

U.S. Income Tax Planning for an Inheritance from a Non-U.S. Person

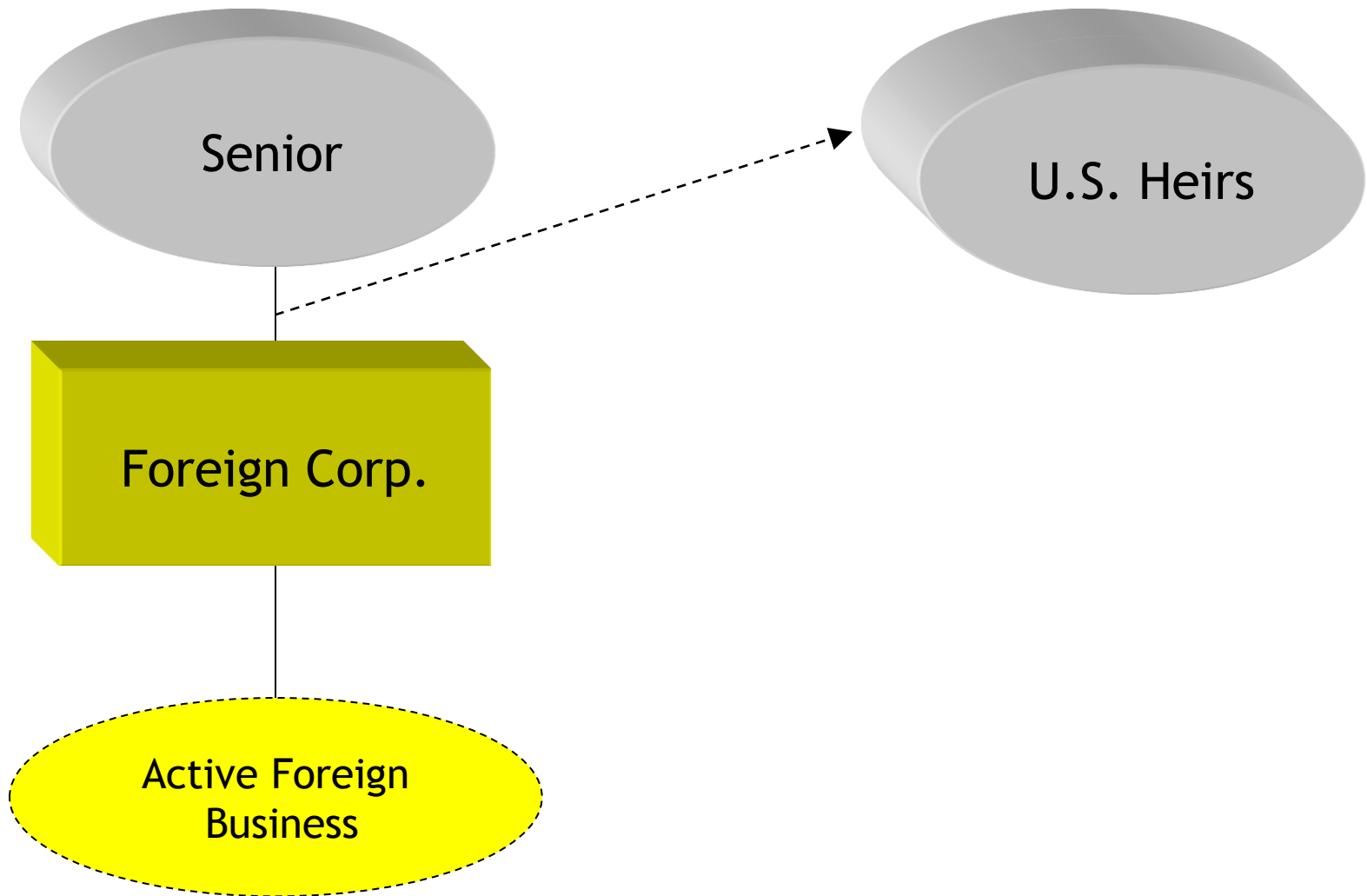
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*The views expressed herein are solely those of the author and should not be attributed to the author's firm or its clients.

