Preparing Gift Tax Returns

Boston Bar Association
March 7, 2012

Sara W. Condon, Esq.
Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C.
One Financial Center
Boston, MA 02111
(617) 348-4408
swcondon@mintz.com

Jay Pritchett, a wealthy businessman in his mid-60s, resides in the Los Angeles area with his much younger wife, Gloria Delgado-Pritchett, and Gloria's son, Manuel ("Manny") Delgado. Gloria moved to the United States from a small village in Colombia, and remains a Colombian citizen.

Jay has two children from his prior marriage: Claire Dunphy and Mitchell Pritchett. Claire is married to Phil Dunphy, and has three children: Haley, Alexandra ("Alex"), and Luke (who happens to be the same age as his step-uncle, Manny). Mitchell, an attorney, has had a partner, Cameron Tucker, for five years, with whom he adopted a Vietnamese baby, Lily.

As Jay has developed his wealth and gotten older, he spoke with his son, Mitchell, about some strategies by which he could pass on his wealth to his family and save on potential estate taxes. After speaking with an estate planning attorney, Jay took the following actions:

• **529 Plan:** Jay created a 529 plan for Manny in 2010, and elected to treat the gift of $120,000 to the 529 plan as having been made ratably over the next 5 years.
• **Cash Gift to Gloria:** As Gloria does not have many assets in her individual name, Jay made a gift of $134,000 to Gloria.
• **Cash Gifts to Children:** Jay made cash gifts to each of his children to fully utilize the annual exclusion.
• **Cash Gift to Charity:** Jay made a cash gift to his favorite charity, the Beautification of Colombian Women Foundation.
• **Jay Pritchett 2011 Business Trust:** Jay recapitalized his company and gifted a portion of the non-voting shares to an irrevocable trust for the benefit of his descendants.
• **Jay Pritchett 2011 Annuity Trust:** Jay created a Grantor Retained Annuity Trust ("GRAT") and gifted another business interest into it.
- **Jay Pritchett 2011 Insurance Trust**: Jay created a life insurance trust to hold life insurance on his life with annual premiums of $120,000, which trust would benefit Claire, Mitchell, and their descendants after Jay’s death.

- **Pritchett Family 2011 Insurance Trust**: Jay created a life insurance trust to hold a second-to-die life insurance policy on the lives of Jay and Gloria with annual premiums of $10,000, which trust would benefit Manny and his descendants after their deaths.

In order to document all of the above transactions, Jay and Gloria need assistance in the preparation of their 2011 gift tax returns.
Form 709

United States Gift (and Generation-Skipping Transfer) Tax Return
(For gifts made during calendar year 2011)

Donor's first name and middle initial: Jay
Donor’s last name: Fritchett
Donor’s social security number: 123-45-6789

Address (number, street, and apartment number): 10 Patriarch Drive, Los Angeles, CA 90003
Legal residence (domicile): Los Angeles, U.S.
City, state, and ZIP code: Los Angeles, CA 90003
Citizenship (see instructions): U.S.

If the donor died during the year, check here □ and enter date of death: Yes □ No □
If you extended the time to file this Form 709, check here □ Yes □ No
Enter the total number of donees listed on Schedule A. Count each person only once: 14
Have you (the donor) previously filed a Form 709 (or 709-A) for any other year? If "Yes," file line 11b.
If the answer to line 11a is "Yes," has your address changed since you last filed Form 709 (or 709-A)?: Yes □ No □

Gifts by husband or wife to third parties. Do you consent to have the gifts (including generation-skipping transfers) made by you and by your spouse to third parties during the calendar year considered as made one-half by each of you? (See instructions.) If the answer is "Yes," the following information must be furnished and your spouse must sign the consent shown below. If the answer is "No," skip lines 13-18 and go to Schedule A.: Yes □ No □

Name of consenting spouse: Gloria Delgado-Fritchett
SSN: 234-56-7890

Were you married to one another during the entire calendar year? (see instructions): Yes □ No □
If 15 is "No," check whether □ married □ divorced or □ widowed/deceased, and give date (see instructions): □
Will a gift tax return for this year be filed by your spouse? (If "Yes," mail both returns in the same envelope.): Yes □ No □

Consenting spouse's signature □
Date: 64,062 06
1

Enter the amount from Schedule A, Part 4, line 11: 64,062 06

Enter the amount from Schedule B, line 3: 0 00

Total taxable gifts. Add lines 1 and 2: 64,062 06

Tax computed on amount on line 3 (see Table for Computing Gift Tax in Instructions): 14,056 14

