

Planning for U.S. Persons Inheriting Offshore Trust Structures

The Internal Revenue Code (Code) can greatly complicate matters for U.S. persons with overseas activities or holdings. In particular, the failure of these persons to comply with various return filing requirements under federal law can produce harsh monetary penalties and possible criminal sanctions. This article discusses some of the more important of these requirements and applies them to the example that follows.

Example

Jean-Paul just learned that his Uncle Pierre in France has died, leaving him the sole beneficiary of the Gemini Trust. Jean-Paul, although born in France, came to the United States as a student, married a U.S. citizen, and in time became a naturalized citizen himself. Pierre established the Gemini Trust years ago in Jersey (one of the Channel Islands) since France does not recognize personal trusts. This structure allowed Pierre to avoid French forced heirship laws that otherwise limited his testamentary freedom. The Gemini Trust also allowed Pierre a means to shield his global wealth held outside of France from excessive taxation there, including the despised *impôt de solidarité sur la fortune* (French wealth tax). A private trust company in Jersey serves as a trustee. The Gemini Trust owns bank and brokerage accounts in a Swiss bank and some private offshore holding companies, each of which owns prime commercial property in a major European city.

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