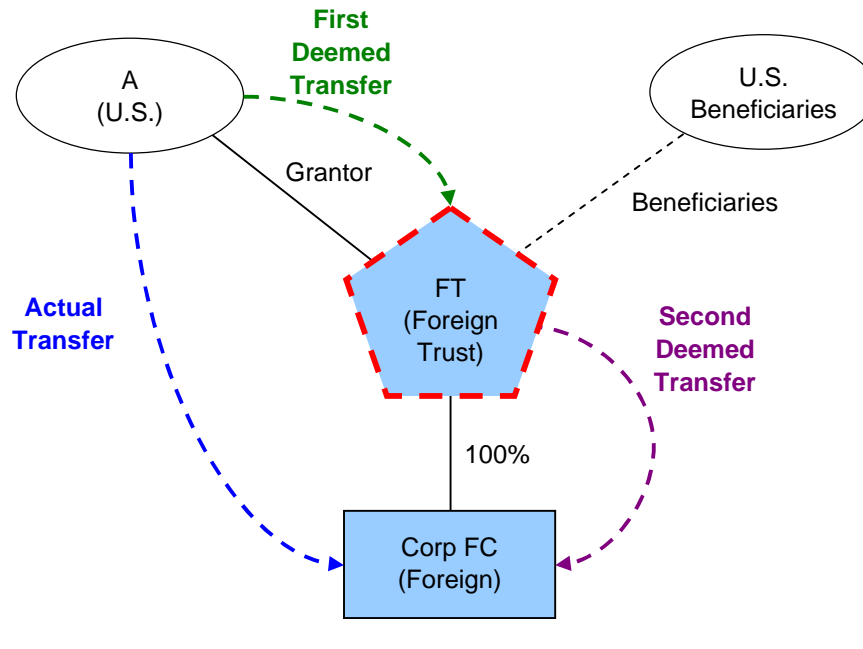


**Reg. 1.679-3(f)(2),
Example 1**

**Deemed Transfers Thru a
Foreign Grantor Trust
with U.S. Beneficiaries**

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A is a U.S. citizen, FT is a foreign trust, and FC is a foreign corporation. A creates and funds FT, which is treated as having a U.S. beneficiary under Reg. 1.679-2. FT owns all of the outstanding stock of FC. A transfers property directly to FC. Because FT is the sole shareholder of FC, A is unable to demonstrate to the satisfaction of the Commissioner that the transfer is properly attributable to A's ownership interest in FC. Accordingly, A is treated as having transferred the property to FT, followed by a transfer of such property by FT to FC. Under Reg. 1.679-1(a), A is treated as the owner of the portion of FT attributable to the property treated as transferred directly to FT. Under Reg. 1.367(a)-1T(c)(4)(ii), the transfer of property by FT to FC is treated as a transfer of the property by A to FC.

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