**Reg. 1.643(h)-1(g), Example 5**

# Presumed Tax Avoidance Purpose With Related Intermediary

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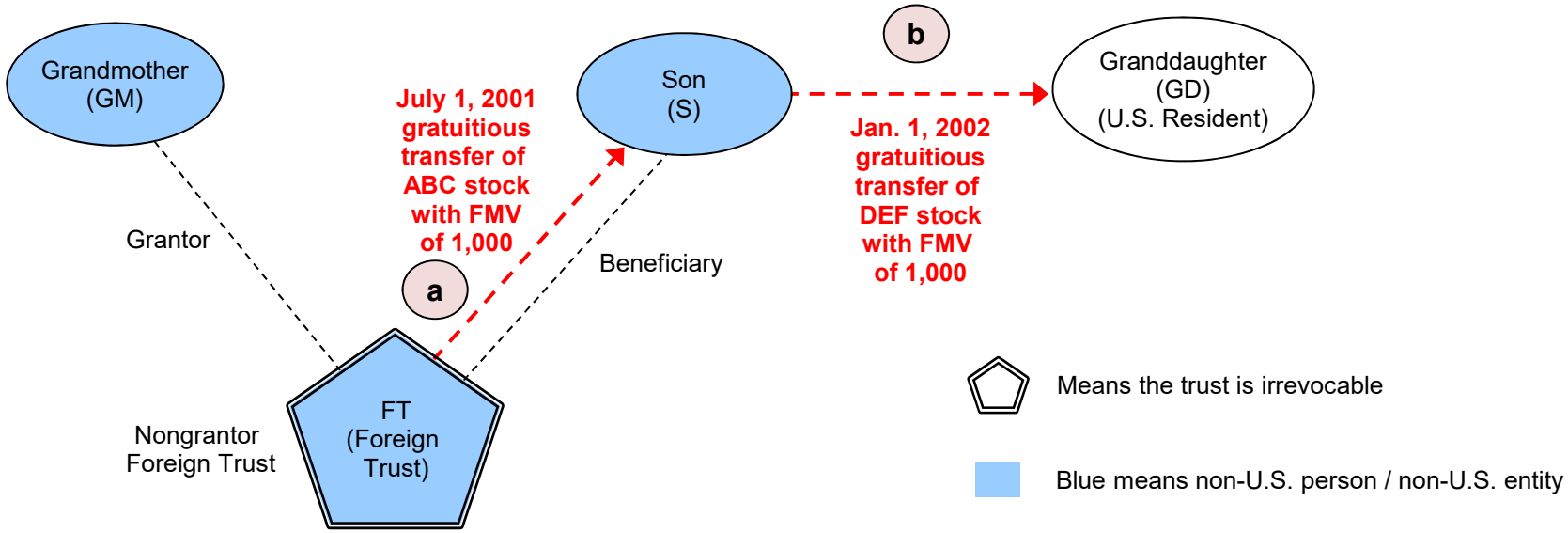


United States person receives property in substitution for property transferred to intermediary. GM and her son, S, are both nonresident aliens. S's daughter, GD, is a resident alien. GM creates and funds FT for the benefit of her children and their descendants. On July 1, 2001, FT makes a gratuitous transfer of ABC stock with a fair market value of approximately 1000X to S. On January 1, 2002, S makes a gratuitous transfer of DEF stock with a fair market value of approximately 1000X to GD. GD is unable to demonstrate that S acted independently of GM and the trustee of FT in transferring the DEF stock to GD. Under Treas. Reg. §1.643(h)-1(a)(2), FT is deemed to have distributed the DEF stock to GD. Under Treas. Reg. §1.643(h)-1(c)(1), S is treated as an agent of FT, and the distribution is deemed to have been made on January 1, 2002.

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