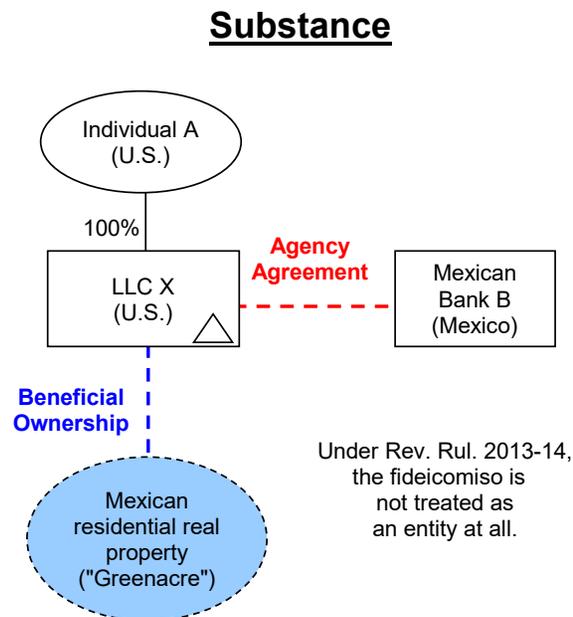
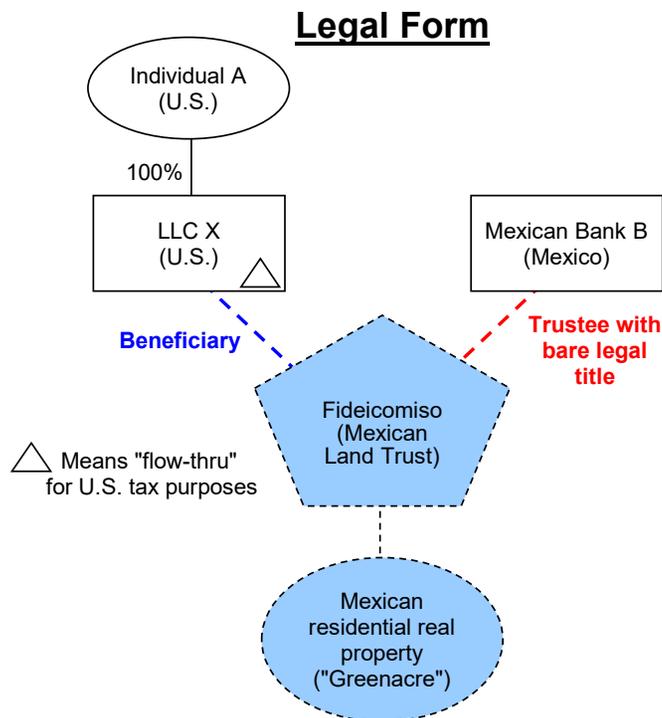


Revenue Ruling 2013-14, Situation 1

Fideicomiso (Mexican Land Trust) Not Treated as a Trust

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The Mexican Federal Constitution prohibits non-Mexican persons from directly holding title to residential real property in certain areas of Mexico ("restricted zones"). Non-Mexican persons, however, may hold residential real property located in the restricted zones through a fideicomiso, or Mexican Land Trust arrangement ("MLT"), with a Mexican bank. In Situation 1 of Rev. Rul. 2013-14, A, a U.S. citizen, is the sole owner of X, a limited liability company organized under the laws of state Z in the United States. X is a disregarded entity. A, through X, wanted to purchase Greenacre. Greenacre is Mexican residential real property located in a restricted zone. Neither A nor X may hold title directly to Greenacre under Mexican law. X signed an MLT agreement with B, a Mexican bank. X negotiated the purchase of Greenacre directly with the seller of the property and paid the seller directly. The seller had no interactions with B with respect to the sale. At settlement, legal title to Greenacre was transferred from the seller to B, subject to the MLT agreement, as of the date of sale. No property other than Greenacre is subject to the MLT agreement.



Under the terms of the MLT agreement, X has the right to sell Greenacre without permission from B. Further, B must grant a security interest in Greenacre to a third party, such as a mortgage lender, if X so requests. X is directly responsible for the payment of all liabilities relating to Greenacre. X must pay any taxes due in Mexico with respect to Greenacre directly to the Mexican taxing authority. X has the exclusive right to possess Greenacre and to make any desired modifications, limited only by the need to obtain the proper licenses and permits in Mexico. If Greenacre is occasionally leased, X directly receives the rental income and A, as the owner of X, reports the income on A's U.S. federal income tax return. Although B is identified as a fiduciary in the MLT agreement, it disclaims all responsibility for Greenacre, including obtaining clear title. B has no duty to defend or maintain Greenacre. B collects a nominal annual fee from X. There is no other agreement or arrangement between or among A, X, B, or a third party that would cause the overall relationship to be classified as a partnership (or any other type of entity) for U.S. federal income tax purposes.

Reg. 301.7701-4(a) provides that the term "trust" refers to an arrangement created by a will or by an inter vivos declaration whereby trustees take title to property for the purpose of protecting or conserving it for the beneficiaries. Usually the beneficiaries of such a trust do no more than accept the benefits thereof and are not the voluntary planners or creators of the trust arrangement. However, the beneficiaries of a trust may be the persons who create it, and it will be recognized as a trust if it was created for the purpose of protecting and conserving the trust property for beneficiaries who stand in the same relation to the trust as they would if the trust had been created by others for them. Generally, an arrangement is treated as a trust if it can be shown that the purpose of the arrangement is to vest in trustees the responsibility for the protection and conservation of property for beneficiaries who cannot share in the discharge of this responsibility.

Because B's only duties under the MLT agreement are to hold the legal title to Greenacre and transfer title at the direction of X, the MLT is not a trust. Because X is treated as a disregarded entity, A is treated as the owner of Greenacre.