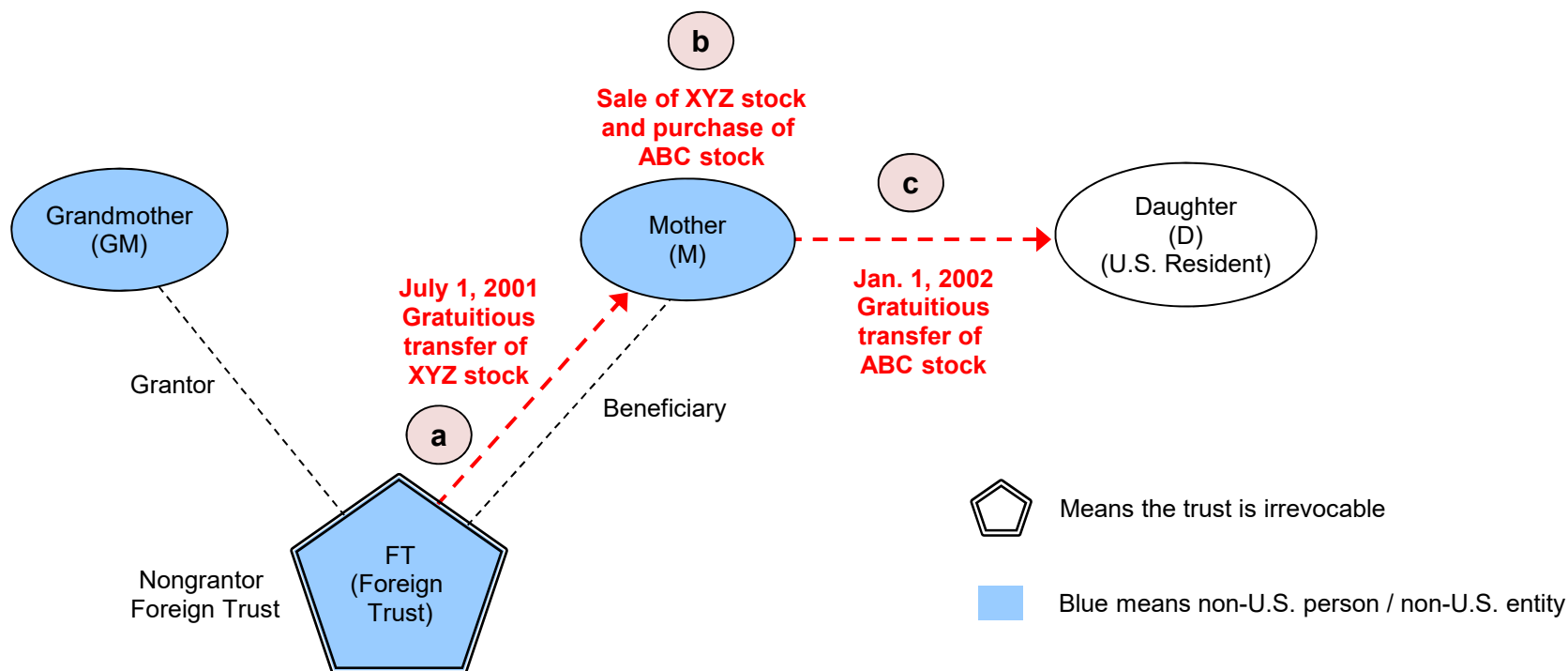


Reg. 1.643(h)-1(g), Example 2

Presumed Tax Avoidance Purpose With Related Intermediary

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United States person unable to demonstrate that intermediary acted independently. GM and her daughter, M, are both nonresident aliens. M's daughter, D, is a resident alien. GM creates and funds FT for the benefit of her children. On July 1, 2001, FT makes a gratuitous transfer of XYZ stock to M. M immediately sells the XYZ stock and uses the proceeds to purchase ABC stock. On January 1, 2002, M makes a gratuitous transfer of the ABC stock to D. D is unable to demonstrate that M acted independently of GM and the trustee of FT in making the transfer to D. Under Treas. Reg. §1.643(h)-1(a)(2), FT is deemed to have distributed the ABC stock to D. Under Treas. Reg. §1.643(h)-1(c)(1), M is treated as an agent of FT, and the distribution is deemed to have been made on January 1, 2002.

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