

Trapped Wealth: An Estate Planner's Guide to Iran-Connected Matters

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This Estate Planning article equips U.S. estate planners to navigate “trapped wealth” in Iran-connected matters by separating entitlement, authorization, and execution, and applying the Iran sanctions framework. It emphasizes durable sanctions, bank de-risking, lifetime-vs.-death planning asymmetry, tax and reporting integration, and disciplined drafting to manage authorization–execution gaps.

A NOTE ON THE STATE OF THE LAW AT PUBLICATION

Iran sanctions occupied an unusually prominent place in U.S. foreign policy during the period in which this article was written and prepared for publication. The 2026 hostilities and the Treasury-led campaign the Administration has designated Operation Economic Outcast produced new designations, sectoral determinations under Executive Order 13902, suspensions of existing general licenses, and revised licensing policy, in several instances within days of one another. The ITSR is at present an active instrument of policy rather than a settled body of regulation, and the questions this article addresses are correspondingly current. Two developments occurred late in the preparation of this article and are identified here at the outset. Effective August 24, 2026, OFAC stayed 31 C.F.R. § 560.550 — the noncommercial personal-remittance general license — indefinitely, together with §§ 560.544 and 560.554 and Iran General Licenses F and G, and stated that transactions formerly authorized by those provisions are no longer authorized as of that date; the accompanying wind-down authorization, Iran General License BB, extended only through 12:01 a.m. eastern daylight time on September 8, 2026. On September 10, 2026, OFAC issued a statement of licensing policy establishing a presumption of denial for Iran-related license requests.¹

A stay is not a repeal, and the distinction is material to planning. Section 560.550 remains in the ITSR, designated as stayed; it has not been removed, amended, or replaced, and OFAC retains the authority to

lift or modify the stay as readily as it imposed it. While the stay is in effect the section confers no authorization, and no client should be advised to rely on it. Its conditions nevertheless remain the operative reference point for any restored authorization and for the showing a specific-license applicant would be required to make, which is why the analysis that follows is retained rather than omitted. Every reference in this article to § 560.550 should be read subject to the stay, and every reference to specific licensing subject to the September 10 policy. Sections 560.516, 560.524, 560.525, 560.543, and 560.553, and General License L, were unaffected by these actions and remain in effect as of September 10, 2026. The scenarios in which the distinction is material are flagged in the discussion below.

I. INTRODUCTION: TRAPPED WEALTH AS AN ESTATE PLANNING PROBLEM

The Matter Rarely Arrives as a Sanctions Question

For most U.S. estate planners who encounter Iran-connected matters, the work begins where every cross-border estate matter begins: with a death in the family, a probate, a gift, or a routine support arrangement. A father has died in Tehran. The U.S.-citizen² daughter — naturalized decades earlier — expects to receive her share of a small estate consisting of a residential apartment,

a savings deposit at an Iranian bank, household goods, and a few pieces of gold jewelry. There is no dispute among the heirs, and the Iranian lawyer or family member handling the local end says the local paperwork is moving. For U.S. counsel, that local-law posture is only the beginning; it does not establish that U.S. sanctions law authorizes the transfer or that a bank will execute it. The question the client puts to U.S. counsel is when the money will arrive and what to do with the apartment.

This is the matter. It is not a sanctions question on its face, and most clients do not present it as one. But under U.S. law it is one of the most regulated transactions an estate planner is likely to touch — more regulated than the typical foreign-decedent matter, more regulated than nearly any private wealth movement that does not involve a publicly traded security or a real estate closing. The ordinary tools of cross-border estate practice — situs analysis, treaty work, foreign tax credits, marital deduction structuring — operate against an additional and dominant layer: the U.S. economic sanctions program against Iran.

The estate planner's first task in these matters is recognizing that this layer exists, and that recognition is harder than it sounds. The Iranian-connected matter typically does not arrive flagged as such. It comes in the same intake call as any other foreign-element estate, sometimes from a longstanding

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client whose cross-border posture only emerges on the third or fourth visit. By the time the practitioner has identified the issue, decisions have often already been made — local counsel retained, transfers initiated, signatures provided — that may themselves implicate U.S. sanctions law.

Defining “Trapped Wealth” for the Estate Planner

This article uses the term “trapped wealth” to describe the structural condition that emerges when three concepts that ordinarily align in cross-border practice diverge: entitlement, authorization, and execution.

Entitlement is the private-law question: does the client own, or have a right to receive, the asset under applicable succession, contract, property, or trust law? In Iran-connected matters, entitlement may be documentable through local probate, title, banking, family, or tax records, but U.S. counsel should not assume the answer from family representations alone. Local-law determinations, translations, and proof of authority remain separate workstreams. The point for U.S. planning is that even a well-documented entitlement does not answer the sanctions or banking-execution question.³

Authorization asks whether U.S. law permits the contemplated transaction. The Iranian Transactions and Sanctions Regulations (ITSR) prohibit virtually all transactions between U.S. persons and Iran absent a general or specific license from the Treasury Department’s Office of Foreign Assets Control (OFAC).⁴ Several general licenses authorize narrow categories of estate-relevant transactions: noncommercial personal remittances under 31 C.F.R. § 560.550, sale of inherited or previously owned Iranian property under 31 C.F.R. § 560.543, and certain legal services under 31 C.F.R. § 560.525.⁵ Where no general license fits, OFAC may grant a specific license, but the process is administrative, slow, and uncertain.⁶ Authorization analysis is more bounded than execution risk: counsel can identify the relevant prohibition, test for a general license, screen the parties, and determine whether a specific license is needed. The answer still depends on facts that may be difficult to verify.

Execution is the question that defeats more matters than the other two combined. Even where a transaction is authorized, a financial institution may refuse to process it. U.S. and global banks have absorbed multi-billion-dollar enforcement actions for Iran-related processing failures, and the institutional response has been to adopt aggressive de-risking and overcompliance practices and often to decline Iran-adjacent transactions rather than evaluate them case by case.⁷ OFAC’s civil-enforcement framework treats sanctions violations as strict-liability matters.⁸ That does not mean a properly authorized transfer is unlawful. It means a financial institution that misclassifies a prohibited transfer as authorized, misses a blocked interest, or cannot substantiate the licensing basis may face exposure even without intent. The predictable institutional response is refusal or rejection rather than transaction-specific evaluation. The result is an “authorization-execution gap” that practitioners must treat as an analytical category in its own right, not as a frictional cost of doing business. A transaction that is lawful on paper but cannot be processed through a compliant financial channel may be economically indistinguishable from a prohibited transaction for the client, even though the legal categories remain distinct.

These three categories — entitlement, authorization, and execution — operate as a single inquiry in most cross-border estate work. In Iran-connected matters they decouple. A client may be entitled to property she cannot lawfully receive. A transaction may be lawful that no bank will process. Funds may be authorized for transfer that nonetheless freeze in transit because an intermediary institution is designated mid-transaction. The diagnostic value of separating these inquiries — and the discipline of resolving each independently before advising the client — is the central analytical move of this practice area.

That structural condition is what this article calls trapped wealth. The label is not rhetorical. It is the operational reality for a meaningful share of the assets held abroad by Iranian-American families.

Why This Is Now Core, Not Peripheral, Estate Planning Work

Iran-connected estate matters were once an exotic problem, encountered by practitioners with concentrated diaspora-community practices and few others. They are not exotic anymore. Several converging developments have made Iran-related work a baseline competency question for any practitioner whose practice includes immigrant communities, cross-border families, or substantial international planning.

The Iranian-American population is generationally layered in a way the post-1979 exile narrative does not capture. The Revolution produced the largest single immigration wave, and that generation has now reached the estate-planning window. But Iran has been continuously losing professionals and entrepreneurs since the 1980s, and the diaspora has been replenished by waves driven by the Iran-Iraq War, the post-2009 political crackdowns, the post-2017 economic crises, and the 2022 protests. More recent immigrants — many still in wealth-accumulation mode but actively supporting family in Iran — sit alongside the older exile generation. Both layers generate planning work, and both involve assets and family on the Iranian side of the border.⁹

The sanctions regime, meanwhile, has proven far more durable than anyone planning around it in 1995 or 2010 would have predicted. U.S. sanctions against Iran have existed in some form since the 1979 hostage crisis, but the modern comprehensive primary embargo took shape principally in the mid-1990s and has since been layered with terrorism, proliferation, human-rights, energy, banking, and secondary-sanctions authorities.¹⁰ Executive Order 13599, issued in February 2012, blocked all property of the Government of Iran and Iranian financial institutions under U.S. jurisdiction — a measure that placed Iranian financial institutions within a categorical blocking rule for property and interests in property that come within U.S. jurisdiction or the possession or control of a U.S. person, and has not been rescinded.¹¹ The brief and partial JCPOA-era relaxation between January

2016 and May 2018 did not lift the primary embargo, did not reopen direct U.S.–Iran banking, and was reversed in full by Executive Order 13846.¹² Statutory layering by Congress — most notably through the Iran Sanctions Act, the Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010 (CISADA), and the Countering America's Adversaries Through Sanctions Act of 2017 (CAATSA) — means that even a future administration committed to dismantling the regime cannot do so by executive action alone.¹³ The compliance environment estate planners must counsel into is decades old and likely to outlast the plans they draft today.