Tax computed on amount on line 2 (see Table for Computing Gift Tax in Instructions): 0 00

Balance. Subtract line 5 from line 4: 14,056 14

Maximum unified credit (see instructions): 345,800 00

Enter the unified credit against tax allowable for all prior periods (from Sch. B, line 1, col. C): 345,800 00

Balance. Subtract line 8 from line 7: 0 00

Enter 20% (20) of the amount allowed as a specific exemption for gifts made after September 8, 1976, and before January 1, 1977 (see instructions): 0 00

Balance. Subtract line 11 from line 9: 345,800 00

Unified credit. Enter the smaller of line 6 or line 11: 14,056 14

Credit for foreign gift taxes (see instructions): 0 00

Total credits. Add lines 12 and 13: 14,056 14

Balance. Subtract line 14 from line 6: 0 00

Generation-skipping transfer taxes (from Schedule C, Part 3, col. H, Total): 0 00

Total tax. Add lines 15 and 16: 0 00

Gift and generation-skipping transfer taxes prepaid with extension of time to file: 0 00

If line 18 is less than line 17, enter balance due (see Instructions): 0 00

If line 18 is greater than line 17, enter amount to be refunded: 0 00

Sign Here

Signature of donor: □
Date: □

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

Print/Type preparer’s name: Mintz Levin, et.al.
Preparer’s signature: □
Date: □

Check □ if self-employed: □
PTIN: □

Firm’s address: One Financial Center, Boston, MA 02111
Firm’s EIN: □
Phone no.: 617-542-6000

For Disclosure, Privacy Act, and Paperwork Reduction Act Notice, see the instructions for this form.
Cat. No. 16783M
Form 709 (2011)
## SCHEDULE A  
**Computation of Taxable Gifts** *(Including transfers in trust) *(see instructions)*

A  Does the value of any item listed on Schedule A reflect any valuation discount? If "Yes," attach explanation . . . . . . . Yes ☐ No ☐

B  ☐ Check here if you elect under section 529(c)(2)(B) to treat any transfers made this year to a qualified tuition program as made ratably over a 5-year period beginning this year. See instructions. Attach explanation.

### Part 1 — Gifts Subject Only to Gift Tax. Gifts less political organization, medical, and educational exclusions. *(see instructions)*

<table>
<thead>
<tr>
<th>A Item number</th>
<th>B</th>
<th>C Donor’s adjusted basis of gift</th>
<th>D Date of gift</th>
<th>E Value at date of gift</th>
<th>F For split gifts, enter 1/2 of column F</th>
<th>G Net transfer (subtract col. G from col. F)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 SEE ATTACHED</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>428,000.00</td>
</tr>
</tbody>
</table>

Gifts made by spouse — complete only if you are splitting gifts with your spouse and he/she also made gifts.

Total of Part 1. Add amounts from Part 1, column H

Part 2 — Direct Skips. Gifts that are direct skips and are subject to both gift tax and generation-skipping transfer tax. You must list the gifts in chronological order.

<table>
<thead>
<tr>
<th>A Item number</th>
<th>B</th>
<th>C 2632(b) election out</th>
<th>D Donor’s adjusted basis of gift</th>
<th>E Date of gift</th>
<th>F Value at date of gift</th>
<th>G For split gifts, enter 1/2 of column F</th>
<th>H Net transfer (subtract col. G from col. F)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>SEE ATTACHED</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Gifts made by spouse — complete only if you are splitting gifts with your spouse and he/she also made gifts.

Total of Part 2. Add amounts from Part 2, column H

Part 3 — Indirect Skips. Gifts to trusts that are currently subject to gift tax and may later be subject to generation-skipping transfer tax. You must list these gifts in chronological order.

<table>
<thead>
<tr>
<th>A Item number</th>
<th>B</th>
<th>C 2632(c) election</th>
<th>D Donor’s adjusted basis of gift</th>
<th>E Date of gift</th>
<th>F Value at date of gift</th>
<th>G For split gifts, enter 1/2 of column F</th>
<th>H Net transfer (subtract col. G from col. F)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>SEE ATTACHED</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>125,062.06</td>
</tr>
</tbody>
</table>

Gifts made by spouse — complete only if you are splitting gifts with your spouse and he/she also made gifts.

