GLOBAL HIGH NET WORTH INVESTORS:

U.S. PRE-IMMIGRATION TAX STRATEGY PART 4

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THE WOLFE LAW GROUP

The Wolfe Law Group is an international array of legal and tax experts providing collaborative services for Global High Net Worth Investors on a per client basis.

Gary S. Wolfe, A Professional Law Corporation has over 35 years of experience providing clients with expertise for IRS Civil and Criminal Tax Audits, International Tax Planning, and International Asset Protection.

Awards
Since 2015 Gary have been the recipient of 29 separate international tax awards from 10 different global expert societies in London/UK including:

International Tax Planning Law Firm of the Year Award (2017) – International Advisory Experts.

International Tax Advisor of the Year (2017) - Global Business Magazine/Prof. Sector Network.

Click here for complete list.

Books
To date Gary has written 18 e-books (available on Amazon) regarding the IRS, International Tax Planning and Asset Protection. Click here for complete list.

Articles
To date Gary has published or been interviewed in 100+ separate articles published by 15 different US and International magazines. Click here for complete list.

Video
In December 2016 Gary was interviewed by California CEO Magazine and RCBNNews.org on the subject of Criminal Tax Evasion and IRS Tax Audits: Civil and Criminal Issues. This 4 part series, which has been published by Lorman Education, can be viewed below:

Criminal Tax Evasion - Part 1
Criminal Tax Evasion – Part 2
Criminal Tax Evasion – Part 3
Criminal Tax Evasion – Part 4

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Global High Net Worth Investors:
U.S. Pre-Immigration Tax Strategy - Part4

For Global High Net Worth Investors who have worldwide investment portfolios, wish to invest in U.S real estate, and are considering U.S immigration, prior to such immigration they should consider a U.S pre-immigration tax strategy to avert 40% gross tax on their worldwide assets.

Under U.S tax law for gifts or estate distribution they may consider transfer of assets to an irrevocable trust f/b/o client, prior to U.S immigration. Major U.S estate and gift tax savings as well as income tax savings for earnings from investment portfolios may be achieved.

The benefits may be gained as follows:

1) The irrevocable offshore trust receives the cash on a/c f/b/o client. The Trust funds purchase of a Nassau Private Annuity in the amount of up to 75% of trust assets with 25% remains as cash for other needs.

2) The corpus of the annuity ($ transferred) may be invested and earnings may defer tax free until withdrawal (which are only partially subject to income tax, since return of basis is not taxed). The tax deferred income is not subject to either tax due or tax reporting.

3) The annuity funds a non-mec life insurance policy whose cash value is also invested by you f/b/o client. The non-mec cash value is never taxed since basis withdrawals are tax free.

Earnings are borrowed out as loans, tax-free (repaid on a leveraged basis by life insurance policy death benefit (i.e. leverage is premiums paid cf. to death benefit).

Tax Benefits are numerous:

1. Earnings on assets held and invested under the annuity are tax deferred until withdrawal; with no income tax reporting due until withdrawal.

2. Earnings on assets held and invested by you under the non-mec life policy annually compound tax -free and are not taxed on withdrawal; with no income tax reporting due.

IDGT Trust

An intentionally defective Grantor Trust offers numerous tax benefits. The corpus of the trust is excluded from federal estate tax if the trust is irrevocable. Under the new tax act effective 2018 a husband and wife may gift $22,400,000 to the trust without a gift tax due. In addition there are numerous income tax advantages since the income is considered reportable by the Grantor on their personal Form 1040 tax return (no separate tax return due for the trust).

For very sophisticated investors I recommend that the Irrevocable Trust has prohibited IRC administrative powers (Sec 675) e.g. exchange trust corpus assets, borrow from trust unsecured basis which classify the trust as an intentionally defective grantor trust (IDGT).

IDGT have many advantages:

1) The corpus transferred to it is now estate/gift tax free up to $22,400,000 husband and wife (2018 re: 2017 Tax Act);

2) Corpus annually earnings compound either tax deferred or tax free

3) No annual tax reporting due

4) Layers of Asset Protection (the annuity and life insurance will be both governed under Puerto Rico Law which exempts them from 3rd party creditor attachment absent a fraudulent conveyance)

5) The assets held by the IDGT are excluded from taxpayer estate so the appreciation on assets above $11.2m (per taxpayer) is not subject to 40% estate/gift tax;

6) The income tax returns are filed by the U.S taxpayer not the trust so no separate trust tax returns are required:

7) Once the trust receives maximum $22.4m, Assets above that amount may be "sold via installment sale to the trust" (no capital gain tax is due since it is sale between taxpayer and their grantor trust); "interest" received by the U.S taxpayer from any note (if note is involved) is not taxable (no tax on "interest paid from trust to U.S grantor); if the note is self-cancelling then it is not included in U.S taxpayer estate, not reported under Form 706, not subject to 40% estate/gift tax;

8) Under the 2017 Tax Act, pass-thru distributions from Partnerships. Limited Liability Companies, S-Corporations are given a 20% tax deduction for certain businesses (architects, engineers and real estate developers who own income producing commercial property). If shares in the company are gifted to the trust when the shares are minority

interests they may get a minority interest discount (up to 50% discount subject to independent written appraisal).

So you may have taxpayers who may transfer up to $40m+ of ownership interests in real estate (held by pass-thru entities), exclude the appreciation from future 40% U.S estate & gift tax, pre-empt 3rd party creditor attachment absent a fraudulent conveyance.