The current geopolitical posture has tightened rather than loosened. The February 2025 National Security Presidential Memorandum 2 (NSPM-2) directed a renewed maximum-pressure campaign against Iran, and Treasury and the Financial Crimes Enforcement Network (FinCEN) have followed with expanded targeting of shadow-banking, shadow-fleet shipping, and procurement networks throughout 2025 and into 2026.¹⁴ The September 2025 reimposition of U.N. sanctions and the European Union's parallel snapback of nuclear-related restrictive measures restored the multilateral dimension that the JCPOA had dismantled.¹⁵ The 2026 hostilities and post-ceasefire environment added operational difficulty, but they did not themselves amend the ITSR. Formal legal categories change through statutes, executive orders, regulations, general licenses, FAQs, designations, and specific licenses; conflict changes execution — communications, documents, insurance, routing, screening, and bank risk tolerance. NSPM-2 also directs Treasury to review for modification or rescission any general license, FAQ, or other guidance providing Iran or its proxies economic or financial relief, so practitioners should not assume that authorizations in effect early in 2026 remain unchanged without confirming the current regulatory text.¹⁶ As of publication-date verification, OFAC continued to issue Iran-related designations, FAQs, alerts, and general licenses. On August 24, 2026, OFAC stayed the personal-remittance general

license at § 560.550 indefinitely as part of a broader Iran action, and on September 10, 2026, it adopted a presumption of denial for Iran-related specific license applications. Those developments are summarized in the note at the front of this article and are taken up in the scenarios they affect. They are also the clearest illustration available of why every transaction requires transaction-date screening and authority review rather than reliance on a published article.

There is a tension in the present moment that should be named. The same conditions that drive client demand for repatriation, distribution, and lifetime support — currency collapse, wartime inflation, family pressure, conditions on the ground that may worsen — are the conditions that make compliant execution slower, more expensive, and more uncertain. Clients feel urgency at exactly the moment when banks tolerate Iran-adjacent risk least. The competent answer is not to accelerate. It is to separate the legal question from the operational one, manage each independently, and document both.

Scope and Purpose

This article is written for U.S. estate planning attorneys, fiduciaries, and tax advisers whose practice may include Iranian-connected clients. It is not a sanctions treatise. The Iran sanctions regime is treated only to the depth necessary to inform planning decisions; readers seeking exhaustive treatment of the regulations themselves should consult specialized sanctions counsel and the considerable body of existing sanctions scholarship.

The article's analytical center of gravity is the recurring scenario. Sections IV and V identify six fact patterns that estate planners encounter — four inbound (wealth moving from Iran to U.S. clients) and two outbound (wealth moving from U.S. clients to family in Iran) — and work each through the integrated lens of sanctions, transfer-tax, fiduciary, and execution questions. Sections II and III are deliberately compact. Section II describes the affected client population and the assets that typically appear in these matters. Section III sketches the

sanctions framework only at the level needed to set up the scenario analysis that follows. Section VI returns to the practical: an intake protocol, a workflow, drafting and documentation standards, and observations on planning under continued geopolitical uncertainty.

The article does not provide legal advice on any particular matter. Each Iran-connected file presents fact-specific questions that often warrant collaboration with sanctions counsel, foreign counsel, and — where designated parties or blocked property are involved — direct engagement with OFAC. The article's purpose is to equip the generalist estate planner to identify the issue, frame it correctly, and know when and how to escalate.

II. THE AFFECTED CLIENT POPULATION AND ASSET PROFILE

Who These Clients Are

The United States is home to one of the largest Iranian diasporas in the world. Pew Research Center estimates that, as of 2024, there were approximately 750,000 Iranian Americans in the United States, including roughly 445,000 immigrants and 310,000 U.S.-born Iranian Americans.¹⁷ Approximately half live in California, with about 230,000 in the Los Angeles metropolitan area; other significant concentrations include the New York metropolitan area, the Washington–Baltimore corridor, the San Francisco Bay Area, and Houston.¹⁸ The community skews professional and entrepreneurial, with naturalization rates and educational attainment well above the foreign-born average.¹⁹ In metropolitan areas with significant Iranian-American populations, these clients are not peripheral to cross-border private-client practice.

Three generational layers matter for this practice. The post-1979 exile generation — now in their seventies, eighties, and nineties, often holding pre-Revolution wealth — is the cohort whose estate plans are currently executing. The post-Iran-Iraq-War and post-1990s immigrants, now in their fifties and sixties, frequently serve as executors and trustees for the first generation and are inheriting in their own right. More recent arrivals are

usually pre-estate-planning-window but routinely send support to parents and siblings in Iran. All three layers generate planning work; the typical scenario differs across them.²⁰

Family structures vary, and the structural permutations have legal significance. The practitioner will encounter dual nationals; mixed-citizenship households (most commonly U.S.-citizen children with one or both parents still resident in Iran); blended families spanning Iran, the United States, and other diaspora hubs (Canada, the United Kingdom, Germany, Australia); minor beneficiaries living in Iran; and, with some frequency, family members whose status is genuinely uncertain — a sibling in Iran whose continued residence is not entirely clear, a relative whose status as a Specially Designated National (SDN) cannot be fully verified from the United States. Intake should surface these distinctions, because they drive the legal analysis. Iran residency is a sanctions-relevant fact, but it is not blocked-person status. A person ordinarily resident in Iran is not blocked merely because of residence. The analysis changes if the person is individually designated, is owned or controlled in a way that triggers blocking rules, is acting for the Government of Iran or an Iranian financial institution, or otherwise has property or interests in property blocked under 31 C.F.R. § 560.211.²¹ Conflating residency with blocked status is one of the most common analytical errors in this area, and it produces both unnecessary refusals and missed compliance issues.

What Assets Typically Appear

The asset profile in Iran-connected matters is recognizable, with a few features that reward early identification.

The most frequent asset is residential real property — an apartment in Tehran, Isfahan, Shiraz, or Tabriz; a family home held for decades; occasionally a small commercial unit. Iranian real estate has historically functioned as both residence and store of value, and inflation in the Iranian Rial has reinforced rather than reduced that role.²² The U.S. file usually must be built from local title, inheritance,

civil-status, tax, banking, and identity documents, together with translations and local-counsel explanations. Their sufficiency and legal effect are questions of foreign law and should not be assumed by U.S. counsel; document procurement has also become harder under conflict conditions.

Bank deposits at Iranian financial institutions are the second predictable asset and require separate treatment. Executive Order 13599 and 31 C.F.R. § 560.211 categorically block property and interests in property of the Government of Iran and Iranian financial institutions when such property comes within U.S. jurisdiction or the possession or control of a U.S. person, regardless of whether the institution is separately named on the SDN List.²³ The account holder is not blocked merely because the individual holds a deposit at an Iranian bank such as Bank Melli, Bank Saderat, or Bank Pasargad. The problem is that any attempt to move, collect, or route the funds through an Iranian financial institution can implicate blocked-property rules, the Iranian-account restrictions of § 560.550, and bank-refusal risk. The estate-planning consequences flow from this categorical blocking architecture, and they are addressed scenario by scenario in Sections IV and V.

Interests in family businesses appear less frequently than real estate or deposits but present the most complex compliance analysis when they do. Iranian business holdings — frequently structured through closely held Iranian corporations, partnerships, or informal family arrangements — must be screened under the OFAC Fifty Percent Rule, under which an entity owned fifty percent or more in the aggregate, directly or indirectly, by one or more blocked persons is itself treated as blocked, even if not separately listed.²⁴ Layered ownership through intermediaries is common in Iranian corporate structures, and the analysis is fact-intensive. Where the underlying business has any nexus to the Islamic Revolutionary Guard Corps (IRGC) or its affiliated entities — directly, indirectly, or through service relationships — the analysis becomes harder still, because

the IRGC and a substantial network of affiliated commercial entities are designated under multiple authorities and present heightened diligence and counterparty-risk questions.²⁵

Tangible personal property is the asset category most often missed at intake and most often mishandled in practice. Carpets, gold, jewelry, cultural and religious objects, and household goods of meaningful value travel from Iran in family bags, in shipped containers, and through intermediaries — sometimes openly declared, sometimes not, often with no recognition by client or counsel that the import itself is regulated. The ITSR generally prohibit the importation of Iranian-origin goods or services,²⁶ subject to a narrow personal-and-household-effects authorization at 31 C.F.R. § 560.524(b) for arriving persons whose belongings were actually used abroad and are not for sale.²⁷ The pathway is real but narrow, and Scenario 3 addresses its limits in detail. For now, the intake-level point: ask specifically about carpets, gold, jewelry, and religious or cultural items, separately from cash and real estate, and ask before they are shipped.

