



Selected U.S. Tax Traps

Steven H. Hagen, Esq.

Harper Meyer Perez Hagen O'Connor Albert & Dribin LLP

Miami, FL USA

(305) 577-3443

shagen@harpermeyer.com

Transnational Tax Network Conference


Miami – May 1, 2015

A decorative graphic on the left side of the slide. It features a dark blue vertical bar on the far left. A black arrow points to the right from the top of this bar. Several thin, light blue lines curve downwards and to the right from the bottom of the arrow, creating a sense of flow and movement.

1. Foreign Husband/Wife own U.S. Real Estate, husband dies, property is worth \$1,000,000


a. *What is estate tax?*

b. *What is estate tax if there is a \$1,000,000 mortgage on the property?*

A dark grey arrow points to the right from the left edge of the slide. Below it, several thin, curved lines in shades of blue and grey sweep across the left side of the slide.

2. Same facts as Questions 1 except property is owned by a U.S. Corp. directly owned by Husband and Wife

- a. *Annual income tax returns*
- b. *Estate Tax*
- c. *What is estate tax if there is a \$1,000,000 mortgage on property?*
- d. *Can we solve (b) by transferring shares to an offshore corporation prior to death?*



3. Foreign person owns a BVI corporation. BVI owns highly appreciated land in South America. Foreign person dies bequeathing BVI shares to U.S. beneficiary.

- a. Income tax to U.S. beneficiary upon receipt of shares?*
- b. Check the box election?*
- c. Foreign tax credit when property sold years later?*



4. Foreign person owns a BVI corporation. BVI owns highly appreciated land in U.S. Foreign person dies bequeathing BVI shares to U.S. beneficiary.

- a. Check the box election?*
- b. What if corporation owns U.S. equities also?*
- c. What if corporation was a Panama corporation?*

A dark blue arrow points to the right from the left edge of the slide. Several thin, curved lines in shades of blue and grey sweep across the left side of the slide, starting from the bottom and moving upwards and to the right.

5. Foreign Trust with U.S. beneficiaries.

- a. *Reporting – type of income*
- b. *Distributions*