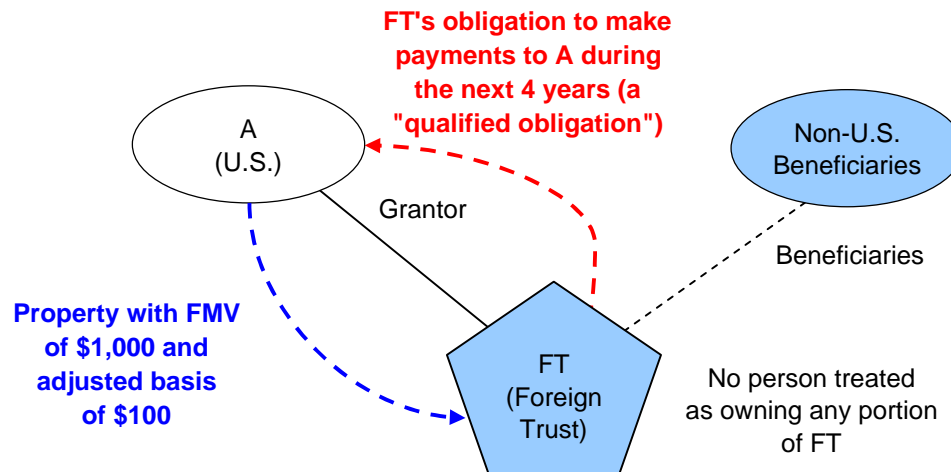


**Reg. 1.684-1(d),
Example 5**

**Gain on Transfer to Related
Non-Grantor Foreign Trust
for Qualified Obligation**

Copyright © 2010 Andrew Mitchel LLC
International Tax Services
www.andrewmitchel.com



⬠ Means a trust

A is a U.S. person and FT is a foreign trust. A transfers property that has a fair market value of 1000X to FT in exchange for FT's obligation to make payments to A during the next four years. FT is related to A as defined in Reg. 1.679-1(c)(5). The obligation is treated as a qualified obligation within the meaning of Reg. 1.679-4(d), and no person is treated as owning any portion of FT. A's adjusted basis in the property is 100X. A is required to recognize gain equal to 900X immediately upon transfer of the property to the trust. This result applies even though A might otherwise have been allowed to defer recognition of gain under another provision of the Internal Revenue Code. Reg. 1.684-3(d) provides rules relating to transfers for fair market value to unrelated foreign trusts.

[HUNDREDS of additional charts at www.andrewmitchel.com](http://www.andrewmitchel.com)