A handful of less common assets round out the picture. Iranian-source pensions and government benefits occasionally appear, almost always in payments accruing to a U.S.-resident beneficiary who has not previously focused on the source. Insurance and annuity products from Iranian carriers exist but rarely transfer cleanly across the border. Securities listed on the Tehran Stock Exchange are, as a categorical matter, beyond the reach of U.S. brokerage infrastructure. And a meaningful share of Iranian-American wealth historically held in the form of physical gold, currency, and informal lending arrangements does not appear on any balance sheet at all — a category that intake should probe carefully and that drafting should not pretend does not exist.

Why the Planning Matters

These issues surface quietly and repeatedly in diaspora families, especially when political instability or sanctions pressure forces people to think about safeguarding their wealth.

The first-generation exile cohort is well into the actuarial window in which estate plans execute. Wealth that has been held in Iran for forty years — not because the family wanted to leave it there but because they could not move it — is being transferred through inheritance whether or not the U.S. heirs are prepared to receive it. Probate proceedings in Iran run on their own timetable; the U.S. side either organizes itself in advance or scrambles after the fact. Where the U.S. side scrambles, the typical results are missed foreign reporting obligations, such as an unfiled FBAR (Report of Foreign Bank and Financial Accounts) — often discovered only once the client is already in the estate-planning process, which is easier to correct if caught before a transfer than after death — an inadvertent prohibited transaction in the form of a U.S.-person executor directing services in Iran without an applicable license, or, most expensively, a panicked decision to move funds through informal channels that exposes the client to civil and criminal sanctions liability.²⁸

The second pressure point is the deteriorating ground environment in Iran itself. Even before the recent U.S.-Iran conflict, inflation in Iran exceeded forty percent year over year, and the conflict has only intensified the macroeconomic stress.²⁹ Clients with elderly parents in Iran feel acute pressure to provide support. Clients with inherited property in Iran face the question whether to liquidate at a depressed Iranian Rial valuation now or hold under increasingly uncertain conditions. Clients with business interests in Iran confront the possibility that those interests may not exist as recognizable property in two or five years. None of these pressures change the legal analysis. All of them change the urgency clients bring to the planner, and all of them increase the risk that an under-prepared client will act without counsel.

The third reason these matters cannot be deferred is that the legal and banking posture has generally moved away from easy execution. The renewed maximum-pressure framework, continuing designations, correspondent-banking limits, and bank de-risking together make it unsafe to advise clients on the

assumption that future conditions will necessarily be easier.³⁰ Practitioners advising clients on the assumption that “things will get better and we can handle this later” are advising on a forecast that the most recent fifteen years of regulatory and geopolitical history does not support. Plans for Iran-connected wealth must be plans for the regime as it is, not plans for the regime as one hopes it might become.

III. THE SANCTIONS FRAMEWORK AS PLANNING CONSTRAINT

This Section sets out only what the estate planner needs in mind to follow the scenario analysis in Sections IV and V. It is deliberately compressed. Practitioners drafting a specific matter will need to read the regulations themselves, and most will need to coordinate with sanctions counsel on the harder questions.

The Four Concepts an Estate Planner Needs in Mind

Four concepts do most of the work in Iran-connected estate matters. They are simple individually, and their combination does most of the analytical lifting.

U.S. person status. The ITSR’s prohibitions run against “United States persons,” defined to include U.S. citizens, lawful permanent residents, entities organized under U.S. law (including their foreign branches), and any person physically present in the United States.³¹ The reach of the last clause is consequential and underappreciated. An Iranian national present in the United States on a nonimmigrant visa is a U.S. person for ITSR purposes while in the country, and a U.S.-based executor, trustee, attorney, or accountant who participates in or directs an Iran-related transaction is a regulated actor whether or not the underlying assets or beneficiaries are domestic.³² Sanctions obligations attach to the status of the actor, not solely to the destination of funds.

Prohibited transactions and services. The ITSR’s prohibitions are deliberately broad. Section 560.201 prohibits the importation into the United States of Iranian-origin goods or services, except as authorized.³³ Section 560.204

prohibits the exportation, reexportation, sale, or supply of any goods, technology, or services to Iran or the Government of Iran from the United States or by a U.S. person, wherever located.³⁴ Section 560.206 separately prohibits U.S. persons from engaging in any transaction or dealing in or related to Iranian-origin goods or services, or in goods, technology, or services destined for Iran or the Government of Iran (a defined term under § 560.304, addressed in Section VI) — a sweep that captures purchasing, selling, transporting, brokering, financing, facilitating, and guaranteeing.³⁵ Section 560.208 prohibits U.S.-person facilitation of foreign-person transactions that would be prohibited if performed by a U.S. person or within the United States, and § 560.203 separately prohibits evasions, attempts, causing violations, and conspiracies.³⁶ For estate planners, the term “services” carries particular weight. Hiring an attorney in Iran, engaging a real-estate broker, paying property-management fees, paying utilities or taxes on inherited property, or directing communications in furtherance of a transaction may each constitute a prohibited export of services to Iran absent authorization.³⁷ Clients routinely assume that because an inheritance or family-support transaction is noncommercial, it falls outside the sanctions framework. That assumption is incorrect. The relevant question is not the client’s subjective purpose but whether the specific transaction falls within a general or specific authorization.

Blocked property and the Fifty Percent Rule. Blocking is the freezing of property and interests in property of designated persons. Executive Order 13599 blocks all property of the Government of Iran and Iranian financial institutions that comes within U.S. jurisdiction or the possession or control of a U.S. person.³⁸ Blocked property must be held in a frozen account and cannot be transferred, paid, exported, withdrawn, or otherwise dealt in without OFAC authorization.³⁹ OFAC’s 2014 Fifty Percent Rule extends blocked status to any entity that is owned, in the aggregate, fifty percent or more,

directly or indirectly, by one or more blocked persons, even where the entity is not separately designated.⁴⁰ OFAC has further indicated that control by a blocked person below the fifty-percent threshold may itself present sanctions risk warranting heightened diligence.⁴¹ For estate matters, the most important practical implication is that direct wire transfers from Iran to U.S. accounts are generally not processable through ordinary correspondent-banking channels: Iranian financial institutions are blocked under Executive Order 13599, and funds transiting them may trigger blocking obligations on detection.⁴² In practice, authorized inbound transfers may require third-country routing because direct U.S.–Iran correspondent banking is generally unavailable. But a U.S. person should not independently route estate, trust, or family funds through an exchange house, hawala (an informal value-transfer system, discussed in Scenario 1), nominee, or family intermediary. Under FAQ 243, the personal-remittance authorization in § 560.550 is channel-sensitive: the transfer must be processed by a U.S. depository institution or U.S. registered broker-dealer, and the U.S. person may not deal directly with money services businesses or hawalas, even though U.S. depository institutions are not necessarily precluded from engaging third-country money services businesses (MSBs) in processing authorized transfers.⁴³ The funds-flow architecture is addressed scenario by scenario in Section IV.

Secondary sanctions and bank de-risking. Beyond the primary sanctions binding U.S. persons, Iran-related secondary sanctions reach foreign financial institutions that engage in defined Iran-related conduct.⁴⁴ Institutions identified under these authorities can be placed on the List of Foreign Financial Institutions Subject to Correspondent Account or Payable-Through Account Sanctions (the CAPTA List), restricting their access to the U.S. financial system.⁴⁵ The architecture has produced over a decade of disciplined de-risking by global financial institutions, reinforced by enforcement actions in the multi-billion-dollar range against major banks for processing failures.⁴⁶

Combined with OFAC's strict-liability standard for civil enforcement,⁴⁷ the result is that many institutions decline Iran-adjacent transactions that are legally authorized — sometimes because the institution does not believe authorization is clear, sometimes because the cost of evaluating the question exceeds the value of the transaction. This is the operational substrate of the authorization-execution gap.

The Authorization Pathways at a Glance

OFAC has incorporated into the ITSR a small set of general licenses — categorical, self-executing authorizations published within the regulations themselves — and maintains a specific-licensing process for transactions outside the general-license set. The estate planner's working set is short.

There are three principal general licenses for personal wealth transfers.

