$2,930,736.69
\$675,550.98	\$292,832.63	\$2,315,869.00
\$675,550.98	\$294,460.71	\$1,686,931.10
\$675,550.98	\$296,206.01	\$1,040,550.43
\$675,550.98		\$379,344.97

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

lcushing@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

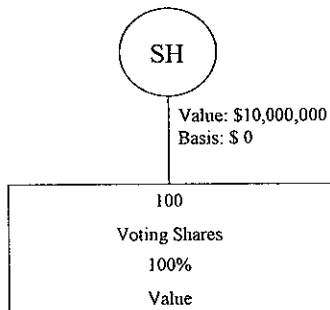
CHESTNUT HILL
1330 Baylston Street
Suite 100
Chestnut Hill, MA 02467
T: 617-523-1555
F: 617-523-5653

WESTBOROUGH
276 Turnpike Road (Rte. 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

Recapitalization of S-Corp.

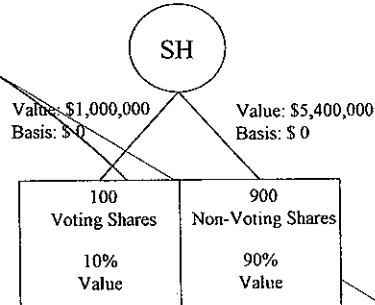
Before



STEPS

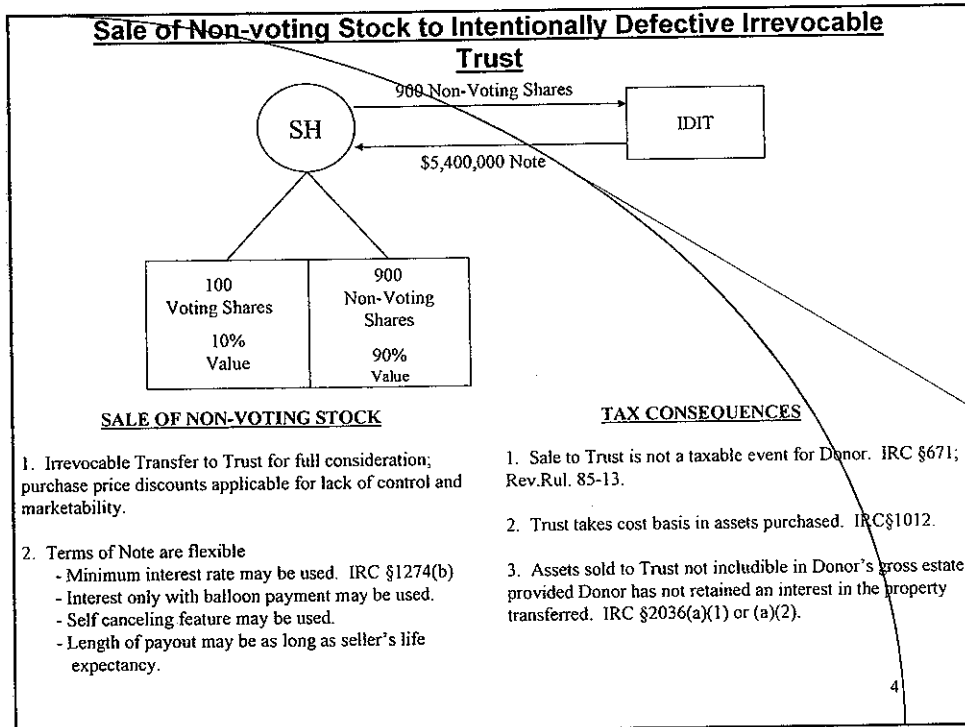
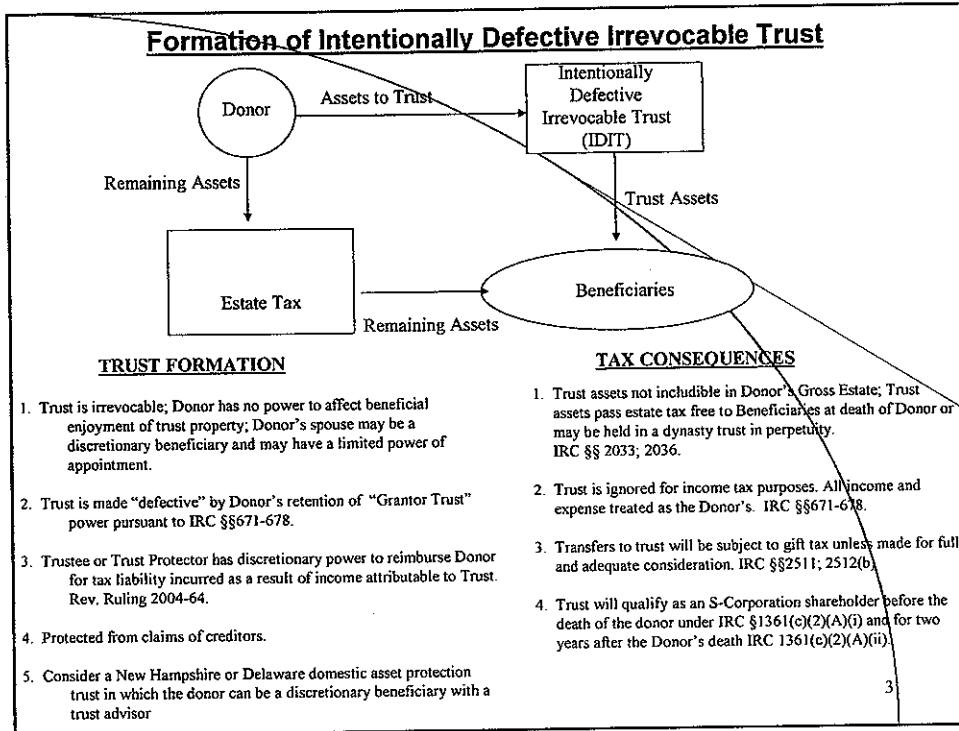
1. Authorize issuance of non-voting shares.
2. Declare non-voting stock dividend at a ratio of 9 non-voting shares to every 1 voting share.
3. Issue non-voting shares to holder(s) of voting shares.

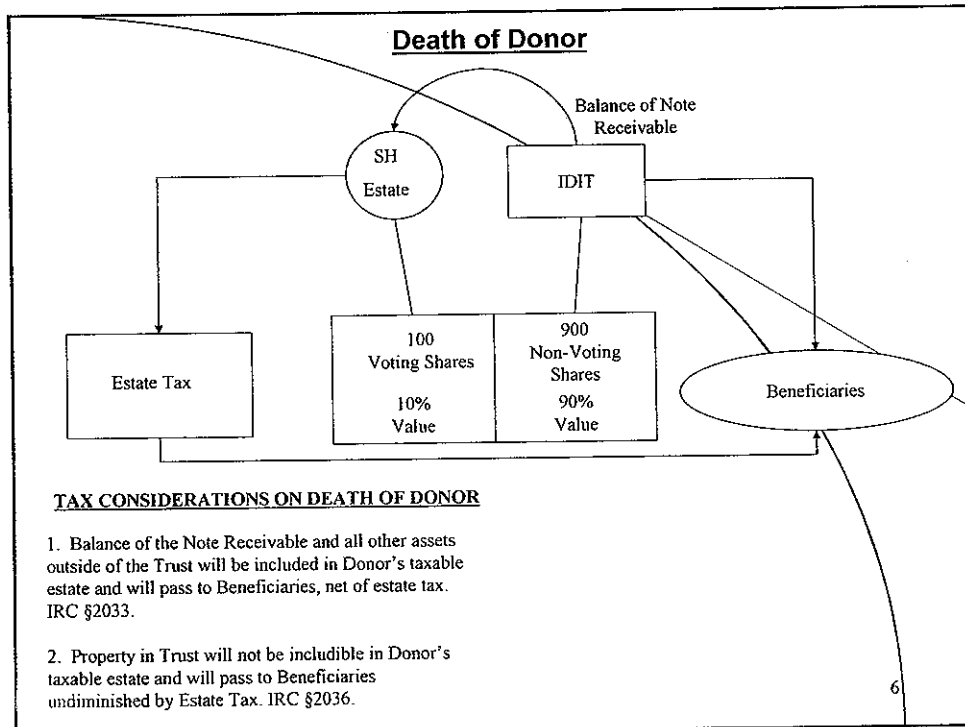
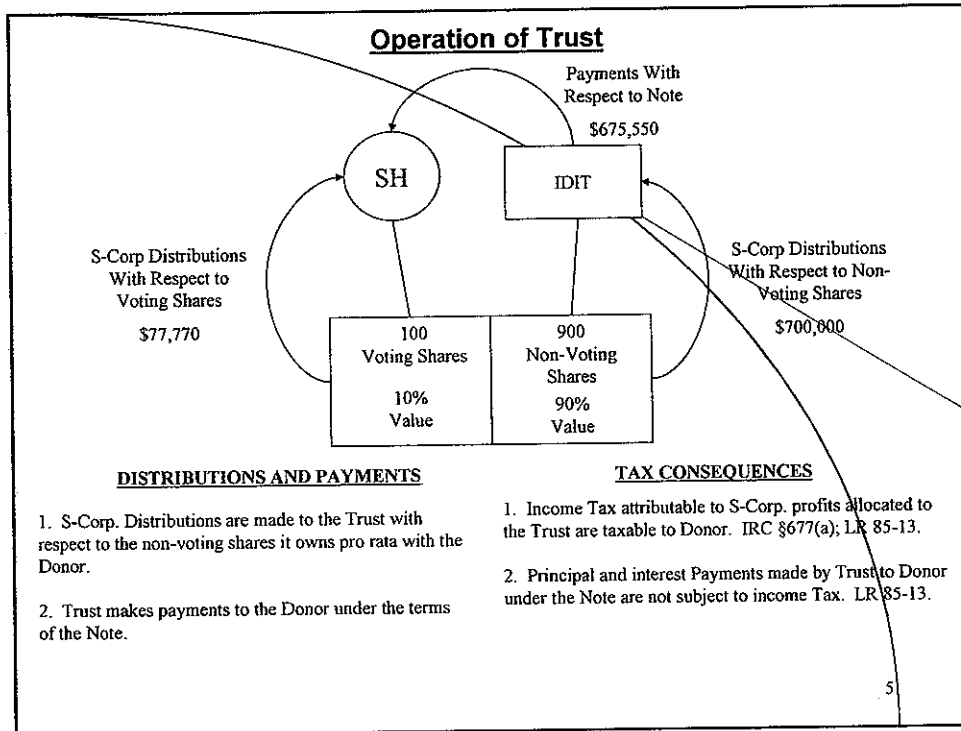
After



TAX CONSEQUENCES

1. Recapitalization is a tax free transaction. IRC §§354(a)(1) and 368(a)(1)(E).
2. Basis in shares originally held proportionately allocated among all shares held after recapitalization based on relative value. Reg. §1.358-2(a)(2).