Total of Part 3. Add amounts from Part 3, column H

*(If more space is needed, attach additional sheets of same size.)*
Donor: **Jay Pritchett**  
SS #: 123-45-6789

**CONTINUATION OF SCHEDULE A-1**  
(Gifts Subject Only to Gift Tax)

<table>
<thead>
<tr>
<th>Item #</th>
<th>Donee’s name, rel to Donor, address &amp; description of gift</th>
</tr>
</thead>
</table>
| 1.    | Manuel Delgado  
(Stepson)  
10 Patriarch Drive  
Los Angeles, CA 90003 |
|       | Gift of Cash to Qualified Tuition Plan¹ |
|       | 24,000.00 1/1/2011 24,000.00 12,000.00 12,000.00 |
| 2.    | Gloria Delgado-Pritchett  
(wife)  
10 Patriarch Drive  
Los Angeles, CA 90003 |
|       | Cash 134,000.00 1/1/2011 134,000.00 134,000.00 |
| 3.    | Claire Dunphy  
(daughter)  
25 Iceskating Street  
Los Angeles, CA 90003 |
|       | Cash 6,000.00 12/31/2011 6,000.00 3,000.00 3,000.00 |
| 4.    | Phil Dunphy  
(son-in-law)  
25 Iceskating Street  
Los Angeles, CA 90003 |
|       | Cash 26,000.00 12/31/2011 26,000.00 13,000.00 13,000.00 |
| 5.    | Mitchell Pritchett  
(son)  
132 Avocat Way  
Los Angeles, CA 90003 |
<p>|       | Cash 6,000.00 12/31/2011 6,000.00 3,000.00 3,000.00 |</p>
<table>
<thead>
<tr>
<th>Item #</th>
<th>Donor’s name, rel to Donor, address &amp; description of gift</th>
<th>2632(b) Election out</th>
<th>Donor’s adj basis of gift</th>
<th>Date of gift</th>
<th>Value at date of gift</th>
<th>Gift Split</th>
<th>Net Transfer</th>
</tr>
</thead>
<tbody>
<tr>
<td>6.</td>
<td>Cameron Tucker (unrelated) 132 Avocat Way Los Angeles, CA 90003</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Cash</td>
<td>26,000.00</td>
<td>12/31/2011</td>
<td>26,000.00</td>
<td>13,000.00</td>
<td>13,000.00</td>
<td></td>
</tr>
<tr>
<td>7.</td>
<td>Beautification of Colombian Women Foundation (charity) 51 Colombian Road Los Angeles, CA 90003</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Cash</td>
<td>500,000.00</td>
<td>12/31/2011</td>
<td>500,000.00</td>
<td>250,000.00</td>
<td>250,000.00</td>
<td></td>
</tr>
</tbody>
</table>