Section 560.550 authorizes certain noncommercial, personal transfers of funds to or from Iran, or for or on behalf of an individual ordinarily resident in Iran, other than an individual whose property and interests in property are blocked under § 560.211.⁴⁸ The transfer must be processed by a U.S. depository institution or U.S. registered broker-dealer — not by any other U.S. person; it must not debit or credit an "Iranian account" as that term is defined in § 560.320 and discussed in Scenario 3; and it must not be by, to, or through the Government of Iran. Noncommercial personal remittances do not include charitable donations to entities or transfers supporting or operating a business, including a family-owned enterprise — § 560.550 is currently stayed as explained in the Introductory Note.⁴⁹

Section 560.543 authorizes individual U.S. persons to engage in transactions ordinarily incident to the sale of real or personal property in Iran — and to repatriate the proceeds — provided the property was acquired before the seller became a U.S. person or was inherited from persons in Iran, and provided no designated party is involved. The authorization does not cover winding down commercial enterprises in Iran, reinvesting proceeds in Iran, or exporting or reexporting goods or technology

to Iran. It also does not override prohibitions under other OFAC programs, including transactions involving persons designated under counterterrorism or counterproliferation authorities.⁵⁰

Section 560.525 authorizes specified legal services, including legal advice and counseling on compliance with U.S. law, representation in certain U.S. proceedings, representation before federal or state agencies regarding U.S. sanctions, and certain proceedings involving the United States, U.S. nationals, the Government of Iran, or Iranian nationals. The authorization does not cover all legal work with an Iran nexus. Other legal services require a specific license, and enforcement of judgments, liens, settlements, or orders against blocked property remains prohibited unless specifically licensed. Receipt of legal fees is separately governed under § 560.553 and may itself require authorization, particularly where the client or source of payment is blocked.⁵¹

A handful of narrower general licenses bear on specific scenarios. Section 560.524(b) authorizes the importation of Iranian-origin household and personal effects of persons arriving in the United States, subject to meaningful conditions discussed in Scenario 3.⁵² Section 560.516 authorizes specified transfers by U.S. depository institutions that fund underlying authorized transactions — the regulatory hook that allows banks to process the cash leg of authorized estate transfers.⁵³ Other narrow authorizations apply in particular contexts (humanitarian, telecommunications, certain agricultural and medical) but rarely drive estate-planning matters.

Where no general license fits, OFAC's specific-licensing process at 31 C.F.R. § 501.801 is the channel of last resort — that channel also narrowed on September 10, 2026, when OFAC adopted a presumption of denial for Iran-related license requests.⁵⁴ It is administrative; it requires a written application explaining the transaction and supporting documentation; and it produces an approval, a denial, or frequently a request for additional information or a return-without-action letter. Timelines are

uncertain, and the process may involve multiple rounds of agency follow-up. The practical takeaway for estate planners is that specific licensing is a planning tool with a long lead time and an uncertain outcome; it should be initiated before urgency develops, not after.

Why the Regime Is Durable — And Why Plans Should Assume It Persists

Iran sanctions are not a single program with a single objective. They have accreted over decades around several distinct policy concerns: counterterrorism, nonproliferation, regional destabilization, missile and drone proliferation, human-rights abuses, and, most recently, the Iranian role in the current regional conflict.⁵⁵ Each objective carries its own statutory and executive foundation, and most carry congressional layering that constrains the President's ability to lift sanctions unilaterally.⁵⁶ The Iran Sanctions Act, CISADA, and CAATSA together impose statutory floors on the regime that no executive can dismantle without congressional cooperation.⁵⁷ Even in the JCPOA period, when the executive had every incentive to wind sanctions back, the relief was partial and short-lived; the snapback was statutorily and procedurally available, was used, and the regime returned promptly to its prior posture.⁵⁸

The lesson for estate planning is structural. Planning that depends on sanctions relief — distributions deferred until “things change,” trust provisions that contemplate Iranian-resident beneficiaries receiving funds in a near-term thaw, executors instructed to wait — is planning that may need to last decades. Plans for Iran-connected wealth should be built to function under the regime as it currently exists, with the durability assumption explicit on the face of the document. Where flexibility for a more open future is desired, it is best built in through fiduciary discretion, sanctions-compliant savings clauses, and alternate-beneficiary mechanics, rather than through a default assumption that the wait will end.

Planning Under Geopolitical Uncertainty

The premise of this Section is not predictive. It is operational. Sanctions

are an instrument of foreign policy, and foreign policy is unpredictable; the role of the estate planner is not to forecast diplomatic developments but to draft and counsel in a way that performs across the range of plausible outcomes.

Four trajectories reasonably bound the planning horizon. The baseline is continuation of the current maximum-pressure framework, with occasional incremental tightening through new designations and sectoral expansions.⁵⁹ A second trajectory is the high-conflict and post-conflict operating environment in which enforcement intensifies, banking channels narrow further, and the operational environment inside Iran degrades.⁶⁰ A third is partial sanctions relief through diplomatic engagement, modeled on the JCPOA period: some secondary sanctions waived, some Iranian entities removed from the SDN List, but the primary embargo on U.S. persons largely intact and banking reintegration slow.⁶¹ The fourth is structural political change inside Iran producing comprehensive U.S. sanctions relief, which historical patterns suggest would translate into operational financial reintegration only over a period of years, not weeks.⁶²

The discipline these trajectories impose on estate planning is the same across all of them. Document early — title records, inheritance papers, ownership documentation, source-of-funds materials — while access to Iranian records remains possible, rather than waiting until they are needed for a transfer.⁶³ Draft for durability — sanctions savings clauses, broad fiduciary discretion, alternate-beneficiary cascades, U.S.-based liquidity sources independent of Iran-connected assets. Counsel clients to use existing legal pathways now rather than defer in anticipation of improved conditions, because the Iranian Rial's depreciation and the deteriorating ground environment make delay genuinely costly even where it is not legally costly. And separate, in every conversation with the client, what U.S. law authorizes from what financial institutions will execute. The two are different questions, with different answers, and the sustainability of the plan depends on getting both right.

The detailed scenario analyses that follow apply this framework to the six fact patterns estate planners actually encounter.

IV. INBOUND SCENARIOS — WEALTH MOVING FROM IRAN TO THE UNITED STATES

The four inbound scenarios that follow share a common architecture but diverge in their compliance demands. They are not mutually exclusive — a single client's facts may implicate more than one — and are presented separately here for clarity of analysis rather than as a rigid classification. Scenario 1: lifetime support and gifts from a person in Iran to U.S. family, which is the most likely to fit within an existing general license without specific licensing and is where the largest volume of Iran-connected matters originates. Scenario 2: Iran-resident decedent leaving estate to U.S. beneficiaries, which introduces the foreign-estate dimension, the threshold blocked-decedent question, and a tax-reporting overlay families regularly miss. Scenario 3: U.S. person inheriting Iran-situs assets and seeking to repatriate, which is the most operationally complex, and § 560.543 (rewritten in 2018 to cover personal as well as real property) is the principal liquidation-and-repatriation authorization. Scenario 4: U.S. person with pre-existing Iran-situs assets, which is the least common but raises the longest-tail planning issues, including transfer-tax exposure where the holder dies still owning the Iranian property.

Each scenario is worked through on a consistent internal template: presenting facts, entitlement, authorization, execution, tax and reporting integration, fiduciary considerations, drafting and intake notes, and the overlay imposed by the current conflict environment. The repetition is deliberate. The discipline of separating these inquiries and resolving each independently before advising the client is the central skill the practice area requires.

Scenario 1: Lifetime Support or Gifts From a Person in Iran to U.S. Family

Presenting facts.

A grandmother in Tehran wants to give her newly married granddaughter

\$30,000 toward a down payment on a house. An elderly father wants to send his medical-resident daughter recurring monthly support of \$2,000 while she finishes training. An aunt has sold a small commercial property in Isfahan and wants to gift the proceeds, a one-time transfer of perhaps \$200,000, to her brother in Los Angeles. An uncle simply wants to provide for his nephew's college tuition.

These transfers share a profile: the sender is an individual ordinarily resident in Iran (a sanctions-law concept, distinct from U.S. income-tax residency or domicile); the recipient is a U.S. person; the purpose is personal, noncommercial, and intra-family; the amounts range from modest to substantial; and the family expects the transfer to be straightforward.

These transfers are often candidates for authorization under § 560.550.⁶⁴ They are also frequently mishandled, because the families involved often have decades of experience moving money through informal channels that are now harder to use compliantly than they were when those channels were established. The estate planner's role is to convert what families perceive as a routine remittance into a sanctions-compliant, tax-reported, documented transfer.

Entitlement.

Entitlement is usually less visible in Scenario 1 than in inheritance cases, but it should not be assumed away. The U.S. planner should confirm, through client representations and available documentation, that the sender claims ownership of the funds, is not acting for another person or entity, and is not attempting to transfer disputed estate property, business funds, or assets subject to local restrictions. Whether the sender has capacity under Iranian law or may lawfully move value out of Iran is a foreign-law and local-regulatory question. U.S. sanctions authorization does not answer it.