CUSHING & DOLAN, P.C.

ATTORNEYS AT LAW

Part III:

Functional Analysis & Income Tax Compliance

Schedule K-1
(Form 1120S)

2009

Final K-1 Amended K-1

OMB No. 1545-0130

Department of the Treasury
Internal Revenue Service

For calendar year 2009, or tax
year beginning _____
ending _____

**Shareholder's Share of Income, Deductions,
Credits, etc.** ▶ See separate instructions.

Part III Shareholder's Share of Current Year Income,
Deductions, Credits, and Other Items

Part I Information About the Corporation						
A Corporation's employer identification number 04-1234567		1	Ordinary business income (loss) 200,000.	13	Credits	
B Corporation's name, address, city, state, and ZIP code JOHN Q. PUBLIC, INC. 123 MAIN STREET WALTHAM, MA 02451		2	Net rental real estate inc (loss)			
		3	Other net rental income (loss)			
		4	Interest income			
		5a	Ordinary dividends			
C IRS Center where corporation filed return CINCINNATI, OH		5b	Qualified dividends	14	Foreign transactions	
		6	Royalties			
		7	Net short-term capital gain (loss)			
Part II Information About the Shareholder		8a	Net long-term capital gain (loss)			
	D Shareholder's identifying number 123-45-6789		8b	Collectibles (28%) gain (loss)		
	E Shareholder's name, address, city, state and ZIP code JOHN Q. PUBLIC 375 TOTTEN POND ROAD WALTHAM, MA 02451		8c	Unrecaptured sec 1250 gain		
			9	Net section 1231 gain (loss)		
F Shareholder's percentage of stock ownership for tax year 10.000000%		10	Other income (loss)	15	Alternative min tax (AMT) items	
For IRS Use Only		11	Section 179 deduction	16	Items affecting shareholder basis	
		12	Other deductions			
					17	Other information

*See attached statement for additional information.

Schedule K-1
(Form 1120S)

2009

Final K-1 Amended K-1

OMB No. 1545-0130

Department of the Treasury
Internal Revenue Service

For calendar year 2009, or tax
year beginning _____
ending _____

**Shareholder's Share of Income, Deductions,
Credits, etc.** ▶ See separate instructions.

Part III Shareholder's Share of Current Year Income, Deductions, Credits, and Other Items		
1	Ordinary business income (loss) 1,800,000.	13 Credits
2	Net rental real estate inc (loss)	
3	Other net rental income (loss)	
4	Interest income	
5a	Ordinary dividends	
5b	Qualified dividends	14 Foreign transactions
6	Royalties	
7	Net short-term capital gain (loss)	
8a	Net long-term capital gain (loss)	
8b	Collectibles (28%) gain (loss)	
8c	Unrecaptured sec 1250 gain	
9	Net section 1231 gain (loss)	
10	Other income (loss)	15 Alternative min tax (AMT) items
11	Section 179 deduction	16 Items affecting shareholder basis
12	Other deductions	
		17 Other information
*See attached statement for additional information.		

Part I Information About the Corporation

A Corporation's employer identification number
04-1234567

B Corporation's name, address, city, state, and ZIP code
**JOHN Q. PUBLIC, INC.
123 MAIN STREET
WALTHAM, MA 02451**

C IRS Center where corporation filed return
CINCINNATI, OH

Part II Information About the Shareholder

D Shareholder's identifying number
04-9876543

E Shareholder's name, address, city, state and ZIP code
**IRREVOCABLE DYNASTY TRUST
375 TOTTEN POND ROAD
WALTHAM, MA 02451**

F Shareholder's percentage of stock ownership for tax year **90.000000%**

For IRS Use Only

For calendar year 2009 or fiscal year beginning

2009 and ending

OMB No. 1545-0082

A Type of entity: <input type="checkbox"/> Decedent's estate <input type="checkbox"/> Simple trust <input type="checkbox"/> Complex trust <input type="checkbox"/> Qualified disability trust <input type="checkbox"/> ESBT (S portion only) <input checked="" type="checkbox"/> Grantor type trust <input type="checkbox"/> Bankruptcy estate-Ch. 7 <input type="checkbox"/> Bankruptcy estate-Ch. 11 <input type="checkbox"/> Pooled income fund	Name of estate or trust (if a grantor type trust, see page 14 of the instructions.) IRREVOCABLE DYNASTY TRUST Name and title of fiduciary LEO J. CUSHING, TRUSTEE Number, street, and room or suite no. (if a P.O. box, see page 15 of the instructions.) 375 TOTTEN POND ROAD City or town, state, and ZIP code WALTHAM MA 02451	C Employer identification number 04 9876543 D Date entity created 01/01/2009 E Nonexempt charitable and split-interest trusts, check applicable boxes (see pg 16 of the instr.): <input type="checkbox"/> Described in section 4947(a)(1) <input type="checkbox"/> Not a private foundation <input type="checkbox"/> Described in section 4947(a)(2)
B No. of Schedules K-1 attached	F Check applicable boxes: <input checked="" type="checkbox"/> Initial return <input type="checkbox"/> Final return <input type="checkbox"/> Amended return <input type="checkbox"/> Change in fiduciary <input type="checkbox"/> Change in fiduciary's name	<input type="checkbox"/> Change in trust's name <input type="checkbox"/> Change in fiduciary's address
G Check here if the estate or filing trust made a section 645 election <input type="checkbox"/>		

Income	1 Interest income 2 a Total ordinary dividends b Qualified dividends allocable to: (1) Beneficiaries (2) Estate or trust 3 Business income or (loss). Attach Schedule C or G-EZ (Form 1040) 4 Capital gain or (loss). Attach Schedule D (Form 1041) 5 Rents, royalties, partnerships, other estates and trusts, etc. Attach Schedule E (Form 1040) 6 Farm income or (loss). Attach Schedule F (Form 1040) 7 Ordinary gain or (loss). Attach Form 4797 "UNDER THE TERMS OF THE TRUST 8 Other income. List type and amount INSTRUMENT, THIS IS A GRANTOR 9 Total income. Combine lines 1, 2a, and 3 through 8 TRUST. IN ACCORDANCE WITH	1 2a 3 4 5 6 7 8 9
Deductions	10 Interest. Check if Form 4952 is attached <input type="checkbox"/> SECTIONS 671-678 IRC, 1986, 11 Taxes ALL INCOME IS TAXABLE TO THE 12 Fiduciary fees GRANTOR. STATEMENTS OF INCOME, 13 Charitable deduction (from Schedule A, line 7) DEDUCTIONS AND CREDITS ARE 14 Attorney, accountant, and return preparer fees ATTACHED." 15 a Other deductions not subject to the 2% floor (attach schedule) b Allowable miscellaneous itemized deductions subject to the 2% floor 16 Add lines 10 through 15b 17 Adjusted total income or (loss). Subtract line 16 from line 9 17 18 Income distribution deduction (from Schedule B, line 15). Attach Schedules K-1 (Form 1041) 19 Estate tax deduction including certain generation-skipping taxes (attach computation) 20 Exemption 21 Add lines 18 through 20	10 11 12 13 15a 15b 16 17 18 19 20 21
Tax and Payments	22 Taxable income. Subtract line 21 from line 17. If a loss, see page 23 of the instructions 23 Total tax (from Schedule G, line 7) 24 Payments: a 2009 estimated tax payments and amount applied from 2008 return b Estimated tax payments allocated to beneficiaries (from Form 1041-T) c Subtract line 24b from line 24a d Tax paid with Form 7004 (see page 24 of the instructions) e Federal income tax withheld. If any is from Form(s) 1099, check <input type="checkbox"/> Other payments: f Form 2439 ; g Form 4136 ; Total 25 Total payments. Add lines 24c through 24e, and 24h 26 Estimated tax penalty (see page 24 of the instructions) 27 Tax due. If line 25 is smaller than the total of lines 23 and 26, enter amount owed 28 Overpayment. If line 25 is larger than the total of lines 23 and 26, enter amount overpaid 29 Amount of line 28 to be: a Credited to 2010 estimated tax ; b Refunded	22 23 24a 24b 24c 24d 24e 24h 25 26 27 28 29

Sign Here	Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, 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 shown below (see instr.)? <input type="checkbox"/> Yes <input type="checkbox"/> No
	Signature of fiduciary or officer representing fiduciary _____ Date _____ EIT or fiduciary if a financial institution _____	
Preparer's	Preparer's signature _____ Date _____ Firm's name (or yours if self-employed), address, and ZIP code CUSHING & DOLAN, P.C. 375 TOTTEN POND ROAD, SUITE 200 WALTHAM, MA 02451	Check if self-employed <input type="checkbox"/> Preparer's SSN or PTIN EIN 04 2871360 Phone no. 617-523-1555

25

Schedule A Charitable Deduction. Do not complete for a simple trust or a pooled income fund.

