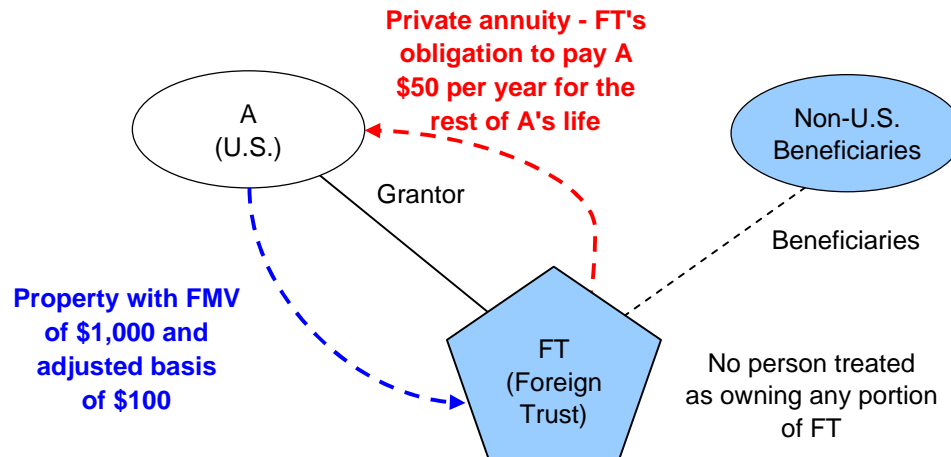


**Reg. 1.684-1(d),
Example 4**

**Gain on Transfer to
Non-Grantor Foreign Trust
for Private Annuity**

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⬠ 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 pay A 50X per year for the rest of A's life. A's adjusted basis in the property is 100X. FT has no U.S. beneficiary within the meaning of Reg. 1.679-2, and no person is treated as owning any portion of FT. 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.

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