Example # 1

Active Foreign Business

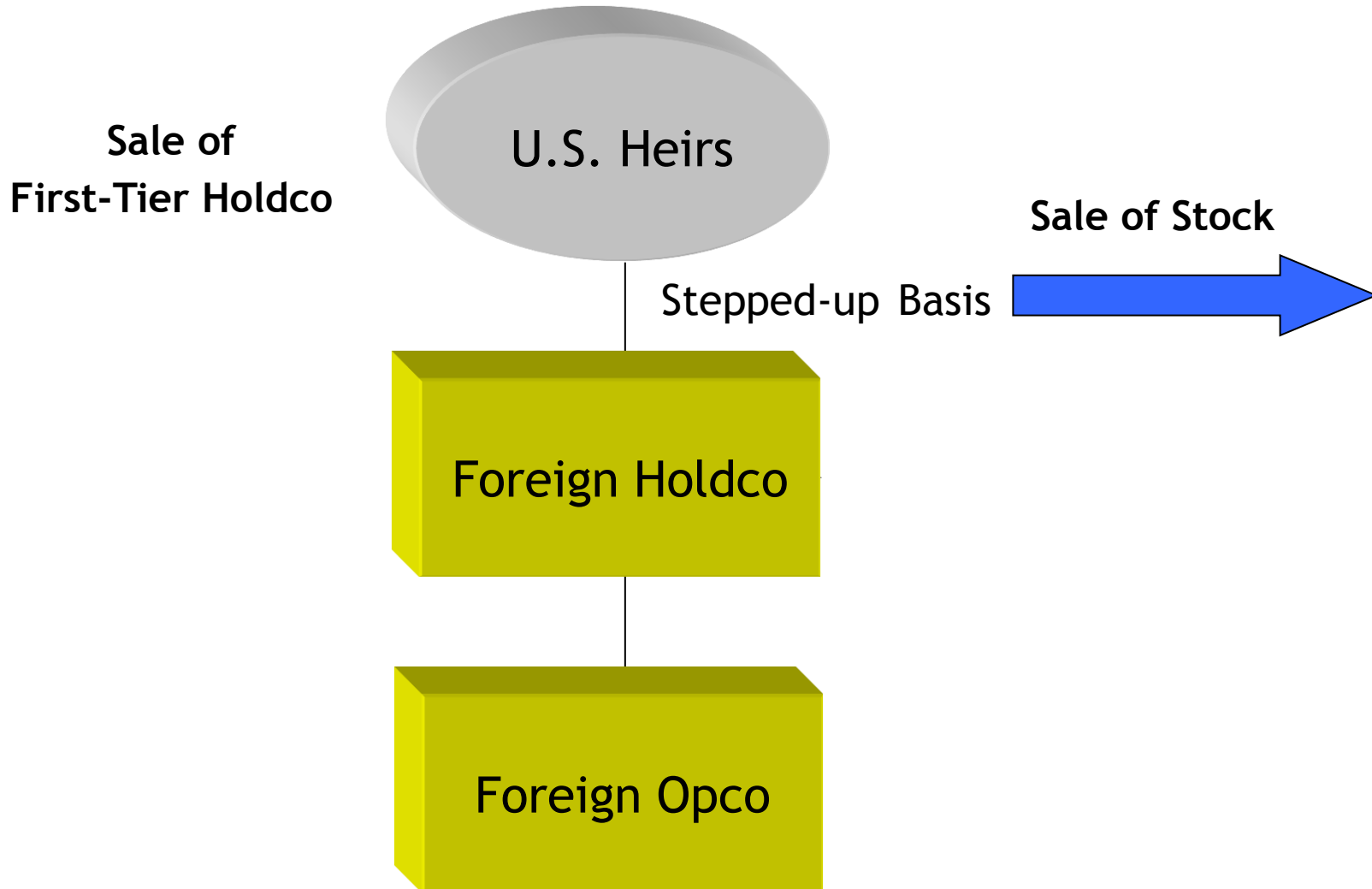


Example # 1

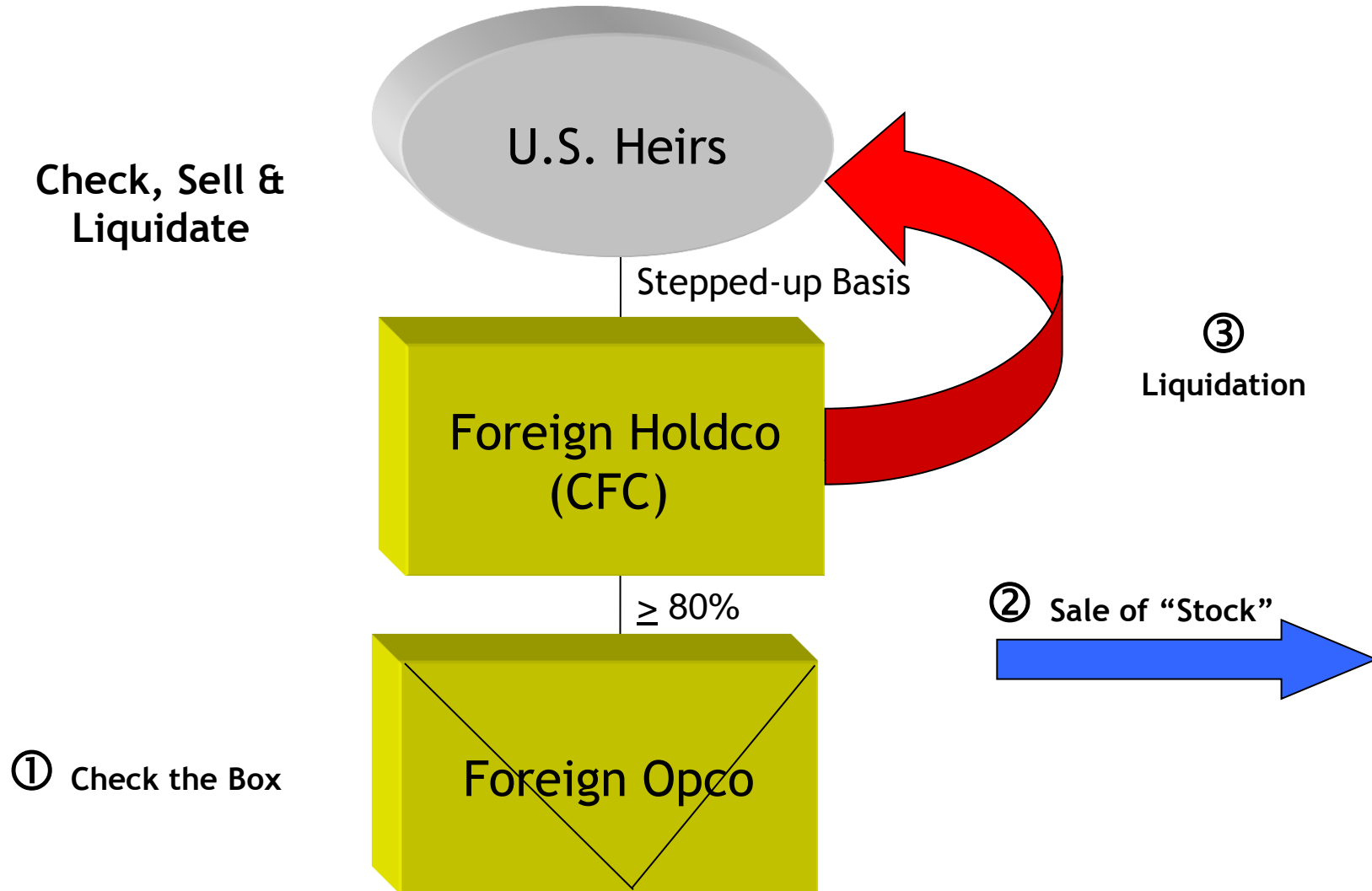
Opportunities

- **Continue Ownership**
