Question 1 50 points Save

9. The owner of a successful business wishes to retire and sell the business to her daughter. The business is worth substantially more than the owner's basis. The owner and her daughter have agreed to an installment sale. Which of the following statements concerning this sale is correct?

- (A) The sale price should be lower than the fair market value of the business to avoid estate or gift tax complications.
- (B) The installment period must be limited to 10 years or less to avoid adverse estate tax consequences.
- (C) The principal payments payable after the seller's death avoid estate inclusion.
- (D) The interest rate specified should be reasonable to avoid adverse gift or income tax consequences.

Question 2 50 points Save

20. Frank purchased property for $20,000 24 years ago that appreciated in value to $120,000 2 years ago. Which of the following statements concerning the taxation of the property is correct?

- (A) If Frank gifted the property to his daughter 2 years ago and the portion of the gift tax paid that was attributable to the appreciation in value was $7,000, the daughter would have a gain of $17,000 for income tax purposes when she later sold the property for $130,000.
- (B) If Frank gifted the property to his daughter 2 years ago, the daughter would receive a new stepped-up basis of $120,000 for income tax purposes.
- (C) If Frank left the property to his daughter by will and he died 2 years ago, the daughter would have a gain of $10,000 for income tax purposes when she later sold the property for $130,000.
- (D) If Frank left the property to his daughter by will and he died 2 years ago, the $100,000 of appreciation in value would merely be deferred for income tax purposes until the daughter later sold the property.

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