**TOTAL NET TRANSFER** $428,000.00

1 On January 1, 2010 the taxpayer and the taxpayer’s wife jointly contributed $120,000 to a qualified tuition plan on behalf of the taxpayer’s wife’s son, Manuel Delgado, and elected under Section 529(c)(2)(B) to treat these entire contributions ratably over a five year period beginning in 2010.
<table>
<thead>
<tr>
<th>A Item #</th>
<th>B Donor's name, rel to Donor, address &amp; description of gift</th>
<th>C 2632(b) Election out</th>
<th>D Donor's adj basis of gift</th>
<th>E Date of gift</th>
<th>F Value at date of gift</th>
<th>G Gift Split</th>
<th>H Net transfer</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Gift of 1,000 shares of Pritchett Ventures, Inc. to the Jay Pritchett 2011 Business Trust¹</td>
<td>$50,000.00</td>
<td>2/15/11</td>
<td>$120,000</td>
<td>$60,000.00</td>
<td>$60,000.00</td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td>Gift of 500 shares of Pritchett Enterprises, Inc. to Jay Pritchett 2011 Annuity Trust²</td>
<td>X $124.12</td>
<td>2/15/11</td>
<td>$124.12</td>
<td>$62.06</td>
<td>$62.06</td>
<td></td>
</tr>
<tr>
<td>3.</td>
<td>Claire Dunphy (daughter) 25 Iceskating Street Los Angeles, CA 90003</td>
<td>$20,000.00</td>
<td>4/1/11</td>
<td>$20,000.00</td>
<td>$10,000.00</td>
<td>$10,000.00</td>
<td></td>
</tr>
<tr>
<td>4.</td>
<td>Haley Dunphy (granddaughter) 25 Iceskating Street Los Angeles, CA 90003</td>
<td>$20,000.00</td>
<td>4/1/11</td>
<td>$20,000.00</td>
<td>$10,000.00</td>
<td>$10,000.00</td>
<td></td>
</tr>
<tr>
<td>5.</td>
<td>Alexandra Dunphy (granddaughter) 25 Iceskating Street Los Angeles, CA 90003</td>
<td>$20,000.00</td>
<td>4/1/11</td>
<td>$20,000.00</td>
<td>$10,000.00</td>
<td>$10,000.00</td>
<td></td>
</tr>
<tr>
<td>Item #</td>
<td>Donee’s name, rel to Donor, address &amp; description of gift</td>
<td>2632(b) Election out</td>
<td>Donor’s adj basis of gift</td>
<td>Date of gift</td>
<td>Value at date of gift</td>
<td>Gift Split</td>
<td>Net transfer</td>
</tr>
<tr>
<td>-------</td>
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</tr>
<tr>
<td>6.</td>
<td>Luke Dunphy (grandson) 25 Iceskating Street Los Angeles, CA 90003</td>
<td>$20,000.00</td>
<td>4/1/11</td>
<td>$20,000.00</td>
<td>$10,000.00</td>
<td>$10,000.00</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Gift of Cash to the Jay Pritchett 2011 Insurance Trust³</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7.</td>
<td>Mitchell Pritchett (son) 132 Avocat Way Los Angeles, CA 90003</td>
<td>$20,000.00</td>
<td>4/1/11</td>
<td>$20,000.00</td>
<td>$10,000.00</td>
<td>$10,000.00</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Gift of Cash to the Jay Pritchett 2011 Insurance Trust³</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8.</td>
<td>Lily Pritchett - Tucker (granddaughter) 132 Avocat Way Los Angeles, CA 90003</td>
<td>$20,000.00</td>
<td>4/1/11</td>
<td>$20,000.00</td>
<td>$10,000.00</td>
<td>$10,000.00</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Gift of Cash to the Jay Pritchett 2011 Insurance Trust³</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9.</td>
<td>Manuel Delgado (stepson) 10 Patriarch Drive Los Angeles, CA 90003</td>
<td>$2,000.00</td>
<td>4/1/11</td>
<td>$2,000.00</td>
<td>$1,000.00</td>
<td>$1,000.00</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Gift of Cash to the Pritchett Family 2011 Insurance Trust⁴</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10.</td>
<td>Gift of Cash to the Pritchett Family 2011 Insurance Trust⁴</td>
<td>$8,000.00</td>
<td>4/1/11</td>
<td>$8,000.00</td>
<td>$4,000.00</td>
<td>$4,000.00</td>
<td></td>
</tr>
</tbody>
</table>

**TOTAL NET TRANSFER**

$125,062.06
<table>
<thead>
<tr>
<th>Item</th>
<th>Donee's name, rel to Donor, address &amp; description of gift</th>
<th>2632(b) Election out</th>
<th>Donor's adj basis of gift</th>
<th>Date of gift</th>
<th>Value at date of gift</th>
<th>Gift Split</th>
<th>Net transfer</th>
</tr>
</thead>
</table>

1. Jay Pritchett 2011 Business Trust ("Jay's Business Trust")  
(see Jay's Business Trust attached as Exhibit 1)  
Dated: February 15, 2011  
Trustee: Frank Dunphy  
EIN: 27-1234567  
25 Iceskating Street  
Los Angeles, CA 90003  

COMPUTATION OF GIFT: Gift of 1,000 shares of non-voting common stock of Pritchett Ventures, Inc., a California corporation, to Jay's Business Trust. The gifted shares represent an approximate 10% of the outstanding common stock (both voting and non-voting) of the corporation. The gifted shares are valued at $12.00/share based on valuation of Los Angeles Appraisals (a copy of which is attached as Exhibit 2).