1	Amounts paid or permanently set aside for charitable purposes from gross income (see page 25 of the instructions)	1
2	Tax-exempt income allocable to charitable contributions (see page 25 of the instructions)	2
3	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
5	Add lines 3 and 4	5
6	Section 1202 exclusion allocable to capital gains paid or permanently set aside for charitable purposes (see instructions)	6
7	Charitable deduction. Subtract line 6 from line 5. Enter here and on page 1, line 13	7

Schedule B Income Distribution Deduction

1	Adjusted total income (see page 26 of the instructions)	1
2	Adjusted tax-exempt interest	2
3	Total net gain from Schedule D (Form 1041), line 15, column (1) (see page 26 of the instructions)	3
4	Enter amount from Schedule A, line 4 (minus any allocable section 1202 exclusion)	4
5	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 loss as a positive number	6
7	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 determined under the governing instrument and applicable local law	8
9	Income required to be distributed currently	9
10	Other amounts paid, credited, or otherwise required to be distributed	10
11	Total distributions. Add lines 9 and 10. If greater than line 8, see page 27 of the instructions	11
12	Enter the amount of tax-exempt income included on line 11	12
13	Tentative income distribution deduction. Subtract line 12 from line 11	13
14	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	15

Schedule G Tax Computation (see page 27 of the instructions)

1	Tax: a Tax on taxable income (see page 27 of the instructions)	1a		1d
	b Tax on lump-sum distributions. Attach Form 4972	1b		
	c Alternative minimum tax (from Schedule I (Form 1041), line 56)	1c		
	d Total. Add lines 1a through 1c			
2a	Foreign tax credit. Attach Form 1116	2a		3
	b Other nonbusiness credits (attach schedule)	2b		
	c General business credit. Attach Form 3800	2c		
	d Credit for prior year minimum tax. Attach Form 8801	2d		
3	Total credits. Add lines 2a through 2d			3
4	Subtract line 3 from line 1d. If zero or less, enter -0-			4
5	Recapture taxes. Check if from: <input type="checkbox"/> Form 4255 <input type="checkbox"/> Form 8611			5
6	Household employment taxes. Attach Schedule H (Form 1040)			6
7	Total tax. Add lines 4 through 6. Enter here and on page 1, line 23			7

Other Information

	Yes	No
1		X
2		X
3		X
4		X
5		X
6	<input type="checkbox"/>	
7	<input type="checkbox"/>	
8	<input type="checkbox"/>	
9		X

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

<p>Grantor Name & Address</p> <p>JOHN Q PUBLIC 375 TOTTEN POND ROAD WALTHAM, MA 02451</p> <p>Social Security Number: 123-45-6789</p>	<p>Name of Trust</p> <p>IRREVOCABLE DYNASTY TRUST</p> <p>Employer ID Number: 04-9876543</p>
--	---

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

Schedule K-1
(Form 1120S)

2010

Final K-1 Amended K-1

OMB No. 1545-0130

Department of the Treasury
Internal Revenue Service

For calendar year 2010, or tax
year beginning _____
ending _____

**Shareholder's Share of Income, Deductions,
Credits, etc.** ▶ See separate instructions.

Part III Shareholder's Share of Current Year Income, Deductions, Credits, and Other Items			
1	Ordinary business income (loss) 149,041.	13	Credits
2	Net rental real estate inc (loss)		
3	Other net rental income (loss)		
4	Interest income		
5a	Ordinary dividends		
5b	Qualified dividends	14	Foreign transactions
6	Royalties		
7	Net short-term capital gain (loss)		
8a	Net long-term capital gain (loss)		
8b	Collectibles (28%) gain (loss)		
8c	Unrecaptured sec 1250 gain		
9	Net section 1231 gain (loss)		
10	Other income (loss)	15	Alternative min tax (AMT) items
		16	Items affecting shareholder basis
11	Section 179 deduction		
12	Other deductions		
		17	Other information
*See attached statement for additional information.			

Part I Information About the Corporation

A Corporation's employer identification number
04-1234567

B Corporation's name, address, city, state, and ZIP code
JOHN Q. PUBLIC, INC.
123 MAIN STREET
WALTHAM, MA 02451

C IRS Center where corporation filed return
CINCINNATI, OH

Part II Information About the Shareholder

D Shareholder's identifying number
123-45-6789

E Shareholder's name, address, city, state and ZIP code
JOHN Q. PUBLIC
123 MAIN STREET
WALTHAM, MA 02451

F Shareholder's percentage of stock
ownership for tax year **7.452055%**

For IRS Use Only

671110

Schedule K-1
(Form 1120S)

2010

Final K-1 Amended K-1 OMB No. 1545-0130

Department of the Treasury
Internal Revenue Service

For calendar year 2010, or tax
year beginning _____
ending _____

Shareholder's Share of Income, Deductions, Credits, etc. ▶ See separate instructions.

Part III Shareholder's Share of Current Year Income, Deductions, Credits, and Other Items

1	Ordinary business income (loss) 50,959.	13	Credits
2	Net rental real estate inc (loss)		
3	Other net rental income (loss)		
4	Interest income		
5a	Ordinary dividends		
5b	Qualified dividends	14	Foreign transactions
6	Royalties		
7	Net short-term capital gain (loss)		
8a	Net long-term capital gain (loss)		
8b	Collectibles (28%) gain (loss)		
8c	Unrecaptured sec 1250 gain		
9	Net section 1231 gain (loss)		
10	Other income (loss)	15	Alternative min tax (AMT) items
11	Section 179 deduction	16	Items affecting shareholder basis
12	Other deductions		
		17	Other information

Part I Information About the Corporation

A Corporation's employer identification number
04-1234567

B Corporation's name, address, city, state, and ZIP code

**JOHN Q. PUBLIC, INC.
123 MAIN STREET
WALTHAM, MA 02451**

C IRS Center where corporation filed return
CINCINNATI, OH

Part II Information About the Shareholder

D Shareholder's identifying number
04-8785895

E Shareholder's name, address, city, state and ZIP code

**ESTATE OF JOHN Q. PUBLIC
123 MAIN STREET
WALTHAM, MA 02451**

F Shareholder's percentage of stock ownership for tax year **2.547945%**

For IRS Use Only

*See attached statement for additional information.

Schedule K-1 (Form 1120S)

2010

Final K-1 Amended K-1

OMB No. 1545-0130

Department of the Treasury Internal Revenue Service

For calendar year 2010, or tax year beginning ending

Shareholder's Share of Income, Deductions, Credits, etc.

Table with 4 columns: Line number, Description, Column number, and Amount/Detail. Includes rows for Ordinary business income (1,341,370), Dividends, Capital gains, and Deductions.

Part I Information About the Corporation. A Corporation's employer identification number: 04-1234567. B Corporation's name, address, city, state, and ZIP code: JOHN Q. PUBLIC, INC., 123 MAIN STREET, WALTHAM, MA 02451. C IRS Center where corporation filed return: CINCINNATI, OH.

Part II Information About the Shareholder. D Shareholder's identifying number: 04-9876543. E Shareholder's name, address, city, state and ZIP code: IRREVOCABLE DYNASTY (GRANTOR) TRUST, 375 TOTTEN POND ROAD, WALTHAM, MA 02451. F Shareholder's percentage of stock ownership for tax year: 67.068493%.

For IRS Use Only

*See attached statement for additional information.

For calendar year 2010 or fiscal year beginning , 2010 and ending OMB No. 1545-0092

A Type of entity: <input type="checkbox"/> Decedent's estate <input type="checkbox"/> Simple trust <input type="checkbox"/> Complex trust <input type="checkbox"/> Qualified disability trust <input type="checkbox"/> ESBT (S portion only) <input checked="" type="checkbox"/> Grantor type trust <input type="checkbox"/> Bankruptcy estate-Ch. 7 <input type="checkbox"/> Bankruptcy estate-Ch. 11 <input type="checkbox"/> Pooled income fund	Name of estate or trust (if a grantor type trust, see page 15 of the instructions.) IRREVOCABLE DYNASTY TRUST		C Employer identification number 04-9876543
	Name and title of fiduciary LEO J. CUSHING, TRUSTEE		D Date entity created 01/01/2009
	Number, street, and room or suite no. (if a P.O. box, see page 16 of the instructions.) 375 TOTTEN POND ROAD		E Nonexempt charitable and split-interest trusts, check applicable boxes (see pg 16 of the instr.): <input type="checkbox"/> Described in section 4947(a)(1) <input type="checkbox"/> Not a private foundation <input type="checkbox"/> Described in section 4947(e)(2)
	City or town, state, and ZIP code WALTHAM MA 02451		
B No. of Schedules K-1 attached	F Check applicable boxes: <input type="checkbox"/> Initial return <input checked="" type="checkbox"/> Final return <input type="checkbox"/> Amended return <input type="checkbox"/> Change in fiduciary <input type="checkbox"/> Change in fiduciary's name	<input type="checkbox"/> Change in trust's name <input type="checkbox"/> Change in fiduciary's address	

