

Asset Protection or Asset Giveaway?

August 17, 2010

For taxpayers who have what are known as asset protection trusts offshore, the penalties for non-disclosure and understatement of income are much more severe.

For tax years beginning after March 18, 2010, the HIRE Act has increased the understatement of income penalties from 20% to 40% of the understated income. Add to that the fact that there is a rebuttable presumption that a foreign trust which is settled by a U.S. person directly or indirectly is presumed to be a grantor trust, unless specific conditions are met, the U.S. person will have a reporting obligation to ensure that the trust properly reports to the [IRS](#) and that the U.S. person also files such disclosures as may be otherwise required, like an FBAR and a schedule of foreign assets (with the persons tax return).

So, the advantage of having an off-shore trust is surely being limited.

Law Offices of Sanford I. Millar

Office: 310-556-3007

Fax: 310-556-3094

Address: 1801 Avenue of the Stars, Suite 600

Los Angeles, CA. 90067

Email: smillar@millarlaw.net

<http://www.taxattorneycalifornia.net/legal-blog/>