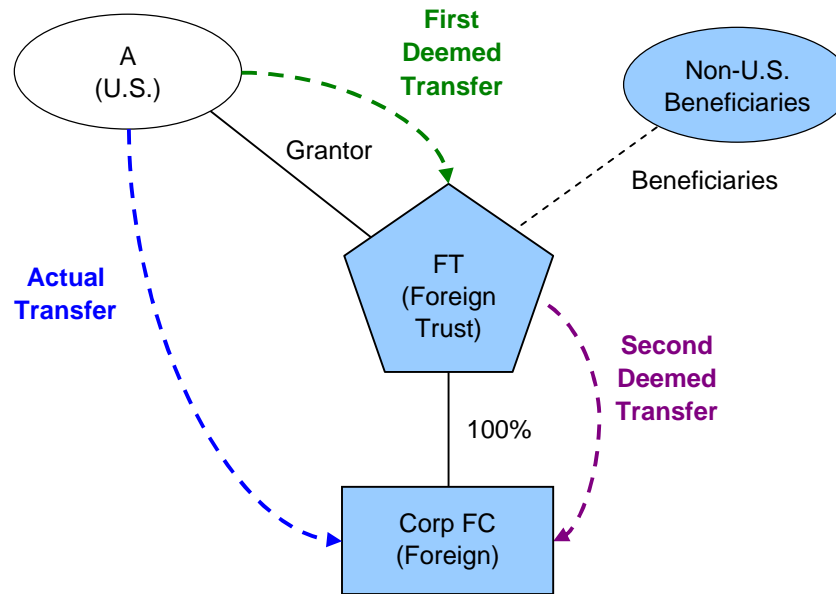


**Reg. 1.679-3(f)(2),
Example 2**

**Deemed Transfers Thru a
Foreign Non-Grantor Trust
With Foreign 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 not 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. A is not treated as the owner of FT for purposes of Reg. 1.679-1(a). For rules regarding the recognition of gain on the transfer, see section 684.

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