G Check here if the estate or filing trust made a section 645 election

Income	1	Interest income	1
	2 a	Total ordinary dividends	2a
	b	Qualified dividends allocable to: (1) Beneficiaries (2) Estate or trust	
	3	Business income or (loss). Attach Schedule C or C-EZ (Form 1040)	3
	4	Capital gain or (loss). Attach Schedule D (Form 1041)	4
	5	Rents, royalties, partnerships, other estates and trusts, etc. Attach Schedule E (Form 1040)	5
	6	Farm income or (loss). Attach Schedule F (Form 1040)	6
	7	Ordinary gain or (loss). Attach Form 4797	7
	8	Other income. List type and amount	8
9	Total income. Combine lines 1, 2a, and 3 through 8	9	
Deductions	10	Interest. Check if Form 4952 is attached <input type="checkbox"/> SECTIONS 671-678 IRC, 1986.	10
	11	Taxes	11
	12	Fiduciary fees	12
	13	Charitable deduction (from Schedule A, line 7)	13
	14	Attorney, accountant, and return preparer fees	14
	15 a	Other deductions not subject to the 2% floor (attach schedule)	15a
	b	Allowable miscellaneous itemized deductions subject to the 2% floor	15b
	16	Add lines 10 through 15b	16
	17	Adjusted total income or (loss). Subtract line 16 from line 9	17
	18	Income distribution deduction (from Schedule B, line 15). Attach Schedules K-1 (Form 1041)	18
	19	Estate tax deduction including certain generation-skipping taxes (attach computation)	19
20	Exemption	20	
21	Add lines 18 through 20	21	
Tax and Payments	22	Taxable income. Subtract line 21 from line 17. If a loss, see page 23 of the instructions	22
	23	Total tax (from Schedule G, line 7)	23
	24 a	Payments: a 2010 estimated tax payments and amount applied from 2009 return	24a
	b	Estimated tax payments allocated to beneficiaries (from Form 1041-T)	24b
	c	Subtract line 24b from line 24a	24c
	d	Tax paid with Form 7004 (see page 24 of the instructions)	24d
	e	Federal income tax withheld. If any is from Form(s) 1099, check <input type="checkbox"/>	24e
	24 h	Other payments: f Form 2439 ; g Form 4136 ; Total	24h
25	Total payments. Add lines 24c through 24e, and 24h	25	
26	Estimated tax penalty (see page 24 of the instructions)	26	
27	Tax due. If line 25 is smaller than the total of lines 23 and 26, enter amount owed	27	
28	Overpayment. If line 25 is larger than the total of lines 23 and 26, enter amount overpaid	28	
29	Amount of line 28 to be: a Credited to 2011 estimated tax ; b Refunded	29	

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Signature of fiduciary or officer representing fiduciary _____ Date _____

Print name of preparer _____ Date _____

Check if self-employed if PTIN

Sign Here

Paid Preparer Use Only

Print/type preparer's name _____ Preparer's signature _____ Date _____

Firm's name **CUSHING & DOLAN, P.C.** Firm's EIN **04-2871360**

Firm's address **375 TOTTEN POND ROAD, SUITE 200 WALTHAM MA 02451** Phone no. **617-523-1555**

IRREVOCABLE DYNASTY TRUST

Schedule A Charitable Deduction. Do not complete for a simple trust or a pooled income fund.

1	Amounts paid or permanently set aside for charitable purposes from gross income (see page 25 of the instructions)	1	
2	Tax-exempt income allocable to charitable contributions (see page 25 of the instructions)	2	
3	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	
5	Add lines 3 and 4	5	
6	Section 1202 exclusion allocable to capital gains paid or permanently set aside for charitable purposes (see pg 25 of the instructions)	6	
7	Charitable deduction. Subtract line 6 from line 5. Enter here and on page 1, line 13	7	

Schedule B Income Distribution Deduction

1	Adjusted total income (see page 25 of the instructions)	1	
2	Adjusted tax-exempt interest	2	
3	Total net gain from Schedule D (Form 1041), line 15, column (1) (see page 26 of the instructions)	3	
4	Enter amount from Schedule A, line 4 (minus any allocable section 1202 exclusion)	4	
5	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 loss as a positive number	6	
7	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 determined under the governing instrument and applicable local law	8	B
9	Income required to be distributed currently	9	
10	Other amounts paid, credited, or otherwise required to be distributed	10	
11	Total distributions. Add lines 9 and 10. If greater than line 8, see page 26 of the instructions	11	
12	Enter the amount of tax-exempt income included on line 11	12	
13	Tentative income distribution deduction. Subtract line 12 from line 11	13	
14	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	15	

Schedule G Tax Computation (see page 27 of the instructions)

1	Tax:		
a	Tax on taxable income (see page 27 of the instructions)	1a	
b	Tax on lump-sum distributions. Attach Form 4972	1b	
c	Alternative minimum tax (from Schedule I (Form 1041), line 56)	1c	
d	Total. Add lines 1a through 1c	1d	
2a	Foreign tax credit. Attach Form 1116	2a	
b	General business credit. Attach Form 3800	2b	
c	Credit for prior year minimum tax. Attach Form 8801	2c	
d	Bond credits. Attach Form 8912	2d	
3	Total credits. Add lines 2a through 2d	3	
4	Subtract line 3 from line 1d. If zero or less, enter -0-	4	
5	Recapture taxes. Check if from: <input type="checkbox"/> Form 4255 <input type="checkbox"/> Form 8611	5	
6	Household employment taxes. Attach Schedule H (Form 1040)	6	
7	Total tax. Add lines 4 through 6. Enter here and on page 1, line 23	7	

Other Information

	Yes	No
1 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 ► \$ _____		X
2 Did the estate or trust receive all or any part of the earnings (salary, wages, and other compensation) of any individual by reason of a contract assignment or similar arrangement?		X
3 At any time during calendar year 2010, did the estate or trust have an interest in or a signature or other authority over a bank, securities, or other financial account in a foreign country? See page 29 of the instructions for exceptions and filing requirements for Form TDF 90-22.1. If "Yes," enter the name of the foreign country ► _____		X
4 During the tax year, did the estate or trust receive a distribution from, or was it the grantor of, or transferor to, a foreign trust? If "Yes," the estate or trust may have to file Form 3520. See page 29 of the instructions		X
5 Did the estate or trust receive, or pay, any qualified residence interest on seller-provided financing? If "Yes," see page 29 for required attachment		X
6 If this is an estate or a complex trust making the section 663(b) election, check here (see page 29 of the instructions) ► <input type="checkbox"/>		
7 To make a section 643(e)(3) election, attach Schedule D (Form 1041), and check here (see page 29 of the instructions) ► <input type="checkbox"/>		
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 check here ► <input type="checkbox"/>		
9 Are any present or future trust beneficiaries skip persons? See page 29 of the instructions		X

45

22

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

Tax Year Ending: 12/31/10

Grantor Name & Address JOHN Q PUBLIC 375 TOTTEN POND ROAD WALTHAM, MA 02451	Name of Trust IRREVOCABLE DYNASTY TRUST
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	
PASSIVE INCOME (LOSS) FROM S CORPORATIONS.....	1,341,370.
(ENTER ON FORM 1040, SCHEDULE E, PART II)	

Name(s) shown on return. Do not enter name and social security number if shown on page 1.

Your social security number

IRREVOCABLE DYNASTY TRUST

04-9876543

Caution. The IRS compares amounts reported on your tax return with amounts shown on Schedule(s) K-1.

Part II Income or Loss From Partnerships and S Corporations Note. If you report a loss from an at-risk activity for which any amount is not at risk, you must check column (e) on line 28 and attach Form 6198. See page E-1.

27 Are you reporting any loss not allowed in a prior year due to the at-risk or basis limitations, a prior year unallowed loss from a passive activity (if that loss was not reported on Form 8582), or unreimbursed partnership expenses? Yes No
If you answered "Yes," see page E-7 before completing this section.

28	(a) Name	(b) Enter P for partnership, S for S corporation	(c) Check if foreign partnership	(d) Employer identification number	(e) Check if any amount is not at risk
A		P			
B	JOHN Q. PUBLIC, INC.	S		04-1234567	
C					
D					

Passive Income and Loss		Nonpassive Income and Loss		
(f) Passive loss allowed (attach Form 8582 if required)	(g) Passive income from Schedule K-1	(h) Nonpassive loss from Schedule K-1	(i) Section 179 expense deduction from Form 4562	(j) Nonpassive income from Schedule K-1
A		0.		
B		1,341,370.		
C				
D				
29a Totals		1,341,370.		
b Totals				
30 Add columns (g) and (i) of line 29a				30 1,341,370.
31 Add columns (f), (h), and (j) of line 29b				31 ()
32 Total partnership and S corporation income or (loss). Combine lines 30 and 31. Enter the result here and include in the total on line 41 below				32 1,341,370.