The estate planner should also confirm two private-law points that do not depend on Iranian law. First, the transfer should be characterized accurately — as a gift, support payment, or loan. U.S. tax characterization is

governed entirely by U.S. tax principles applied to the facts; it does not depend on how the transfer is labeled or treated under Iranian law, which is relevant, if at all, only as evidence of the parties' intent and the underlying facts. Because U.S. tax characterization follows substance, family expectations about future repayment can complicate the position later. Second, the practitioner should be alert to disguised commercial or business arrangements presented as personal gifts, which fall outside the personal-remittance authorization and trigger different analysis. Where the funds derive from a sale of Iranian commercial property, the sale itself should be separated from the later gift; § 560.550 may address the personal remittance, but it does not retroactively authorize an Iran-side commercial transaction or cure a blocked-party, entity, or Government-of-Iran issue in the source transaction.⁶⁵

Authorization.

The applicable general license is 31 C.F.R. § 560.550, which authorizes certain noncommercial, personal transfers of funds to or from Iran, or for or on behalf of an individual ordinarily resident in Iran, other than an individual whose property and interests in property are blocked under § 560.211 (Section 560.550 is currently stayed, and the discussion that follows described the authorization as it stood before the stay. See the Introductory Note for further detail.).⁶⁶ The transfer must be processed by a U.S. depository institution or U.S. registered broker-dealer; it must not debit or credit an Iranian account; and it must not be by, to, or through the Government of Iran.⁶⁷ The regulation does not impose a dollar cap on the transfer, although larger transfers attract heightened bank scrutiny and may implicate Bank Secrecy Act reporting and monitoring protocols, including currency-transaction reports for cash transactions over \$10,000 and suspicious-activity reports where the bank knows, suspects, or has reason to suspect reportable suspicious activity.⁶⁸

The conditions look simple. They are not. Each does work, and each is the basis on which a transfer that "should" be authorized may fall outside the general license.

"Noncommercial and personal" excludes payment for goods or services, reimbursement of business expenses, repayment of business loans, support for a family-owned enterprise (even where the enterprise is informal), and charitable donations to entities.⁶⁹ A gift to fund a niece's wedding is personal. A "gift" routed to the niece for use in restocking the family's import-export business is not.

"Other than an individual whose property and interests in property are blocked under § 560.211" carves blocked persons out of the authorization. An individual residing in Iran cannot use § 560.550 if she is individually designated, is subject to blocking through ownership or control rules, or is acting on behalf of the Government of Iran. The intake screening discussed in Section II returns here as the operative compliance step. Iran residency, recall, is not blocked-person status; but Iran residency does not exclude the possibility of blocked-person status either.

"Processed by a U.S. depository institution or U.S. registered broker-dealer" excludes processing by any other U.S. person. A U.S. lawyer cannot intermediate the transfer.⁷⁰ A U.S. relative receiving funds in their own account and then re-transferring to the intended recipient cannot serve as the processor. The processing institution is the regulated party.

"Must not debit or credit an Iranian account" is the operative limit on funds-flow architecture. An account at an Iranian financial institution cannot be the directly debited source; nor can such an account be directly credited as the destination. This condition, combined with the absence of direct U.S.-Iran correspondent banking, makes a wire from a Tehran bank to a New York bank impossible in practical terms.

OFAC FAQ 243 fills in operational detail. The processing depository institution may rely on the originator's representations regarding compliance with the general-license conditions, absent actual knowledge or reason to know of noncompliance. FAQ 243 also draws a critical distinction. A U.S. person may not deal directly with a money services business or hawala to process a § 560.550

transfer. A U.S. depository institution or U.S. registered broker-dealer processing an authorized transfer, however, is not necessarily precluded from dealing with a third-country money services business or hawala as part of its own payment-chain compliance process.⁷¹ FAQ 164 separately confirms that authorized noncommercial remittance payments involving certain E.O. 13599-only Iranian financial institutions must be processed through a third country because U.S. banks may not maintain correspondent accounts for Iranian banks.⁷²

The U.S. recipient, U.S. family member, fiduciary, or U.S. counsel should not select, contract with, instruct, or supervise the third-country exchange house. The compliant U.S.-person role is to document the transfer, screen the parties, engage the receiving bank, and receive the funds through the bank-routed path. The U.S. depository institution does the third-country routing work as part of its own correspondent-banking and anti-money-laundering (“AML”) architecture.

Execution.

Authorization solves the legal question. Execution is a separate inquiry, and in Scenario 1 it is where most matters fail.

The U.S. depository institution receiving the wire will scrutinize the transfer through its sanctions-screening and AML systems. The institution does not benefit from a presumption of authorization;⁷³ it must determine, on the facts presented to it, that the transfer falls within § 560.550 and is consistent with the institution’s own risk appetite. Many institutions treat Iran-adjacent transfers as unwelcome regardless of legal authorization — a posture reinforced by the multi-billion-dollar enforcement actions referenced in Section III.⁷⁴

The practical step is therefore proactive bank engagement. Counsel should provide the receiving institution with a compliance package before the wire is initiated, not after the institution’s compliance systems have flagged the incoming transfer. The package should include: a written statement of the transfer’s nature (e.g., “personal monetary gift from sender’s mother in Tehran”); the relationship between

sender and recipient; the regulatory basis for authorization, citing § 560.550 specifically; confirmation that no party is on the SDN List or otherwise blocked; the source of funds on the Iranian side (e.g., parent’s accumulated savings, recent property sale); the third-country routing institution; and contact information for follow-up.⁷⁵ Where possible, counsel should request that the bank confirm in writing whether the institution will process the transfer before the wire is sent.

If the bank declines, the estate planner has two real choices: identify a different U.S. depository institution willing to process the transfer, or seek a specific license or additional OFAC guidance in support of a renewed bank-engagement effort. Neither is fast. The decision to abandon the bank-engagement effort for an informal channel is the failure mode addressed next.

The hawala and informal-channel problem.

Iranian families have used informal value-transfer systems — hawala, hundi, and related networks — for generations. The systems are not inherently illegal; they predate Western banking, and FinCEN expressly recognizes that they can operate lawfully in the United States when registered as money transmitters or money services businesses, compliant with state licensing where applicable, and operating under AML programs.⁷⁶ But the conditions under which informal channels are legal for U.S. persons are narrow, and they are not satisfied by the typical “cousin in Dubai” arrangement.

Two statutes do most of the work. The first is the IEEPA penalty provision at 50 U.S.C. § 1705, which makes it unlawful to violate, attempt to violate, conspire to violate, or cause a violation of regulations issued under IEEPA, with civil penalties up to the greater of the statutory adjusted maximum or twice the transaction amount, and criminal penalties of up to \$1 million per violation and twenty years’ imprisonment for willful violations.⁷⁷ The second is 18 U.S.C. § 1960, which criminalizes knowingly conducting, controlling, managing, supervising, directing, or owning all or

part of an unlicensed money transmitting business that operates without state licensing or federal registration.⁷⁸ The Fourth Circuit in *Talebnejad*⁷⁹ held that § 1960 does not require knowledge that licensure was legally required, the 2001 amendment specifically eliminated that defense.

The Second Circuit’s decision in *Banki*⁸⁰ deserves discussion here because it is the case most often cited in family conversations about informal transfers. The Second Circuit reversed *Banki*’s sanctions-related conviction in part on the ground that the trial court’s instructions on the personal-remittance authorization were ambiguous given the pre-2012 ITSR text. The reversal is sometimes described as having “blessed” hawala use for personal remittances. It did not. *Banki* was decided under a regulatory regime that has since been amended; the court did not endorse undocumented informal channels; and the court explicitly rejected a categorical “mere customer or beneficiary” safe harbor.⁸¹ More recent enforcement, including the 2025 FinCEN advisory describing Iranian shadow-banking networks and a series of Department of Justice (“DOJ”) § 1960 prosecutions of Iran-linked hawala operators, confirms that the enforcement environment has moved well beyond the pre-2012 baseline *Banki* construed.⁸²

The estate planner’s role is to advise clients firmly against informal channels and to document the advice given. The advice is not difficult to give in principle; it is difficult to give effectively when families perceive the formal channel as slow, expensive, or unreliable. The competent answer is to acknowledge the friction, document the legal exposure of the alternative, and work the formal channel, including, where appropriate, a specific-license application, rather than acquiesce in a workaround.