2. Jay Pritchett 2011 Annuity Trust ("GRAT")  
(see copy of GRAT governing instrument attached as Exhibit 3)  
Dated: February 15, 2011  
Trustee: Jay Pritchett  
EIN: 27-2345678  
10 Patriarch Drive  
Los Angeles, CA 90003  

COMPUTATION OF GIFT: Gift of 500 shares of common stock of Pritchett Enterprises, Inc., a California corporation, to the GRAT. The gifted shares represent an approximate 35% of the outstanding common stock of the corporation. The taxable gift is computed as the total value of the shares transferred to the GRAT ($750,000.00) less the value of the "qualified annuity interest" retained by the taxpayer with respect to the transferred shares ($749,875.88) ($750,000.00 - $749,875.88 = $124.12). The total value of the shares transferred to the GRAT was determined based on the valuation of Los Angeles Appraisals, which is attached as Exhibit 4. The value of the taxpayer's "retained annuity interest" was computed based on the GRAT calculation sheet attached as Exhibit 5.

3. Jay Pritchett 2011 Insurance Trust  
(see Trust attached as Exhibit 6)  
Dated: April 1, 2011  
Trustee: Frank Dunphy  
EIN: 27-3456789  
25 Iceskating Street  
Los Angeles, CA 90003
<table>
<thead>
<tr>
<th>Item #</th>
<th>Donee’s name, rel to Donor, address &amp; description of gift</th>
<th>2632(b) Donor’s adj Election out basis of gift</th>
<th>Date of gift</th>
<th>Value at date of gift</th>
<th>Gift Split</th>
<th>Net transfer</th>
</tr>
</thead>
</table>

**COMPUTATION OF GIFT** - During 2011, the taxpayer made cash gifts totaling $120,000.00 to the Trust.

**GIFT TAX EXCLUSION** - The present interest exclusion for withdrawal power of the taxpayer’s issue is equal to the least of (a) the proportionate share of the value of the property added to the trust during calendar year 2011 and (b) an amount equal to the annual exclusion from the federal gift tax during 2011. Pursuant to these withdrawal rights, the Donor’s two children and four grandchildren are entitled to withdraw $20,000.00 ($10,000.00 after gift splitting).

4 Pritchett Family 2011 Insurance Trust  
(see Trust attached as Exhibit 7)  
Dated: April 1, 2011  
Trustee: Frank Dunphy  
EIN: 27-4567890  
25 Iceskating Street  
Los Angeles, CA 90003

**COMPUTATION OF GIFT** - During 2011, the taxpayer made cash gifts totaling $10,000.00 to the Trust.

**GIFT TAX EXCLUSION** - The present interest exclusion for withdrawal power of the taxpayer’s wife’s issue is equal to the lesser of (a) the proportionate share of the value of the property added to the trust during calendar year 2011 and (b) an amount equal to the annual exclusion from the federal gift tax during 2011. Pursuant to these withdrawal rights, the taxpayer’s wife’s son is entitled to withdraw $2,000 ($1,000 after gift splitting). The remaining $8,000 ($4,000 after gift splitting) is a future interest gift to the Trust.
### Part 4—Taxable Gift Reconciliation

<p>| | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Total value of gifts of donor. Add totals from column H of Parts 1, 2, and 3</td>
<td>1</td>
<td>553,062</td>
<td>06</td>
</tr>
<tr>
<td>2</td>
<td>Total annual exclusions for gifts listed on line 1 (see instructions)</td>
<td>2</td>
<td>105,000</td>
<td>00</td>
</tr>
<tr>
<td>3</td>
<td>Total included amount of gifts. Subtract line 2 from line 1</td>
<td>3</td>
<td>448,062</td>
<td>06</td>
</tr>
</tbody>
</table>

#### Deductions (see instructions)

<p>| | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>4</td>
<td>Gifts of interests to spouse for which a marital deduction will be claimed, based on item numbers 2 of Schedule A</td>
<td>4</td>
<td>134,000</td>
<td>00</td>
</tr>
<tr>
<td>5</td>
<td>Exclusions attributable to gifts on line 4</td>
<td>5</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>6</td>
<td>Marital deduction. Subtract line 5 from line 4</td>
<td>6</td>
<td>134,000</td>
<td>00</td>
</tr>
<tr>
<td>7</td>
<td>Charitable deduction, based on item nos. less exclusions</td>
<td>7</td>
<td>250,000</td>
<td>00</td>
</tr>
<tr>
<td>8</td>
<td>Total deductions. Add lines 6 and 7</td>
<td>8</td>
<td>384,000</td>
<td>00</td>
</tr>
<tr>
<td>9</td>
<td>Subtract line 8 from line 3</td>
<td>9</td>
<td>64,062</td>
<td>06</td>
</tr>
<tr>
<td>10</td>
<td>Generation-skipping transfer taxes payable with this Form 709 (from Schedule C, Part 3, col. H, Total)</td>
<td>10</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>11</td>
<td>Taxable gifts. Add lines 9 and 10. Enter here and on page 1, Part 2—Tax Computation, line 1</td>
<td>11</td>
<td>64,062</td>
<td>06</td>
</tr>
</tbody>
</table>