Part III Income or Loss From Estates and Trusts

33	(a) Name	(b) Employer identification number
A		
B		

Passive Income and Loss		Nonpassive Income and Loss	
(c) Passive deduction or loss allowed (attach Form 8582 if required)	(d) Passive income from Schedule K-1	(e) Deduction or loss from Schedule K-1	(f) Other income from Schedule K-1
A			
B			
34a Totals			
b Totals			
35 Add columns (d) and (f) of line 34a			35 ()
36 Add columns (c) and (e) of line 34b			36 ()
37 Total estate and trust income or (loss). Combine lines 35 and 36. Enter the result here and include in the total on line 41 below			37 ()

Part IV Income or Loss From Real Estate Mortgage Investment Conduits (REMICs) - Residual Holder

38	(a) Name	(b) Employer identification number	(c) Excess inclusion from Schedules Q, line 2c	(d) Taxable income (net loss) from Schedules Q, line 1b	(e) Income from Schedules Q, line 3b
39	Combine columns (d) and (e) only. Enter the result here and include in the total on line 41 below				39

Part V Summary

40	Net farm rental income or (loss) from Form 4835. Also, complete line 42 below	40	
41	Total income or (loss). Combine lines 26, 32, 37, 39, and 40. Enter the result here and on Form 1040, line 17, or Form 1040NR, line 18	41	1,341,370.
42	Reconciliation of farming and fishing income. Enter your gross farming and fishing income 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)	42	
43	Reconciliation for real estate professionals. If you were a real estate professional (see page E-2), enter the net income or (loss) you reported anywhere on Form 1040 or Form 1040NR from all rental real estate activities in which you materially participated under the passive activity loss rules	43	

SSN/EIN 04-9876543

SCHEDULE E

Name IRREVOCABLE DYNASTY TRUST
 Passthrough JOHN Q. PUBLIC, INC.
 S CORPORATION

ID 04-1234567

	K-1 Input	Prior Year Unallowed Basis Loss	Disallowed Due to Basis Limitation	Prior Year Unallowed At-Risk Loss	Disallowed Due to At-Risk	Prior Year Passive Loss	Disallowed Passive Loss	Tax Return
OTHER PASSIVE								
SCHEDULE E, PAGE 2								
Ordinary business income (loss)	1,341,370.							
Rental real estate income (loss)								
Other net rental income (loss)								
Intangible drilling costs/dry hole costs								
Self-charged passive interest expense								
Guaranteed payments								
Section 179 and carryover								
Disallowed section 179 expense								
Net income (loss)	1,341,370.							1,341,370.
First passive other								
Second passive other								
Cost depletion								
Percentage depletion								
Depletion carryover								
Disallowed due to 65% limitation								
Unreimbursed expenses (nonpassive)								
Nonpassive other								
Total Schedule E (page 2)	1,341,370.							1,341,370.
FORM 4797								
Section 1231 gain (loss)								
Section 179 recapture on disposition								
SCHEDULE D								
Net short-term cap. gain (loss)								
Net long-term cap. gain (loss)								
Section 1256 contracts & straddles								
FORM 4952								
Investment interest expense - Sch. A								
Other net investment income								
ITEMIZED DEDUCTIONS								
Charitable contributions								
Deductions related to portfolio income								
Other								

For calendar year 2010 or fiscal year beginning _____, 2010 and ending _____, OMB No. 1545-0092

A Type of entity: <input type="checkbox"/> Decedent's estate <input type="checkbox"/> Simple trust <input checked="" type="checkbox"/> Complex trust <input type="checkbox"/> Qualified disability trust <input type="checkbox"/> ESBT (S portion only) <input type="checkbox"/> Grantor type trust <input type="checkbox"/> Bankruptcy estate-Ch. 7 <input type="checkbox"/> Bankruptcy estate-Ch. 11 <input type="checkbox"/> Pooled income fund	Name of estate or trust (if a grantor type trust, see page 15 of the instructions.) IRREVOCABLE DYNASTY TRUST Name and title of fiduciary LEO J CUSHING, TRUSTEE Number, street, and room or suite no. (if a P.O. box, see page 15 of the instructions.) 375 TOTTEN POND ROAD City or town, state, and ZIP code WALTHAM MA 02451	C Employer identification number 04 3579517 D Date entity created 01/01/2009 E Nonexempt charitable and split-interest trusts, check applicable boxes (see pg 16 of the instr.): <input type="checkbox"/> Described in section 4947(a)(1) <input type="checkbox"/> Not a private foundation <input type="checkbox"/> Described in section 4947(a)(2)
B No. of Schedules K-1 attached 2		
F Check applicable boxes: <input checked="" type="checkbox"/> Initial return <input type="checkbox"/> Final return <input type="checkbox"/> Amended return <input type="checkbox"/> Change in fiduciary <input type="checkbox"/> Change in fiduciary's name <input type="checkbox"/> Change in fiduciary's address		

G Check here if the estate or filing trust made a section 645 election

Income	1 Interest income								
	2 a Total ordinary dividends	2a							
	b Qualified dividends allocable to: (1) Beneficiaries (2) Estate or trust								
	3 Business income or (loss). Attach Schedule C or C-EZ (Form 1040)	3							
	4 Capital gain or (loss). Attach Schedule D (Form 1041)	4							
	5 Rents, royalties, partnerships, other estates and trusts, etc. Attach Schedule E (Form 1040)	5						458,630.	
	6 Farm income or (loss). Attach Schedule F (Form 1040)	6							
	7 Ordinary gain or (loss). Attach Form 4797	7							
	8 Other income. List type and amount	8							
9 Total income. Combine lines 1, 2a, and 3 through 8	9						458,630.		
Deductions	10 Interest. Check if Form 4952 is attached <input type="checkbox"/>	10							
	11 Taxes	11							
	12 Fiduciary fees	12						2,500.	
	13 Charitable deduction (from Schedule A, line 7)	13							
	14 Attorney, accountant, and return preparer fees	14						2,500.	
	15 a Other deductions not subject to the 2% floor (attach schedule)	15a							
	b Allowable miscellaneous itemized deductions subject to the 2% floor	15b							
	16 Add lines 10 through 15b	16						5,000.	
	17 Adjusted total income or (loss). Subtract line 16 from line 9	17						453,630.	
	18 Income distribution deduction (from Schedule B, line 15). Attach Schedules K-1 (Form 1041)	18						100,000.	
	19 Estate tax deduction including certain generation-skipping taxes (attach computation)	19							
20 Exemption	20						100.		
21 Add lines 18 through 20	21						100,100.		
Tax and Payments	22 Taxable income. Subtract line 21 from line 17. If a loss, see page 23 of the instructions	22						353,530.	
	23 Total tax (from Schedule G, line 7)	23						122,711.	
	24 Payments: a 2010 estimated tax payments and amount applied from 2009 return	24a							
	b Estimated tax payments allocated to beneficiaries (from Form 1041-T)	24b							
	c Subtract line 24b from line 24a	24c							
	d Tax paid with Form 7004 (see page 24 of the instructions)	24d							
	e Federal income tax withheld. If any is from Form(s) 1099, check <input type="checkbox"/>	24e							
	Other payments: f Form 2439 ; g Form 4136 ; Total	24h							
	25 Total payments. Add lines 24c through 24e, and 24h	25							
26 Estimated tax penalty (see page 24 of the instructions)	26						2,632.		
27 Tax due. If line 25 is smaller than the total of lines 23 and 26, enter amount owed	27						125,343.		
28 Overpayment. If line 25 is larger than the total of lines 23 and 26, enter amount overpaid	28								
29 Amount of line 28 to be: a Credited to 2011 estimated tax ; b Refunded	29								

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Sign Here	Signature of fiduciary or officer representing fiduciary _____	Date _____	EIN of fiduciary if a financial institution _____	May the IRS discuss this return with the preparer shown below (see instr.)? <input type="checkbox"/> Yes <input type="checkbox"/> No
------------------	--	------------	---	--

Paid Preparer Use Only	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
	Firm's name	CUSHING & DOLAN, P.C.			Firm's EIN
	Firm's address	375 TOTTEN POND ROAD, SUITE 200 WALTHAM MA 02451			04-2871360
LHA	Phone no. 617-523-1555				

Schedule A Charitable Deduction. Do not complete for a simple trust or a pooled income fund.

1	Amounts paid or permanently set aside for charitable purposes from gross income (see page 25 of the instructions)	1	
2	Tax-exempt income allocable to charitable contributions (see page 25 of the instructions)	2	
3	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	
5	Add lines 3 and 4	5	
6	Section 1202 exclusion allocable to capital gains paid or permanently set aside for charitable purposes (see pg 25 of the instructions)	6	
7	Charitable deduction. Subtract line 6 from line 5. Enter here and on page 1, line 13	7	

Schedule B Income Distribution Deduction

1	Adjusted total income (see page 25 of the instructions)	1	453,630.
2	Adjusted tax-exempt interest	2	
3	Total net gain from Schedule D (Form 1041), line 15, column (1) (see page 26 of the instructions)	3	
4	Enter amount from Schedule A, line 4 (minus any allocable section 1202 exclusion)	4	
5	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 loss as a positive number	6	
7	Distributable net income. Combine lines 1 through 6. If zero or less, enter -0-	7	453,630.
8	If a complex trust, enter accounting income for the tax year as determined under the governing instrument and applicable local law	8	453,630.
9	Income required to be distributed currently	9	
10	Other amounts paid, credited, or otherwise required to be distributed	10	100,000.
11	Total distributions. Add lines 9 and 10. If greater than line 8, see page 26 of the instructions	11	100,000.
12	Enter the amount of tax-exempt income included on line 11	12	
13	Tentative income distribution deduction. Subtract line 12 from line 11	13	100,000.
14	Tentative income distribution deduction. Subtract line 2 from line 7. If zero or less, enter -0-	14	453,630.
15	Income distribution deduction. Enter the smaller of line 13 or line 14 here and on page 1, line 18	15	100,000.

Schedule G Tax Computation (see page 27 of the instructions)

1	Tax:		
a	Tax on taxable income (see page 27 of the instructions)	1a	122,711.
b	Tax on lump-sum distributions. Attach Form 4972	1b	
c	Alternative minimum tax (from Schedule I (Form 1041), line 56)	1c	
d	Total. Add lines 1a through 1c	1d	122,711.
2a	Foreign tax credit. Attach Form 1116	2a	
b	General business credit. Attach Form 3800	2b	
c	Credit for prior year minimum tax. Attach Form 8801	2c	
d	Bond credits. Attach Form 8912	2d	
3	Total credits. Add lines 2a through 2d	3	0.
4	Subtract line 3 from line 1d. If zero or less, enter -0-	4	122,711.
5	Recapture taxes. Check if from: <input type="checkbox"/> Form 4255 <input type="checkbox"/> Form 8611	5	
6	Household employment taxes. Attach Schedule H (Form 1040)	6	
7	Total tax. Add lines 4 through 6. Enter here and on page 1, line 23	7	122,711.