A separate compliance trap arises in cryptocurrency. OFAC has been clear that its sanctions framework applies to digital-asset transactions in the same manner as traditional fiat currency.⁸³ The use of cryptocurrency does not exempt a U.S. person from the ITSR, and OFAC has pursued enforcement actions against

digital-asset platforms for processing transactions with apparent Iran nexuses.⁸⁴ Cryptocurrency does not cure a channel defect. A transfer that must fit § 560.550 still must satisfy § 560.550's conditions, including processing through a U.S. depository institution or U.S. registered broker-dealer where applicable. A wallet-to-wallet transfer arranged directly between family members, exchange houses, or informal intermediaries is not a substitute for the regulatory payment path.

Tax and reporting integration.

Sanctions clearance is not tax clearance. A § 560.550-compliant personal remittance may be a foreign gift for U.S. tax purposes, but the characterization is not automatic. The file should show who made the transfer, whether repayment was expected, whether the recipient performed services or transferred property, whether the funds came from a business or entity, and whether the payment was part of a reciprocal or nominee arrangement. Sanctions authorization is not tax characterization. U.S. tax characterization follows substance.⁸⁵ Where the transfer is properly characterized as a gift under U.S. law, foreign gifts above statutory thresholds trigger reporting under IRC Section 6039F and other regimes whether or not the underlying transfer was itself lawful.

Form 3520, Annual Return To Report Transactions With Foreign Trusts and Receipt of Certain Foreign Gifts, Part IV⁸⁶, is the principal reporting vehicle for foreign gifts and bequests received by U.S. persons. The reporting threshold is \$100,000 in the aggregate during the taxable year for gifts and bequests from a foreign individual or foreign estate. A separate, lower, and indexed threshold applies to gifts from foreign corporations or foreign partnerships — \$19,570 for 2024, \$20,116 for 2025, and \$20,573 for taxable years beginning in 2026.⁸⁷ Aggregation rules require gifts from related foreign persons to be combined: a \$60,000 gift from a parent and a \$50,000 gift from a sibling in the same year cross the \$100,000 threshold and require reporting. Once the threshold is crossed, each gift exceeding \$5,000 must be separately identified.⁸⁸

The penalty regime under IRC Section 6039F(c) is severe. A failure to timely report imposes a penalty equal to 5% per month of the gift amount, capped at 25%.⁸⁹ The IRS announced in October 2024 that it would end automatic penalty assessment for late-filed Form 3520 Part IV foreign-gift and bequest filings and begin pre-assessment review of reasonable-cause statements for late Forms 3520 and 3520-A.⁹⁰ Current IRS delinquent international information return procedures preserve a general warning that penalties may be assessed during processing, but they now specifically state that reasonable-cause statements attached to Forms 3520 and 3520-A will be considered before a penalty is assessed.⁹¹ The procedural change does not eliminate the penalty; it changes the timing and practical importance of the reasonable-cause submission. A late Form 3520 should be prepared as if it may become a penalty-defense exhibit — with documented chronology, sanctions-related explanation where applicable, and contemporaneous file evidence.

A foreign cash gift is not income under IRC Section 102; the U.S. recipient does not pay income tax on the amount received. (Gifts of appreciated property raise separate issues — the recipient takes the donor's basis, and any income character embedded in the transfer, such as accrued but undistributed income or a disguised payment for services, is not cured by calling the transfer a gift.)⁹² But two related obligations may attach. If the U.S. recipient briefly holds the funds in a foreign financial account during transit (for example, a third-country exchange-house institution credits the funds to a non-U.S. account in the recipient's name before forwarding to the U.S. account), the recipient may have FBAR exposure under 31 U.S.C. § 5314 if the aggregate foreign-account value exceeds \$10,000 at any point during the year.⁹³ FBAR penalties remain harsh notwithstanding the Supreme Court's holding in *Bittner*⁹⁴ that non-willful penalties apply per form rather than per account. If the recipient becomes the beneficial owner of specified foreign financial assets above the IRC Section 6038D thresholds, Form 8938 reporting also attaches.⁹⁵

Recurring support should be tested annually, not cumulatively across years. A \$2,000 monthly support payment totals \$24,000 in a taxable year and does not, by itself, cross the \$100,000 Form 3520 Part IV threshold for gifts or bequests from foreign individuals or foreign estates. By contrast, recurring payments of approximately \$8,334 per month would exceed \$100,000 in a single taxable year, and smaller recurring payments may become reportable when aggregated with other gifts or bequests from related foreign persons during that same year. The intake interview should ask about both one-time transfers and recurring patterns, with attention to whether multiple senders within a family are themselves related under the aggregation rule.

Drafting and intake notes.

For Scenario 1, the estate-planning work is light because the operative documents are bank statements, gift letters, and tax filings — not wills or trusts. What estate planners can usefully do at intake is the following.

First, build a contemporaneous gift log for clients receiving recurring transfers: year-by-year aggregate amounts, dates (which fix the holding period for any later disposition and should be paired with the USD exchange rate in effect on each transfer date, given the currency-conversion gain or loss that can result), source identification, transfer route, and the regulatory basis claimed. A log assembled in real time has materially more credibility than one reconstructed from bank statements years later.

Second, define engagement scope explicitly. The intake should make clear whether the engagement covers sanctions analysis, U.S. tax reporting, both, or neither. Many clients assume that a single retainer to a single estate-planning attorney covers all aspects of a recurring family transfer. It does not. Sanctions counseling, Form 3520 preparation, and transactional bank engagement are different services and may involve different practitioners.

Third, screen against the reciprocity trap. A common variant on Scenario 1 is the U.S. person who receives funds

from family in Iran and later sends a portion back — for example, in the form of support payments, school fees for younger siblings, or repayments of past favors. That return movement converts what was an inbound personal remittance into an outbound transfer governed by the same § 560.550 framework, but in the opposite direction. The intake should ask whether reciprocal patterns exist; if they do, the planning is not only Scenario 1 but also Scenario 5.

Conflict-environment overlay.

The conflict and post-ceasefire environment does not alter the § 560.550 analysis, but it increases bank-screening, documentation, and routing friction. The general execution cautions in Section III apply.⁹⁶

Scenario 2: Iran-Resident Decedent Leaving Estate to U.S. Beneficiaries

Presenting facts.

A father, Iranian citizen, lifelong Tehran resident, has died at age 79. He left a will, or perhaps died intestate; Iranian succession proceedings have been opened. His estate consists of the family apartment in northern Tehran, savings accounts at Bank Melli and Bank Pasargad, a small interest in a textile business he co-owned with a brother, a collection of antique Persian rugs, and gold jewelry that has been in the family for two generations. His four children include two who became U.S. citizens decades ago, one who lives in Iran, and one who lives in the United Kingdom. The two U.S.-citizen children expect their share of the estate. The Iranian-resident sibling is administering the local proceedings and has retained an attorney in Tehran.

The U.S. children have several questions. When will they receive their inheritance? Do they need to do anything from the U.S. side? What about the apartment — should they ask the Tehran-resident sibling to sell it? Are the rugs allowed into the United States? What about the jewelry?

Entitlement.

The entitlement question in Scenario 2 is layered. The U.S.-citizen children's right to inherit under Iranian succession law is an Iranian-law question that this article does not analyze; it is, in most cases, the

workstream the Iranian-resident sibling and Iranian counsel are running.⁹⁷ What estate planners on the U.S. side can usefully recognize is that documentation of entitlement is needed — for U.S. tax reporting, for sanctions-compliance documentation if and when distributions are routed through U.S. financial institutions, and for the heir's own future estate planning — but the documentation itself comes from the Iranian-side proceedings.

The U.S. file commonly must be built from local materials such as death records, heirship or succession documentation, wills or testamentary instruments, title records, bank records, translations, powers of attorney, tax receipts, and local-counsel explanations. The sufficiency and legal effect of those materials are questions of foreign law and should not be assumed by U.S. counsel. Each should be obtained in original or certified-copy form where possible, professionally translated, and authenticated where the U.S. side will rely on it. Gathering these documents now, while access to Iranian records remains practicable, is among the most useful pieces of advice the U.S. estate planner can give. Document procurement has become materially harder under conflict conditions, and the conflict has not yet ended.⁹⁸

The blocked-decedent threshold inquiry.

Before any other compliance analysis can usefully proceed, the U.S. estate planner must confirm that the decedent was not himself a blocked person. The inquiry is uncomfortable to make and is rarely volunteered by the family, but it is the threshold determination on which everything else turns.

