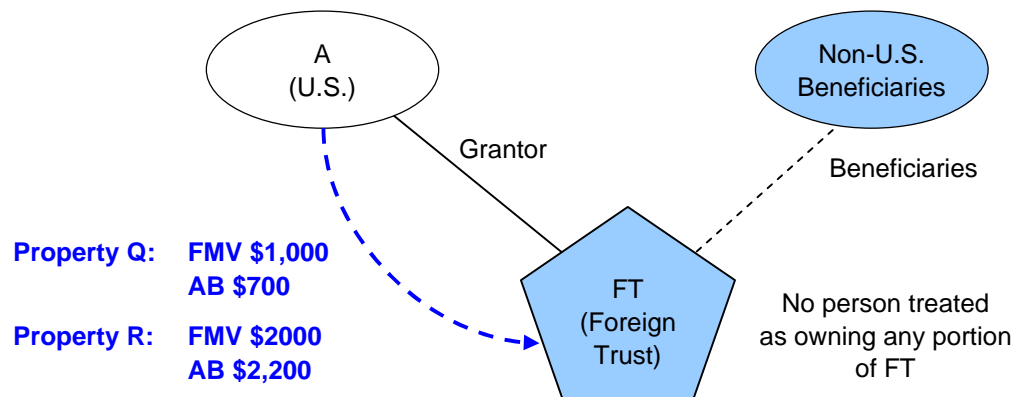


**Reg. 1.684-1(d),
Example 2**

**Gain (But Not Loss) on
Transfers to Non-Grantor
Foreign Trust**

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⬠ Means a trust

A is a U.S. person and FT is a foreign trust. A transfers property Q, with a fair market value of 1000X, and property R, with a fair market value of 2000X, to FT. At the time of the transfer, A's adjusted basis in property Q is 700X, and A's adjusted basis in property R is 2200X. FT has no U.S. beneficiary within the meaning of Reg. 1.679-2, and no person is treated as owning any portion of FT. A recognizes the 300X of gain attributable to property Q. A does not recognize the 200X of loss attributable to property R, and may not offset that loss against the gain attributable to property Q.

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