Other Information

	Yes	No
1 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 ▶ \$ _____		X
2 Did the estate or trust receive all or any part of the earnings (salary, wages, and other compensation) of any individual by reason of a contract assignment or similar arrangement?		X
3 At any time during calendar year 2010, did the estate or trust have an interest in or a signature or other authority over a bank, securities, or other financial account in a foreign country? See page 29 of the instructions for exceptions and filing requirements for Form TD F 90-22.1. If "Yes," enter the name of the foreign country ▶ _____		X
4 During the tax year, did the estate or trust receive a distribution from, or was it the grantor of, or transferor to, a foreign trust? If "Yes," the estate or trust may have to file Form 3520. See page 29 of the instructions		X
5 Did the estate or trust receive, or pay, any qualified residence interest on seller-provided financing? If "Yes," see page 29 for required attachment		X
6 If this is an estate or a complex trust making the section 663(b) election, check here (see page 29 of the instructions) ▶ <input type="checkbox"/>		
7 To make a section 643(e)(3) election, attach Schedule D (Form 1041), and check here (see page 29 of the instructions) ▶ <input type="checkbox"/>		
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 check here ▶ <input type="checkbox"/>		
9 Are any present or future trust beneficiaries skip persons? See page 29 of the instructions		X

Schedule K-1
(Form 1041)

2010

Final K-1 Amended K-1 OMB No. 1545-0092

Department of the Treasury or tax year beginning
Internal Revenue Service and ending

Beneficiary's Share of Income, Deductions, Credits, etc.
▶ See separate instructions.

Part I Information About the Estate or Trust	
A Estate's or trust's employer identification number 04-3579517	
B Estate's or trust's name IRREVOCABLE DYNASTY TRUST	
C Fiduciary's name, address, city, state, and ZIP code LEO J CUSHING, TRUSTEE 375 TOTTEN POND ROAD WALTHAM, MA 02451	
D <input type="checkbox"/> Check if Form 1041-T was filed and enter the date it was filed _____	
E <input type="checkbox"/> Check if this is the final Form 1041 for the estate or trust	
Part II Information About the Beneficiary	
F Beneficiary's identifying number 321-65-4987	
G Beneficiary's name, address, city, state, and ZIP code JOHN Q PUBLIC JR 357 TOTTEN POND ROAD WALTHAM, MA 02451	
H <input checked="" type="checkbox"/> Domestic beneficiary <input type="checkbox"/> Foreign beneficiary	

Part III Beneficiary's Share of Current Year Income, Deductions, Credits, and Other Items			
1	Interest income	11	Final year deductions
2a	Ordinary dividends		
2b	Qualified dividends		
3	Net short-term capital gain		
4a	Net long-term capital gain		
4b	28% rate gain	12	Alternative min tax adjustment
4c	Unrecaptured section 1250 gain		
5	Other portfolio and nonbusiness income		
6	Ordinary business income * 50,000.		
7	Net rental real estate income		
8	Other rental income	13	Credits and credit recapture
9	Directly apportioned deductions		
		14	Other information
10	Estate tax deduction		
*See attached statement for additional information.			
<p>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.</p>			
For IRS Use Only			

Schedule K-1
(Form 1041)

2010

Final K-1 Amended K-1 OMB No. 1545-0092

Department of the Treasury
Internal Revenue Service

For calendar year 2010,
or tax year beginning _____
and ending _____

**Beneficiary's Share of Income, Deductions,
Credits, etc.** ▶ See separate instructions.

Part I Information About the Estate or Trust

A Estate's or trust's employer identification number
04-3579517

B Estate's or trust's name
IRREVOCABLE DYNASTY TRUST

C Fiduciary's name, address, city, state, and ZIP code
**LEO J CUSHING, TRUSTEE
375 TOTTEN POND ROAD
WALTHAM, MA 02451**

D Check if Form 1041-T was filed and enter the date it was filed

E Check if this is the final Form 1041 for the estate or trust

Part II Information About the Beneficiary

F Beneficiary's identifying number
159-85-7532

G Beneficiary's name, address, city, state, and ZIP code
**JANE Q PUBLIC
347 TOTTEN POND ROAD
WALTHAM, MA 02451**

Domestic beneficiary Foreign beneficiary

Part III Beneficiary's Share of Current Year Income, Deductions, Credits, and Other Items			
1	Interest income	11	Final year deductions
2a	Ordinary dividends		
2b	Qualified dividends		
3	Net short-term capital gain		
4a	Net long-term capital gain		
4b	28% rate gain	12	Alternative min tax adjustment
4c	Unrecaptured section 1250 gain		
5	Other portfolio and nonbusiness income		
6	Ordinary business income * 50,000.		
7	Net rental real estate income		
8	Other rental income	13	Credits and credit recapture
9	Directly apportioned deductions		
		14	Other information
10	Estate tax deduction		
*See attached statement for additional information.			
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.			
For IRS Use Only			

U.S. Income Tax Return for Estates and Trusts

For calendar year 2010 or fiscal year beginning 2010 and ending 2010 and ending 2010 OMB No. 1545-0042

A Type of entity: <input type="checkbox"/> Decedent's estate <input type="checkbox"/> Simple trust <input checked="" type="checkbox"/> Complex trust <input type="checkbox"/> Qualified disability trust <input checked="" type="checkbox"/> ESBT (S portion only) <input type="checkbox"/> Grantor type trust <input type="checkbox"/> Bankruptcy estate-Ch. 7 <input type="checkbox"/> Bankruptcy estate-Ch. 11 <input type="checkbox"/> Pooled income fund	Name of estate or trust (if a grantor type trust, see page 15 of the instructions.) IRREVOCABLE DYNASTY TRUST Name and title of fiduciary LEO J CUSHING, TRUSTEE Number, street, and room or suite no. (if a P.O. box, see page 15 of the instructions.) 375 TOTTEN POND ROAD City or town, state, and ZIP code WALTHAM MA 02451	C Employer identification number 04 3579517 D Date entity created 01/01/2009 E Nonexempt charitable and split-interest trusts, check applicable boxes (see pg 16 of the instr.): <input type="checkbox"/> Described in section 4847(a)(1) <input type="checkbox"/> Not a private foundation <input type="checkbox"/> Described in section 4847(a)(2)
B No. of Schedules K-1 attached 2		F Check applicable boxes: <input type="checkbox"/> Initial return <input type="checkbox"/> Final return <input type="checkbox"/> Amended return <input type="checkbox"/> Change in fiduciary <input type="checkbox"/> Change in fiduciary's name <input type="checkbox"/> Change in fiduciary's address

G Check here if the estate or filing trust made a section 645 election

	1 Interest income	SEE STATEMENT 1	1	10,000.
Income	2 a Total ordinary dividends		2a	
	b Qualified dividends allocable to: (1) Beneficiaries (2) Estate or trust			
	3 Business income or (loss). Attach Schedule C or C-EZ (Form 1040)		3	
	4 Capital gain or (loss). Attach Schedule D (Form 1041)		4	
	5 Rents, royalties, partnerships, other estates and trusts, etc. Attach Schedule E (Form 1040)		5	
	6 Farm income or (loss). Attach Schedule F (Form 1040)		6	
	7 Ordinary gain or (loss). Attach Form 4797		7	
	8 Other income. List type and amount		8	
	9 Total income. Combine lines 1, 2a, and 3 through 8		9	10,000.
Deductions	10 Interest. Check if Form 4952 is attached <input type="checkbox"/>		10	
	11 Taxes		11	
	12 Fiduciary fees		12	2,500.
	13 Charitable deduction (from Schedule A, line 7)		13	
	14 Attorney, accountant, and return preparer fees		14	2,500.
	15 a Other deductions not subject to the 2% floor (attach schedule)		15a	
	b Allowable miscellaneous itemized deductions subject to the 2% floor		15b	
	16 Add lines 10 through 15b		16	5,000.
	17 Adjusted total income or (loss). Subtract line 16 from line 9	17		5,000.
	18 Income distribution deduction (from Schedule B, line 15). Attach Schedules K-1 (Form 1041)		18	5,000.
	19 Estate tax deduction including certain generation-skipping taxes (attach computation)		19	
20 Exemption		20	100.	
21 Add lines 18 through 20		21	5,100.	
Tax and Payments	22 Taxable income. Subtract line 21 from line 17. If a loss, see page 23 of the instructions		22	-100.
	23 Total tax (from Schedule G, line 7)		23	628,950.
	24 Payments: a 2010 estimated tax payments and amount applied from 2009 return		24a	
	b Estimated tax payments allocated to beneficiaries (from Form 1041-T)		24b	
	c Subtract line 24b from line 24a		24c	
	d Tax paid with Form 7004 (see page 24 of the instructions)		24d	
	e Federal income tax withheld. If any is from Form(s) 1099, check <input type="checkbox"/>		24e	
	Other payments: f Form 2439 ; g Form 4136 ; Total		24h	
	25 Total payments. Add lines 24c through 24e, and 24h		25	
	26 Estimated tax penalty (see page 24 of the instructions)		26	13,489.
27 Tax due. If line 25 is smaller than the total of lines 23 and 26, enter amount owed		27	642,439.	
28 Overpayment. If line 25 is larger than the total of lines 23 and 26, enter amount overpaid		28		
29 Amount of line 28 to be: a Credited to 2011 estimated tax ; b Refunded		29		

Sign Here Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Signature of fiduciary or officer representing fiduciary _____ Date _____ EIN of fiduciary if a financial institution _____

May the IRS discuss this return with the preparer shown below (see instr.)? Yes No

Paid Preparer Use Only	Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN	
	Firm's name	CUSHING & DOLAN, P.C.			Firm's EIN	04-2871360
	Firm's address	375 TOTTEN POND ROAD, SUITE 200 WALTHAM MA 02451			Phone no.	617-523-1555