If the decedent's property and interests in property were blocked at death — because the decedent was listed, was treated as blocked under an applicable ownership rule, or held property blocked under § 560.211 or another OFAC authority — death does not itself make the property freely transferable by U.S. persons. U.S. persons may not deal in blocked property absent authorization.⁹⁹ Whether the estate as a whole, or only particular property interests, are blocked depends on the decedent's status, the

ownership structure, and the property interests involved. The personal-remittance authorization in § 560.550 expressly excludes individuals whose property and interests in property are blocked under § 560.211, so to the extent any portion of the estate is blocked, distributions of that portion to U.S. heirs require a specific license from OFAC.¹⁰⁰

The screening should cover not only the decedent but any party with an ownership interest in estate assets. The Fifty Percent Rule extends blocked status to entities owned, in the aggregate, fifty percent or more, directly or indirectly, by one or more blocked persons.¹⁰¹ If the textile business is owned 50 percent or more, directly or indirectly and in the aggregate, by one or more blocked persons, the entity is treated as blocked even if it is not separately listed. A mere affiliation with the IRGC, or minority ownership by a blocked person below the 50-percent threshold, does not automatically make the entity blocked under the Fifty Percent Rule, although it may still create serious diligence, control, facilitation, and bank-refusal issues. OFAC has applied the rule by aggregating ownership across blocked persons under different programs.¹⁰²

The intake interview should ask, specifically and in writing: was the decedent on any U.S. or U.N. sanctions list, designated under any executive order, or affiliated with the Iranian government, military, IRGC, or security services? Was the decedent or any business in which the decedent held an interest owned or controlled by any such party? The questions should be repeated for each estate asset of meaningful size. A “no” answer that is later proven wrong is materially better protection than an answer that was never sought.

For the remainder of this Scenario, the analysis assumes that the decedent and the estate assets are not blocked. Where any portion is blocked, the article's discussion of Scenario 6 — the U.S.-decedent counterpart, where blocked-property administration is treated in detail — is the closer analogue, and specific licensing is the ordinary course.

Authorization.

For a non-blocked Iran-resident decedent, the operative general licenses are § 560.550 for cash distributions to U.S. heirs and (for property the U.S. heir has now inherited) § 560.543 for the eventual sale and repatriation of proceeds. Scenario 3 addresses § 560.543 in detail; the present subsection addresses the inheritance event itself and the cash distribution that may follow (Section 560.550 is currently stayed, and the discussion that follows described the authorization as it stood before the stay. See the Introductory Note for further detail.).

Cash distributions from the foreign estate to a U.S. heir generally fall within § 560.550's scope. The U.S. heir is the recipient; the transfer is for or on behalf of an individual ordinarily resident in Iran (the local administrator or executor); the transfer is noncommercial and personal in character; and provided the U.S.-side processing is by a U.S. depository institution and avoids debiting or crediting an Iranian account, the conditions are satisfied.¹⁰³ OFAC has not published guidance squarely on inheritance distributions from foreign estates as such, but the regulatory text is accommodating, and the typical inheritance distribution sits well within the categories of personal transfer the rule contemplates.¹⁰⁴

A cash distribution from an Iran-resident decedent's estate may be a defensible candidate for § 560.550 treatment if the operative transfer is noncommercial and personal, the relevant individuals are nonblocked, the channel restrictions are satisfied, and no Iranian account or Government-of-Iran issue is present. But § 560.550 is not an estate-administration safe harbor, and an estate, entity, blocked asset, business interest, fiduciary fee, or informal channel can change the analysis.

Two operational questions complicate the analysis. First, the local Iranian executor or administrator is typically a non-U.S. person, frequently a relative of the decedent. If that administrator is also a U.S. person — a U.S.-citizen sibling who has flown to Tehran to handle the proceedings — the administrator's actions in directing services in Iran

(engaging local counsel, managing estate assets, liquidating positions) are themselves regulated. Section 560.543's authorization for individual U.S. persons to engage Iranian attorneys, funds agents, and brokers in connection with the sale of inherited property does not, by its terms, cover services rendered as part of foreign estate administration unrelated to a § 560.543 sale.¹⁰⁵ The U.S.-person administrator who directs Iranian counsel to gather rents, settle local debts, or handle Iranian probate work is exporting services to Iran; absent a specific license or applicable general license, that conduct is prohibited.¹⁰⁶

The narrower and more conservative course is for U.S. heirs to refrain from acting as Iranian-side administrators or executors. Where local administration cannot be handled by a non-U.S. relative or by Iranian counsel acting for the foreign estate as such (rather than for a U.S.-person principal), specific licensing should be considered.

Second, granting a power of attorney ("POA") from a U.S. heir to Iranian counsel to act on the heir's behalf is itself a regulated act. The grant of POA to direct a service provider in Iran is, in OFAC's analytical terms, a directive that may constitute facilitation under § 560.208 — a U.S.-person directive that the U.S. person could not herself perform.¹⁰⁷ Section 560.525 authorizes some legal services, including representation in U.S. proceedings and advice on U.S. law compliance, but it does not authorize all legal work with an Iran nexus.¹⁰⁸ U.S. heirs should not assume that the form of a POA insulates them from sanctions exposure. Where the act the POA authorizes would itself require authorization, the POA is an ineffective workaround.

Physical property should be separated from cash distributions. Rugs, jewelry, artwork, household goods, and heirlooms are not transferred under § 560.550 merely because they are inherited. Their importation raises a separate OFAC and customs analysis, including the Iranian-origin goods import prohibition, the narrow household and personal-effects authorization in § 560.524(b), and any blocked-person or cultural-property issues. That analysis is

addressed in Scenario 3. The immediate instruction in Scenario 2 is not to ship physical property first and analyze later.

Execution.

Cash distributions, once authorized, follow the same execution architecture as Scenario 1. The Iranian-side estate administrator coordinates with a third-country exchange-house intermediary; the funds reach the United States through a non-Iranian banking channel; the U.S. depository institution credits the U.S. heir's account.¹⁰⁹

The bank-engagement package is more elaborate than in Scenario 1. The receiving institution will want to see the foreign death certificate, the heirship documentation, identification of the U.S. heir and confirmation of relationship, the source of funds (e.g., proceeds of sale of an Iranian residence, distribution of accumulated estate cash), the third-country routing institution, and confirmation that no party in the chain is on any U.S. sanctions list. Translations of foreign documents should be provided in advance; affidavits may be appropriate where formal probate documentation is incomplete.

The conflict environment compounds these challenges. Communications disruptions inside Iran impede coordination with the Tehran-side administrator. Volatility of the Iranian Rial-to-U.S. dollar exchange rate makes the U.S.-dollar value of the eventual distribution uncertain at the moment the U.S. heir is asked to project liquidity. The pace of new sanctions designations increases the marginal probability that an intermediary institution will be designated mid-transaction, freezing funds in transit. Each of these factors widens the authorization-execution gap; the legal pathway under § 560.550 remains available in principle, but the operational environment has materially deteriorated.¹¹⁰

Tax and reporting integration.

A foreign bequest to a U.S. person is reportable under IRC Section 6039F if the aggregate amount received from a foreign individual or foreign estate during the taxable year exceeds \$100,000.¹¹¹ Form 3520, Part IV, is the operative form. Each gift or bequest exceeding \$5,000

must be separately identified once the threshold is crossed.¹¹² The penalties under Section 6039F(c) are 5% per month, capped at 25%, with the IRS October 2024 procedural change providing modest procedural relief but not penalty elimination.¹¹³

A bequest is not income under IRC Section 102; the U.S. heir does not pay income tax on the principal received.¹¹⁴ But the inherited property carries its own tax consequences:

Basis. Property acquired by bequest, devise, or inheritance from a foreign decedent can receive a fair-market-value basis under IRC Section 1014 even when the property was foreign-situs and outside the decedent's U.S. gross estate. Rev. Rul. 84-139 is the key authority, and Rev. Rul. 2023-2 reaffirms that ruling's treatment of foreign real property inherited from a nonresident alien decedent.¹¹⁵ In the ordinary Scenario 2 case, the basis is the date-of-death fair market value; alternate valuation under Section 2032 applies only where a U.S. estate is subject to the U.S. estate-tax regime and a valid election is made. Section 1014 does not apply to income in respect of a decedent and does not cure separate sourcing, withholding, or reporting issues. Where the U.S. heir later sells the property under § 560.543, the stepped-up basis materially reduces capital-gain recognition; Scenario 3 develops this in the specific context of post-inheritance sale and repatriation.