 - Evaluate consequences under CFC and PFIC regimes
 - “Check the box”?
 - May be important if significant foreign taxes or losses
 - Inside basis step-up
 - But no deferral
 - Use of low-tax treaty jurisdiction corporation
- **Sell Corp. (see next slides)**

Example # 1 Opportunities (Cont'd)



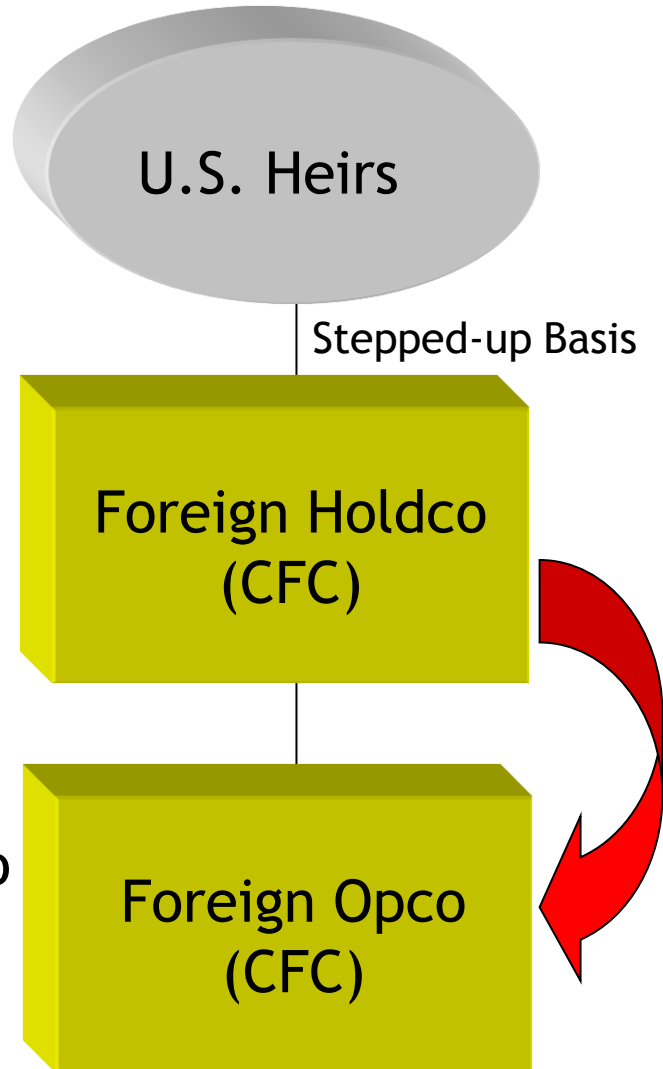
Example # 1 Opportunities (Cont'd)



Example # 1 Opportunities (Cont'd)