IRREVOCABLE DYNASTY TRUST

Schedule A Charitable Deduction. Do not complete for a simple trust or a pooled income fund.	
1 Amounts paid or permanently set aside for charitable purposes from gross income (see page 25 of the instructions)	1
2 Tax-exempt income allocable to charitable contributions (see page 25 of the instructions)	2
3 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
5 Add lines 3 and 4	5
6 Section 1202 exclusion allocable to capital gains paid or permanently set aside for charitable purposes (see pg 25 of the instructions)	6
7 Charitable deduction. Subtract line 6 from line 5. Enter here and on page 1, line 13	7

Schedule B Income Distribution Deduction		
1 Adjusted total income (see page 25 of the instructions)	1	5,000.
2 Adjusted tax-exempt interest	2	
3 Total net gain from Schedule D (Form 1041), line 15, column (1) (see page 26 of the instructions)	3	
4 Enter amount from Schedule A, line 4 (minus any allocable section 1202 exclusion)	4	
5 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 loss as a positive number	6	
7 Distributable net income. Combine lines 1 through 6. If zero or less, enter -0-	7	5,000.
8 If a complex trust, enter accounting income for the tax year as determined under the governing instrument and applicable local law	8	5,000.
9 Income required to be distributed currently	9	
10 Other amounts paid, credited, or otherwise required to be distributed	10	100,000.
11 Total distributions. Add lines 9 and 10. If greater than line 8, see page 26 of the instructions	11	100,000.
12 Enter the amount of tax-exempt income included on line 11	12	
13 Tentative income distribution deduction. Subtract line 12 from line 11	13	100,000.
14 Tentative income distribution deduction. Subtract line 2 from line 7. If zero or less, enter -0-	14	5,000.
15 Income distribution deduction. Enter the smaller of line 13 or line 14 here and on page 1, line 18	15	5,000.

Schedule G Tax Computation (see page 27 of the instructions)		
1 Tax: a Tax on taxable income (see page 27 of the instructions)	1a	0.
b Tax on lump-sum distributions. Attach Form 4972	1b	
c Alternative minimum tax (from Schedule I (Form 1041), line 56)	1c	
d Total. Add lines 1a through 1c	1d	0.
2a Foreign tax credit. Attach Form 1116	2a	
b General business credit. Attach Form 3800	2b	
c Credit for prior year minimum tax. Attach Form 8801	2c	
d Bond credits. Attach Form 8912	2d	
3 Total credits. Add lines 2a through 2d	3	0.
4 Subtract line 3 from line 1d. If zero or less, enter -0-	4	0.
5 Recapture taxes. Check if from: <input type="checkbox"/> Form 4255 <input type="checkbox"/> Form 8611	5	
6 Household employment taxes. Attach Schedule H (Form 1040)	6	
7 Total tax. Add lines 4 through 6. Enter here and on page 1, line 23	7	628,950.

Other Information SEC. 641(C)		628,950.		Yes	No
1	Did the estate or trust receive tax-exempt income? If "Yes," attach a computation of the allocation of expenses				X
	Enter the amount of tax-exempt interest income and exempt-interest dividends ▶ \$				
2	Did the estate or trust receive all or any part of the earnings (salary, wages, and other compensation) of any individual by reason of a contract assignment or similar arrangement?				X
3	At any time during calendar year 2010, did the estate or trust have an interest in or a signature or other authority over a bank, securities, or other financial account in a foreign country?				X
	See page 29 of the instructions for exceptions and filing requirements for Form TDF 90-22.1. If "Yes," enter the name of the foreign country ▶				
4	During the tax year, did the estate or trust receive a distribution from, or was it the grantor of, or transferor to, a foreign trust? If "Yes," the estate or trust may have to file Form 3520. See page 29 of the instructions				X
5	Did the estate or trust receive, or pay, any qualified residence interest on seller-provided financing? If "Yes," see page 29 for required attachment				X
6	If this is an estate or a complex trust making the section 663(b) election, check here (see page 29 of the instructions)			<input type="checkbox"/>	
7	To make a section 643(e)(3) election, attach Schedule D (Form 1041), and check here (see page 29 of the instructions)			<input type="checkbox"/>	
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 check here			<input type="checkbox"/>	
9	Are any present or future trust beneficiaries skip persons? See page 29 of the instructions				X

Expense Allocation by Income Type

Income Type	Income	Charity	Direct Expenses Specifically Allocated	Indirect and Direct Expenses not Specifically Allocated	Net Income
Other Taxable					
<u>Non-Passive</u>					
Ordinary Business					
Net Rental Real Estate					
Other Rental					
Interest	10,000.			5,000.	5,000.
Non-qualified Dividends					
<u>Passive</u>					
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.

SW

WH

1041

Electing Small Business Trust Tax Calculation

Name of Trust

Employer ID Number

IRREVOCABLE DYNASTY TRUST

04-3579517

Income

Interest	_____	_____
Total Ordinary Dividends	_____	_____
Less: Qualified Dividends	_____	_____
Net Dividends	_____	_____
Other Ordinary Income	SEE STATEMENT 2	1,800,000.
Net Short-Term Capital Gain	_____	_____
Ordinary Gains	_____	_____
Other Income	_____	_____
Total Income	_____	1,800,000.

Deductions

Interest	_____	_____
Taxes	_____	_____
Fiduciary Fees	_____	_____
Charitable Deduction	_____	_____
Attorney, Accountant, Return Preparation Fees	_____	3,000.
Other Deductions - Not Subject to 2% Limit	_____	_____
Other Deductions - Subject to 2% Limit	_____	_____
Total Deductions	_____	3,000.

Tax and Credits

Taxable Income	_____	1,797,000.
Tax - 35%	_____	628,950.
Net Long-Term Capital Gain and Qualified Dividends	_____	_____
Tax	_____	_____
Total Regular Tax	_____	628,950.
Alternative Minimum Tax	_____	_____
Total Tax	_____	628,950.
Credits	_____	_____
Recapture and Other Taxes	_____	_____
Net Tax - to Form 1041, Schedule G, line 7	_____	628,950.

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S CORPORATION PORTION

Form **8582**

Passive Activity Loss Limitations

OMB No. 1545-1008

Department of the Treasury
Internal Revenue Service (99)

▶ See separate instructions.
▶ Attach to Form 1040 or Form 1041.

Attachment
Sequence No. **88**

Name(s) shown on return

Identifying number

IRREVOCABLE DYNASTY TRUST

04-3579517

Part I 2010 Passive Activity Loss Caution: Complete Worksheets 1, 2, and 3 on page 2 before completing Part I.

Rental Real Estate Activities With Active Participation (For the definition of active participation, see Special Allowance for Rental Real Estate Activities on page 3 of the instructions.)

1a Activities with net income (enter the amount from Worksheet 1, column (a))	1a		1d
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))	1c		
d Combine lines 1a, 1b, and 1c			

Commercial Revitalization Deductions From Rental Real Estate Activities

2a Commercial revitalization deductions from Worksheet 2, column (a)	2a		2c
b Prior year unallowed commercial revitalization deductions from Worksheet 2, column (b)	2b		
c Add lines 2a and 2b			

All Other Passive Activities

3a Activities with net income (enter the amount from Worksheet 3, column (a))	3a	1,800,000.	3d
b Activities with net loss (enter the amount from Worksheet 3, column (b))	3b		
c Prior years unallowed losses (enter the amount from Worksheet 3, column (c))	3c		
d Combine lines 3a, 3b, and 3c		1,800,000.	

4 Combine lines 1d, 2c, and 3d. If the result is net income or zero, all losses are allowed, including any prior year unallowed losses entered on line 1c, 2b, or 3c. Do not complete Form 8582. Report the losses on the forms and schedules normally used	4	1,800,000.
---	---	------------

- 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), skip Part II and go to Part III.
 - Line 3d is a loss (and lines 1d and 2c are zero or more), skip Parts II and III and go to line 15.

Caution: If your filing status is married filing separately and you lived with your spouse at any time during the year, do not complete 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.		
8 Subtract line 7 from line 6	8	
9 Multiply line 8 by 50% (.5). Do not enter more than \$25,000. If married filing separately, see the instructions	9	
10 Enter the smaller of line 5 or line 9	10	

If line 2c is a loss, go to Part III. Otherwise, go to line 15.

Part III Special Allowance for Commercial Revitalization Deductions From Rental Real Estate Activities

Note: Enter all numbers in Part III as positive amounts. See the example for Part II on page 9 of the instructions.

11 Enter \$25,000 reduced by the amount, if any, on line 10. If married filing separately, see instructions	11	
12 Enter the loss from line 4	12	
13 Reduce line 12 by the amount on line 10	13	
14 Enter the smallest of line 2c (treated as a positive amount), line 11, or line 13	14	

Part IV Total Losses Allowed

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, 14, and 15. See the instructions to find out how to report the losses on your tax return	16	

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FORM 1041

INTEREST INCOME

STATEMENT 1

<u>DESCRIPTION</u>	<u>U. S. INTEREST</u>	<u>OTHER TAXABLE INTEREST</u>
CITIZENS BANK		10,000.
SUBTOTALS		10,000.
TOTAL TO FORM 1041, LINE 1		10,000.

ESBT		OTHER ORDINARY INCOME	STATEMENT	2
DESCRIPTION			AMOUNT	
FROM - JOHN Q. PUBLIC, INC.			1,800,000.	
TOTAL TO ESBT WORKSHEET			1,800,000.	

