

### Capitalization Rules Review

Market value rules apply when stock is acquired from a decedent.

Transfer Method	Gift or Other Rule	Are the Rules of a Section 2039(a) Transfer?	Applicable Rule	Is the Rule about the Stock?	Result	Applicable Rule	Applicable Section
Transfer to Beneficiary	Transfer to Beneficiary	Yes	Section 2039(a)	Yes	Market Value	Section 2039(a)	Section 2039(a)
Transfer to Trust	Transfer to Trust	Yes	Section 2039(a)	Yes	Market Value	Section 2039(a)	Section 2039(a)
Transfer to Estate	Transfer to Estate	Yes	Section 2039(a)	Yes	Market Value	Section 2039(a)	Section 2039(a)
Transfer to Spouse	Transfer to Spouse	No	Section 2039(b)	No	Market Value	Section 2039(b)	Section 2039(b)
Transfer to Child	Transfer to Child	No	Section 2039(c)	No	Market Value	Section 2039(c)	Section 2039(c)

Comments on applicable rules:

- Section 2039(a) will be applied if the recipient of the stock is a beneficiary, trust or estate of the decedent.
- If the stock is transferred to a trust, the rules of Section 2039(a) will apply.
- If the stock is transferred to a trust, the rules of Section 2039(a) will apply, even if the trust is not a beneficiary of the decedent.
- Section 2039(b) will be applied if the stock is transferred to a spouse of the decedent. However, if the stock is transferred to a spouse of the decedent, the rules of Section 2039(b) will apply, even if the stock is not a beneficiary of the decedent.