**Terminable Interest (QTIP) Marital Deduction.** (See instructions for Schedule A, Part 4, line 4.)

If a trust (or other property) meets the requirements of qualified terminable interest property under section 2523(f), and:

a. The trust (or other property) is listed on Schedule A, and

b. The value of the trust (or other property) is entered in whole or in part as a deduction on Schedule A, Part 4, line 4, then the donor shall be deemed to have made an election to have such trust (or other property) treated as qualified terminable interest property under section 2523(f).

If less than the entire value of the trust (or other property) that the donor has included in Parts 1 and 3 of Schedule A is entered as a deduction on line 4, the donor shall be considered to have made an election only as to a fraction of the trust (or other property). The numerator of this fraction is equal to the amount of the trust (or other property) deducted on Schedule A, Part 4, line 6. The denominator is equal to the total value of the trust (or other property) listed in Parts 1 and 3 of Schedule A.

If you make the QTIP election, the terminable interest property involved will be included in your spouse's gross estate upon his or her death (section 2044). See instructions for line 4 of Schedule A. If your spouse disposes of (by gift or otherwise) all or part of the qualifying life income interest, he or she will be considered to have made a transfer of the entire property that is subject to the gift tax. See Transfer of Certain Life Estates Received From Spouse in the instructions.

12 **Election Out of QTIP Treatment of Annuities**

☐ Check here if you elect under section 2523(f)(3)(B) to treat as qualified terminable interest property any joint and survivor annuities that are reported on Schedule A and would otherwise be treated as qualified terminable interest property under section 2523(f). See instructions. Enter the item numbers from Schedule A for the annuities for which you are making this election.

---

### SCHEDULE B  Gifts From Prior Periods

If you answered "Yes" on line 11a of page 1, Part 1, see the instructions for completing Schedule B. If you answered "No," skip to the Tax Computation on page 1 (or Schedule C, if applicable). See instructions for recalculation of the column C amounts. Attach calculations.

<table>
<thead>
<tr>
<th>A</th>
<th>Calendar year or calendar quarter (see instructions)</th>
<th>B Internal Revenue office where prior return was filed</th>
<th>C Amount of unified credit against gift tax for periods after December 31, 1976</th>
<th>D Amount of specific exemption for prior periods ending before January 1, 1977</th>
<th>E Amount of taxable gifts</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>Cincinnati, OH</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

1 Totals for prior periods

2 Amount, if any, by which total specific exemption, line 1, column D is more than $30,000

3 Total amount of taxable gifts for prior periods. Add amount on line 1, column E and amount, if any, on line 2.

(If more space is needed, attach additional sheets of same size.)
### Schedule C: Computation of Generation-Skipping Transfer Tax

**Note:** Inter vivos direct skips that are completely excluded by the GST exemption must still be fully reported (including value and exemptions claimed) on Schedule C.

#### Part 1—Generation-Skipping Transfers

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</tbody>
</table>

Gifts made by spouse (for gift splitting only)

#### Part 2—GST Exemption Reconciliation (Section 2631) and Section 2652(a)(3) Election

Check here □ if you are making a section 2652(a)(3) (special QTIP) election (see instructions)

Enter the item numbers from Schedule A of the gifts for which you are making this election ▶

1. Maximum allowable exemption (see instructions) .......................... 1 5,000,000
2. Total exemption used for periods before filing this return ..................... 2 0
3. Exemption available for this return. Subtract line 2 from line 1 ............. 3 5,000,000
4. Exemption claimed on this return from Part 3, column C total, below ........ 4 0
5. Automatic allocation of exemption to transfers reported on Schedule A, Part 3 (see instructions) ........................................... 5 0
6. Exemption allocated to transfers not shown on line 4 or 5, above. **You must attach a “Notice of Allocation.”** (see instructions) .......... 6 125,000
7. Add lines 4, 5, and 6 ................................................................. 7 125,000
8. Exemption available for future transfers. Subtract line 7 from line 3 ........ 8 4,475,000

#### Part 3—Tax Computation

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</tbody>
</table>

Gifts made by spouse (for gift splitting only)

|   |                                   |   |                      |   |                      |   |                     |   |                      |   |                           |   |                          |   |                                         |

Total exemption claimed. Enter here and on Part 2, line 4, above. May not exceed Part 2, line 3, above ..............................................

