**Tax return problem Chapter 18**

1. James A. and Ella R. Polk, ages 70 and 65, are retired physicians who live at 13319 Taylorcrest Street, Houston, Texas 77079. Their three adult children (Benjamin Polk, Michael Polk, and Olivia Turner) are mature and responsible persons. The Polks have heard that some in Congress have proposed lowering the Federal gift tax exclusion from $5.34 million to $3 million. Although this change may not occur, the Polks feel they should take advantage of the more generous exclusion available under existing law. Thus, in 2015, the Polks make transfers of many of their high value investments. These and other gifts made during 2015 are summarized below.

|  | **Donor** |
| --- | --- |
| **Asset Transfer** | **James** | **Ella** |  |  |
| Condominium located in Conroe (TX) acquired in 1999, cost $1.2 million, to Benjamin, Michael, and Olivia as equal tenants in common. | $1,900,000 | $1,900,000 |  |  |
| Office building, located in Round Rock (TX) built in 2001, cost $1.8 million, to Benjamin, Michael, and Olivia as equal tenants in common. | 2,300,000 | 2,300,000 |  |  |
| Vacation ranch in Bandera (TX) inherited by James from his father in 1996, value then $900,000, to Benjamin, Michael, and Olivia as equal joint tenants with right of survivorship. | 2,600,000 | –0– |  |  |
| Ella used her separate property to reimburse her father (Alan Roberts) for his heart bypass operation. |  –0– | 82,000 |  |  |
| Paid for daughter's (Olivia's) wedding to John Turner | 20,000 | 20,000 |  |  |
| James used his separate property to purchase a new automobile (BMW) as a graduation present (from medical school) for his favorite niece (Carol Polk) |  42,000 |  –0– |  |  |

1. Prepare 2015 gift tax returns (Form 709) for both of the Polks. A § 2513 election to split gifts is made. The Polks have made no taxable gifts in prior years. Relevant Social Security numbers are 123-45-6789 (James) and 123-45-6788 (Ella).