Downstream
Reorganization
& Sale

- May work even where Holdco owns minority interest in Opco

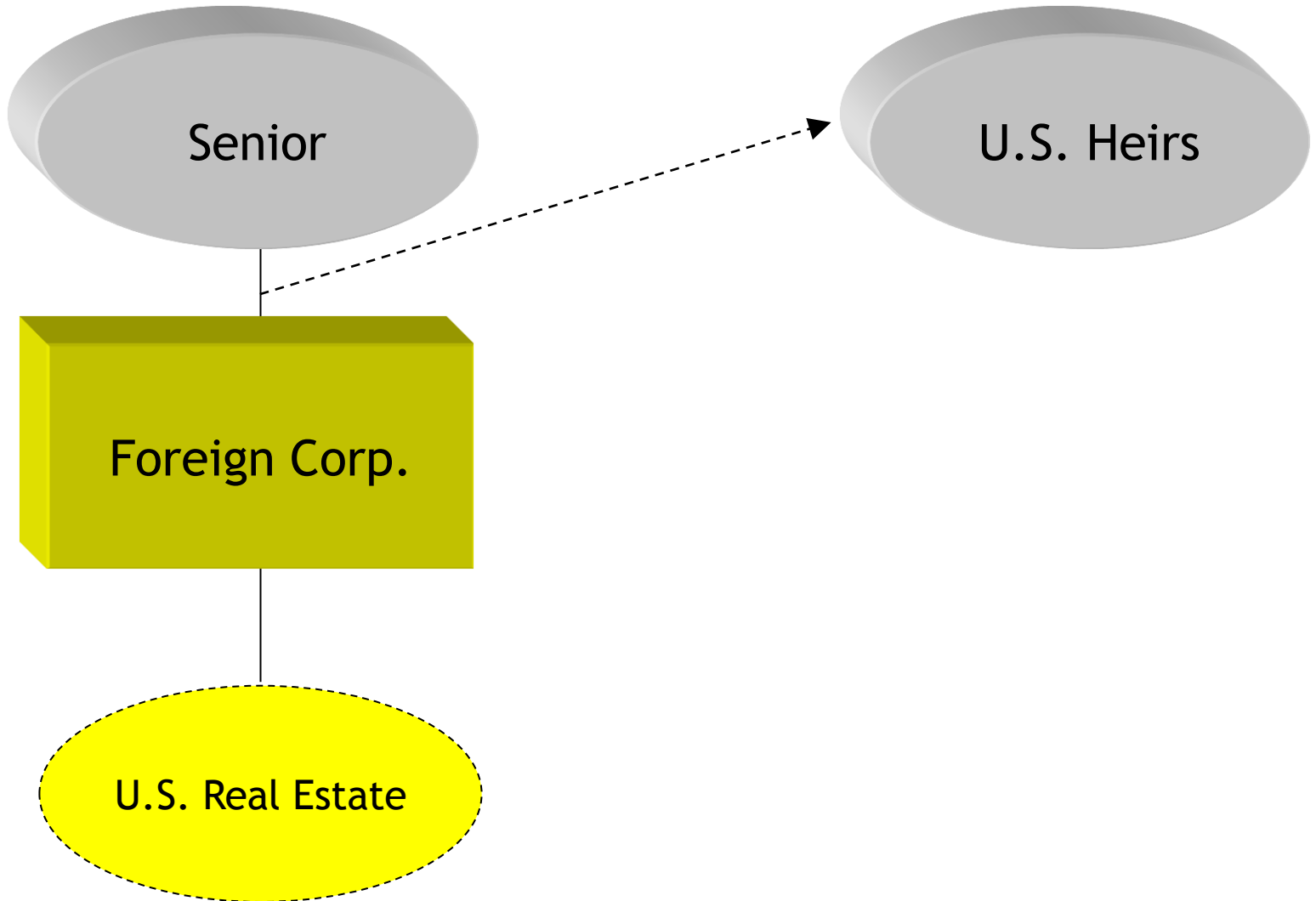


① Reorganization

② Stock Sale

Example # 2

U.S. Real Estate



Example # 3

Inefficiencies

- **Triple U.S. tax**
 - Federal & state corporate tax
 - Branch profits tax
 - Individual dividend tax
 - No 20% rate
- **No credit to shareholder for corporate taxes**

Example # 3

Opportunities

- **Domesticate & elect “S” corp. status**
 - Requires all U.S. shareholders
 - Consider §367
 - 10 year “built in gain” tax
 - Consider §1031
 - Consider passive income tax