**Total Generation-skipping transfer tax.** Enter here; on page 3, Schedule A, Part 4, line 10; and on page 1, Part 2—Tax Computation, line 16 ..............................................

(If more space is needed, attach additional sheets of same size.)
Attached to and made a part of
United States Gift (and Generation-Skipping Transfer) 2011 Tax Return
Form 709

Taxpayer: Jay Pritchett
Social Security No: 123-45-6789

NOTICE OF ELECTION OUT OF GENERATION SKIPPING TAX EXEMPTION
ALLOCATION

<table>
<thead>
<tr>
<th>Name of Trust:</th>
<th>Item # Sched A Part 3</th>
<th>Value of Transfers</th>
<th>Adjustment for Split Gifts</th>
<th>Value of Spouse’s Transfer</th>
<th>Adjustment for Spouse’s Split Gifts</th>
<th>Value of Gifts Subject to Allocation</th>
<th>GST Exemption NOT Allocated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jay Pritchett 2011 Annuity Trust</td>
<td>2</td>
<td>124.12</td>
<td>62.06</td>
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<td>62.06</td>
<td>62.06</td>
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<tr>
<td>EIN: 27-2345678</td>
<td></td>
<td></td>
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<tr>
<td>Total GST Exemption Not Allocated</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td>62.06</td>
</tr>
</tbody>
</table>

AMOUNT OF GST EXEMPTION NOT ALLOCATED: $62.06

If the above described trust is a “GST Trust” within the meaning of Sec. 2632(c)(3)(B), taxpayer hereby elects pursuant to Sec. 2632(c)(5)(A)(i)(II) not to have the deemed allocation provisions of Sec. 2632(c)(1) apply to any lifetime transfers to such Trust made during 2011 and subsequent years. Notwithstanding anything herein to the contrary, pursuant to this election, it is taxpayer’s intent that GST exemption shall not be allocated automatically to any lifetime transfers made to such trust during 2011 and during subsequent years.
# Taxpayer: Jay Pritchett  
Social Security No: 123-45-6789

## NOTICE OF ALLOCATION OF GENERATION SKIPPING TAX EXEMPTION

<table>
<thead>
<tr>
<th>Name of Trust:</th>
<th>Item # Sched A Part 3</th>
<th>Value of Transfers</th>
<th>Adjustment for Split Gifts</th>
<th>Value of Spouse's Transfer</th>
<th>Adjustment for Spouse's Split Gifts</th>
<th>Value of Gifts Subject to Allocation</th>
<th>GST Exemption Allocated</th>
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<tbody>
<tr>
<td>Jay Pritchett 2011 Business Trust</td>
<td>1</td>
<td>120,000.00</td>
<td>60,000.00</td>
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<td>60,000.00</td>
<td>60,000.00</td>
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</tr>
<tr>
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<tr>
<td>Name of Trust:</td>
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<tr>
<td>Jay Pritchett 2011 Insurance Trust</td>
<td>3-8</td>
<td>120,000.00</td>
<td>60,000.00</td>
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<td>60,000.00</td>
<td>60,000.00</td>
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<tr>
<td>Name of Trust:</td>
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<tr>
<td>Pritchett Family 2011 Insurance Trust</td>
<td>9-10</td>
<td>10,000.00</td>
<td>5,000.00</td>
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<td>5,000.00</td>
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<tr>
<td><strong>Total GST Exemption Allocated</strong></td>
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<td></td>
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<td></td>
<td><strong>125,000.00</strong></td>
</tr>
</tbody>
</table>

## AMOUNT OF GST EXEMPTION ALLOCATED: $125,000.00

The taxpayer allocates to the trusts listed above the smallest amount of the taxpayer’s GST exemption necessary to produce an inclusion ratio which is closest to, or if possible, equal to zero. Based upon the information included in this return as filed, the amount of the taxpayer’s GST allocated to these trusts is $125,000.00. This is a formula allocation that will change if values are changed on audit.