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**From:** McCaffrey, Carlyn <[REDACTED]>  
**Sent:** Thursday, January 31, 2013 9:43 PM  
**To:** Yopp, Mark  
**Cc:** Jeffrey Epstein; Rosen, Arthur; Kirschner, Elyse; Heller, Amy  
**Subject:** FW: FW: Re:

Mark,

<= class=MsoNormal>while you're researching this issue, please also=see if there's any authority for imposing a sales tax on the foreclosure o= a lien on tangible personal property when the foreclosure results in the =ender taking title.

=span style='font-size:10.0pt;font-family:"Arial","sans-serif";color:navy=>Carlyn S. McCaffrey | Partner McDermott Will & Em=ry LLP | 340 Madison Avenue, New York, NY 10173  
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+</=pan> | www.mwe.com <http://www.mwe.com>

From: Jeffrey Epstein [mailto:jeevacation@gmai=.com]  
Sent: Thursday, January 31, 2013 4:38 PM  
To: Mc=affrey, Carlyn  
Subject: Re: FW: Re:

<= class=MsoNormal>

would there be a sales tax on foreclosures? &n=sp; sorry,

On Thu, Jan 31, 2013 a= 5:31 PM, McCaffrey, Carlyn <[REDACTED] <mailto:[REDACTED]> > wrote:

Here's a thought from Amy Heller, one of my partners.

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=nbsp;

From: Heller, Amy  
Sen=: Thursday, January 31, 2013 4:29 PM  
To: McCaffrey, CarlynSubject: RE: Re:

Can you put the art and possible some liquid asse=s in an LLC?

</=>

Amy E. Heller<=span>

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[REDACTED] > (n) [REDACTED] > (f)  
|<=span> [REDACTED] <mailto:[REDACTED]> | www.mwe.com

From: McCaffrey, Carlyn

Sent: Thursday, January 31, 2013 4:24 PM

To: Yopp, Mark

Cc: Ros=n, Arthur; Heller, Amy; Kirschner, Elyse

Subject: FW: Re:=o:p>

Can =ou find any authority under the NY sales tax law that;</=>

1. A sale b=tween a grantor trust and its grantor is either subject to or not subject =o the sales tax. or

2. If a grantor retained annuity trust =s funded with art and the annuity payments to the grantor are subsequently=funded with interests in that same art that:

<=pan style='font-size:11.0pt;font-family:"Calibri","sans-serif";color:#1F=97D'>

&nb=p; a. th= transfer to the grantor annuity trust is either subject to or not subject=to the sales tax

&=bsp; b. the annuity payments made with inter=sts in the art are either subject to or not subject to the sales tax

I k=ow there is authority that grantor retained annuity payments funded with r=al estate interests will be subject to the real property transfer tax.

I= you don't know what a grantor retained annuity trust is you can call eith=r me, Elyse or Amy and we'll explain it.

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From: Jeffrey Epstein [mailto:jeevacation@gmail.com]  
Sent: Thursday, January 31, 2013 4:11 PM  
To: McCaffrey, Carlyn  
Subject: Re:

understood, I'm in search of authority, if he had put the art in day one, there wouldn't be a sales tax on contribution to the grat. would there have been on the pour-over? is there case law, my accts agree with me, but I pay them. so I discount it.

On Thu, Jan 31, 2013 at 5:05 PM, McCaffrey, Carlyn & [REDACTED] <mailto:[REDACTED]> wrote:

Yes - the trust pays and then Leon would pay if he took it back.

<span style='font-size:11.0pt;font-family:"Calibri","sans-serif";color:#1F97D'>

Remember when you're thinking about this issue that it's not really a substitution power. We refer to it as that but if you look at the trust language, you will see that that's not what it says. It says that the settlor has the power to reacquire and acquire trust property by substituting therefor other property of an equivalent value.

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target=> ]  
Sent: Thursday, January 31, 2013 4:33 PM  
To: McCaffrey, Carlyn  
Subject: Re:

so that the trust pays? then if Leon wants to substitute cash he pays. I am aware of 1031 but I spoke to a Calif sales tax person and she said not under substitution provision. but could not point to authority either

On Thu, Jan 31, 2013 at 4:56 PM, McCaffrey, Carlyn <[REDACTED]> wrote:

the person who pays the sales tax is the person who is acquiring the tangible personal property, i.e., the paintings. yes - it could happen multiple times just like it can happen with individuals. If, for example, I hold a painting for investment purposes and make a section 1031 exchange, I pay sales tax. If I make a second 1031 exchange, I pay another sales tax, etc.

Carlyn S. McCaffrey  
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From: Jeffrey Epstein [mailto:jeevacatio@gmail.com <mailto:jeevacation@gmail.com> ]  
Sent: Thursday, January 31, 2013 3:45 PM  
To: McCaffrey, Carlyn  
Subject:

my irs people , also now can't see substitution provision causing sales tax , as it could happen multiple times over the life of the trust, settlor could not be liable for sales tax , or is the trust the seller and the settlor the buyer?

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