ESBT FORM 8582	OTHER PASSIVE ACTIVITIES - WORKSHEET 3	STATEMENT	3
----------------	--	-----------	---

NAME OF ACTIVITY	CURRENT YEAR		PRIOR YEAR UNALLOWED LOSS	OVERALL GAIN OR LOSS	
	NET INCOME	NET LOSS		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 ACTIVITIES	STATEMENT	4
----------------	-------------------------------	-----------	---

R R E A NAME	FORM OR SCHEDULE	GAIN/LOSS	PRIOR YEAR C/O	NET GAIN/LOSS	UNALLOWED LOSS	ALLOWED LOSS
TOTALS		1800000.	0.	1,800,000.	0.	0.

PRIOR YEAR CARRYOVERS ALLOWED DUE TO CURRENT YEAR NET ACTIVITY INCOME

TOTAL TO FORM 8582, LINE 16 0.

**Schedule K-1
(Form 1041)**

For calendar year 2010,

Department of the Treasury
Internal Revenue Service

or tax year beginning _____
and ending _____

**Beneficiary's Share of Income, Deductions,
Credits, etc.**

▶ See separate instructions.

Final K-1

Amended K-1

OMB No. 1545-0092

Part I: Information About the Estate or Trust

A Estate's or trust's employer identification number
04-3579517

B Estate's or trust's name
IRREVOCABLE DYNASTY TRUST

C Fiduciary's name, address, city, state, and ZIP code
**LEO J CUSHING, TRUSTEE
375 TOTTEN POND ROAD
WALTHAM, MA 02451**

D Check if Form 1041-T was filed and enter the date it was filed

E Check if this is the final Form 1041 for the estate or trust

Part II: Information About the Beneficiary

F Beneficiary's identifying number
159-85-7532

G Beneficiary's name, address, city, state, and ZIP code
**JANE Q PUBLIC
347 TOTTEN POND ROAD
WALTHAM, MA 02451**

H Domestic beneficiary Foreign beneficiary

Part III: Beneficiary's Share of Current Year Income, Deductions, Credits, and Other Items			
1	Interest income 2,500.	11	Final year deductions
2a	Ordinary dividends		
2b	Qualified dividends		
3	Net short-term capital gain		
4a	Net long-term capital gain		
4b	28% rate gain	12	Alternative min tax adjustment
4c	Unrecaptured section 1250 gain		
5	Other portfolio and nonbusiness income		
6	Ordinary business income		
7	Net rental real estate income		
8	Other rental income	13	Credits and credit recapture
9	Directly apportioned deductions		
		14	Other information 5,000.
10	Estate tax deduction		

*See attached statement for additional information.

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.

For IRS Use Only

**Schedule K-1
(Form 1041)**

For calendar year 2010,

Department of the Treasury or tax year beginning
Internal Revenue Service and ending

**Beneficiary's Share of Income, Deductions,
Credits, etc. ▶ See separate instructions.**

Final K-1 Amended K-1 OMB No. 1545-0092

Part I Information About the Estate or Trust

A Estate's or trust's employer identification number
04-3579517

B Estate's or trust's name
IRREVOCABLE DYNASTY TRUST

C Fiduciary's name, address, city, state, and ZIP code
**LEO J CUSHING, TRUSTEE
375 TOTTEN POND ROAD
WALTHAM, MA 02451**

D Check if Form 1041-T was filed and enter the date it was filed

E Check if this is the final Form 1041 for the estate or trust

Part II Information About the Beneficiary

F Beneficiary's identifying number
321-65-4987

G Beneficiary's name, address, city, state, and ZIP code
**JOHN Q PUBLIC JR
357 TOTTEN POND ROAD
WALTHAM, MA 02451**

H Domestic beneficiary Foreign beneficiary

Part III Beneficiary's Share of Current Year Income, Deductions, Credits, and Other Items			
1	Interest income 2,500.	11	Final year deductions
2a	Ordinary dividends		
2b	Qualified dividends		
3	Net short-term capital gain		
4a	Net long-term capital gain		
4b	28% rate gain	12	Alternative min tax adjustment
4c	Unrecaptured section 1250 gain		
5	Other portfolio and nonbusiness income		
6	Ordinary business income		
7	Net rental real estate income		
8	Other rental income	13	Credits and credit recapture
9	Directly apportioned deductions		
		14	Other information 5,000.
10	Estate tax deduction		
*See attached statement for additional information.			
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.			
For IRS Use Only			



CUSHING & DOLAN, P.C.

A T T O R N E Y S A T L A W

Supplements

Steve Leimberg
Bob LeClair

DataNet Newsletter

FAX: (610) 924-0514
TEL: (610) 924-0515

Data Item	1-May 2011	1-Apr 2011	Month's Change	12-Month's 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%
IRS 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	2.34%	2.4%	2011-2
February - 2011	2.80%	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 these legal authorities are included for the convenience of those who would like to read the technical reference material. To access the applicable IRC sections, Treasury 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](#)

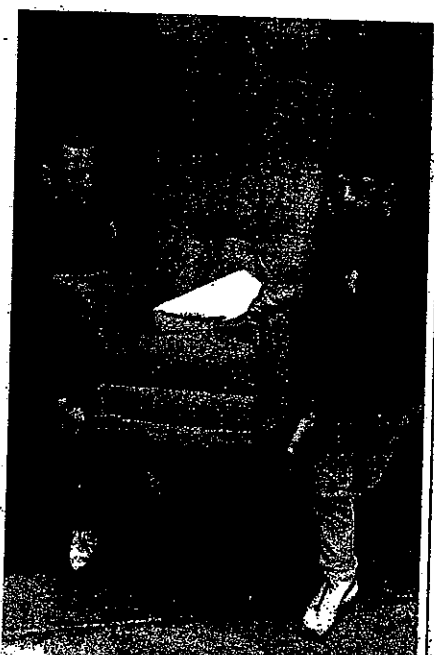
[Rate the Small Business and Self-Employed Web Site](#)

Page Last Reviewed or Updated: April 21, 2011

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Workers lead 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 challenge for Bernanke, who is going to have to make some tough judgments."
But with the economy's strong performance in the third quarter, many analysts expect the Fed to continue raising rates next year, 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 communities.
In the third quarter, the econ-

Abigail Johnson sells part of stake

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

BLOOMBERG NEWS
Fidelity Investments said Abigail Johnson, 43, the company's largest shareholder and a leading candidate to succeed her father, chairman and chief executive Edward Johnson III, sold some of her voting stake in the mutual fund firm to family trusts. Fidelity, the world's largest fund manager with \$1.1 trillion in assets, did not disclose how much of her 24.5 percent stake was sold. The change didn't reduce the Johnson family's 49 percent ownership of the Boston-based company, spokeswoman Anne Crowley said. Fidelity executives hold 51 percent.

Johnson, 43, sold the shares to "generation-skipping family trusts" that benefit current and future family members, Crowley said. The transfer was part of the Johnsons' "estate-planning and family-succession process," she said.
Johnson was reassigned in May from Fidelity's investment-management 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 Traulsen, a fund analyst with Chicago-based research 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.

Johnson had mixed success in her four years as president of the investment group, Fidelity Management & Research Co. Its funds struggled to match past performance or returns posted by rivals including American Funds and Vanguard 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 managed funds, according to data compiled by Bloomberg. The \$52.5 billion fund, managed by Robert Stangoy, was overtaken as the firm's biggest in September by the \$66.7 billion Contrafund, which is run by William Danoff.

Fidelity has endured yearlong regulatory and criminal investigations of its equity traders' acceptance of gifts from outside brokers. A half-dozen stock traders have since left the company, and Scott DeSarno, its chief, says it will make a

Robert Gavin can be reached at rgavin@globe.com.



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

SONG
Continued from Page A13
commuter service, Delta is the second biggest airline at Logan after American Airlines, ranked by passenger volume. Delta flies 22 non-stop routes from Boston now, including its hourly New York shuttle and 12 daily flights to its main hub in Atlanta.

Delta executives yesterday sought to portray their decision not as abandoning the Song concept, but seeking to apply its best features across Delta as the airline fights to emerge from bankruptcy protection and return to profitability.

This is a great opportunity for us to bring all that we have learned from Song and its creativity and innovation into Delta," said Joanne Smith, Song president, who will hold that job through May while also serving as a Delta vice president of marketing. Smith said she expects Delta to adopt Song's innovations in food service, such as offering organic salads and gourmet sandwiches aimed at health-conscious travelers.

Although it has become a well-known brand name in the last two years, Song flies out of only 16 cities, and it has no presence in Delta's 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 Song renamed "Big Papi" this autumn in honor of Red Sox slugger David Ortiz will keep its moniker until at least the spring. Another Boston Song innovation, a new menu developed by chef Peter Davis of Henrietta's Table and the Charles Hotel in Cambridge, 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 million passengers, or 6.7 percent of Logan's total, according to Massachusetts Port Authority statistics. That put Song just after mainline Delta, which ranked fourth with 2.1 million passengers, or 7.9 percent of the total.

Ray Neidl, an aviation industry stock analyst with Calyon Securities 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 subsidiary, have tried to set up low-cost divisions to compete with fast-growing and highly profitable Southwest Airlines 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 future, 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 airlines, "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 757s to Delta service, Delta will reconfigure the existing one-class airliners with 26 first-class seats, in hopes of attracting lucrative business travelers.

The Delta aircraft that will be converted to the Song interior cabin style will be refitted with personal entertainment systems offering 24 channels of live TV, 10 channels of on-demand video, and interactive video games and music programming, Delta chief executive Gerald Crandall said.

e in Beacon Hill software named by advocates for blind

nologies at Sun Microsystems, agreed that his company's StarOffice 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," Bry 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 stored in the new format, because Microsoft Corp. has so far refused to make its software compatible with
"How will people with disabilities know whether Quinlan has the authority to make a decision?" Pachecco wants to know whether Quinlan has the authority to make a