Foreign tax credit. Iran does not impose a uniform "estate tax" in the U.S. sense, but Iranian succession-related charges and inheritance taxes (varying by relationship and asset type) may apply at the local level. Local death, inheritance, succession, registration, or transfer charges should not be assumed creditable for U.S. income-tax purposes. IRC Section 901 generally concerns foreign income taxes or taxes in lieu of income taxes; a death-transfer levy is not creditable under Section 901 merely because a U.S. heir bears the economic cost. If a foreign levy is tied to later income or gain recognized by the U.S. heir, creditability must first clear ordinary Section 901 principles — and separately, Section 901(j) categorically disallows the foreign tax credit for income

tax paid or accrued to a short list of sanctioned countries that currently includes Iran, regardless of whether the tax would otherwise qualify under Section 901. Iranian-source income remains taxable in the United States; the U.S. heir simply cannot credit any Iranian income tax against that liability. Because Section 901(j)(3) turns off the Section 275(a)(4) disallowance for these taxes, a deduction under Section 164 is generally the only relief available for the disallowed Iranian tax. Scenario 4 develops this point in the ongoing-income context. IRC Section 2014 is a separate foreign death-tax credit and is deferred to Scenario 4 because it applies, if at all, to the U.S. estate tax of a U.S. citizen or resident decedent.¹¹⁶

Foreign-account reporting. FBAR exposure should be tested factually. If the U.S. heir has a financial interest in, or signature or other authority over, a foreign financial account, and aggregate foreign-account values exceed \$10,000 at any point in the year, FinCEN Form 114 may be required.¹¹⁷ Mere expectancy as an heir is not necessarily enough; account retitling, signatory authority, power to direct disposition, or use of a foreign transit account in the heir's name can change the result. Form 8938 reporting under IRC Section 6038D is separate and should be tested independently; direct ownership of foreign real estate or tangible personal property is not itself a specified foreign financial asset, although foreign accounts, foreign entity interests, and certain trust or estate interests may be reportable.¹¹⁸ These obligations attach by virtue of the heir's interest in the asset; sanctions cannot suspend them.¹¹⁹ The inability to move money does not eliminate the duty to preserve the information needed to report it.¹²⁰

Foreign trust analysis. Do not assume a foreign trust exists merely because the estate is administered abroad. A foreign probate, succession, or estate-administration proceeding should be analyzed under U.S. tax classification principles rather than labeled a trust by analogy. If the family creates a separate holding, nominee, custodial, or management arrangement after death, the trust rules may become relevant.

For U.S. tax purposes, a trust is domestic only if a U.S. court can exercise primary supervision over administration and one or more U.S. persons control all substantial decisions; otherwise it is foreign.¹²¹ The location of assets or local service providers is relevant but not dispositive. If the U.S. heir is treated as a U.S. owner under Section 679 — for example, where a foreign trust has a U.S. beneficiary and the U.S. heir was a transferor — Form 3520-A annual reporting follows, with substantial penalties under IRC Section 6677 for noncompliance.¹²²

Fiduciary and execution-risk considerations.

Scenario 2 typically does not involve a U.S.-court-appointed fiduciary. The estate is administered in Iran, by a local administrator or executor, under Iranian law. But the U.S. heirs and any U.S.-resident family member who acts in coordination with the Iranian-side proceedings may take on functional fiduciary roles whose compliance posture deserves attention.

Where a U.S.-citizen sibling acts as the family's coordinator with Iranian counsel, that sibling exposes herself to OFAC's strict-liability framework for any prohibited service exported to Iran in the course of the coordination.¹²³ The fact that no U.S. court has appointed her — and that she may not perceive herself as a fiduciary — does not insulate the conduct. A sibling who directs Iranian counsel to take steps necessary for the local probate proceedings is exporting services to Iran. Whether the conduct fits within § 560.525's legal-services authorization, § 560.543's narrow inherited-property authorization, or no authorization at all is a fact-specific question that should be resolved before, not after, the conduct occurs.¹²⁴

Two related fiduciary issues that frequently surface in Scenario 2 are worth flagging:

- **Mid-administration death of a U.S. heir.** Iranian probate proceedings are not fast. A U.S. heir who dies before receiving her share of an Iranian estate leaves an estate planning problem: her own U.S.-side executor or trustee inherits the Iranian-side

workstream, often without prior preparation and frequently without counsel competent in Iran-related matters. The U.S. heir's own estate plan should anticipate this contingency by providing the U.S. fiduciary with explicit authority to coordinate with foreign proceedings, retain sanctions counsel, seek OFAC licenses, and defer distributions until lawful and practicable. (Scenario 6 develops the drafting architecture for this and related contingencies.)

- *Iranian-side fiduciary's blocked-person status.* The Iranian-side administrator is typically a non-U.S. relative. If that administrator is later designated, or is owned or controlled by a designated party, the analysis changes mid-stream. The estate planner should advise the U.S. heir to monitor the administrator's status and to be prepared to suspend distributions if a designation occurs.

Drafting and intake notes.

The drafting architecture for Scenario 2 is light at the level of the U.S. heir's own documents — the heir's will or trust will need to address pending-but-unreceived inheritance only insofar as the heir wants to ensure successor fiduciaries can manage the issue. The heavier work is at intake.

The intake should specifically ask about pending or anticipated foreign inheritances, including informal expectations not reduced to documentation. Family members commonly do not view a parent's anticipated bequest as a planning question to surface with U.S. counsel until after the death has occurred, by which point the documentation window has narrowed and the operational complexity has risen. Surfacing the expected inheritance during life — and gathering, translating, and preserving the relevant documents while access remains practicable — is among the highest-value services an estate planner can provide.

The engagement letter should distinguish sanctions advice from tax advice. A Form 3520 filing is not a

sanctions-compliance step; sanctions clearance is not U.S. tax compliance.¹²⁵ Counsel who advises on one without explicitly addressing the other should say so in the engagement.

Finally, the heir's own estate plan should provide for the contingency of mid-administration death. Successor fiduciary clauses, sanctions-savings provisions, and explicit authority to retain Iran-experienced counsel are inexpensive additions at the drafting stage and can prevent acute coordination problems later.

Conflict-environment overlay.

The same transaction-date screening and bank-execution cautions described in Section III apply with added force in Scenario 2 because the transfer may involve estate-side actors, inherited accounts, or physical property.¹²⁶

Scenario 3: U.S. Person Inheriting Iran-Situs Assets and Seeking To Repatriate

Scenario 3 is where most Iran-connected estate matters get hard. The U.S. person inherits something — a fractional interest in real property, deposits at an Iranian bank, a portfolio of antique rugs or jewelry, or some combination — and wants to convert the inheritance into U.S.-side liquidity or possession. The legal analysis is bifurcated, with a separate sub-track for inherited bank deposits. Sales of inherited real property and inherited personal property located in Iran may be analyzed under 31 C.F.R. § 560.543 when the seller is an individual U.S. person and the property was inherited from persons in Iran or acquired before U.S.-person status.¹²⁷ Inherited bank deposits and other already-liquid funds at Iranian financial institutions should not be folded into § 560.543 merely because they are part of the same inheritance;¹²⁸ they require their own funds-transfer, blocked-property, and bank-screening analysis under § 560.516, the blocking framework of § 560.211, and any applicable general license such as General License L. Physical importation of carpets, jewelry, household goods, artwork, religious objects, and cultural items is a separate import problem governed first by § 560.201, § 560.306, and any available import authorization such as § 560.524(b).¹²⁹ Walking the scenario as

one undifferentiated problem is the most common source of incomplete advice.

Presenting Facts.

A U.S.-citizen daughter, age 49, has inherited from her late father a one-quarter undivided interest in a residential apartment in northern Tehran (the rest is held by her three siblings, two in Iran and one in the United States); deposits at Bank Pasargad and a smaller account at Bank Melli; and three antique silk carpets that her father kept in the family home, two woven in Tabriz roughly seventy years ago and one woven in Qom approximately forty years ago. Her brother, who emigrated to the United States in 1985 and became a citizen in 1992 (and who has not been back to Iran since 2013), wants the cash and one of the rugs. The Iran-resident siblings have agreed in principle to a buyout of the U.S. heirs' interests in the apartment.

The decedent and the immediate family are not on the SDN List. The two Iranian banks, however, are not equivalent for sanctions purposes. Bank Pasargad is on the SDN List under E.O. 13902, designated October 8, 2020 for operating in the Iranian financial sector.¹³⁰ Bank Melli is on the SDN List under E.O. 13224, the counter-terrorism authority, designated November 5, 2018 for assisting the IRGC-Qods Force and continuing in that status today.¹³¹ That divergence matters because General License L ("GL L") authorizes transactions involving Iranian financial institutions blocked solely under E.O. 13902 if the underlying transaction is itself authorized, exempt, or otherwise not prohibited under the ITSR — but General License L does not extend to E.O. 13224 designations. The two bank accounts therefore travel different paths: the Pasargad deposit sits within a General License L analysis tied to ITSR authorization; the Bank Melli deposit is harder and may not be reachable absent a specific license. The intake at Step 1 must capture the present sanctions-list status of each bank and any other Iran-side counterparty, and rescreen at the time of any transaction.

Entitlement.

Entitlement here functions roughly as in Scenario 2 but with two added wrinkles. First, the U.S. heirs are not

merely passive recipients of an estate distribution; they are co-owners of fractional interests that they intend to liquidate or transfer. The transition from “heir” to “seller” or “transferor” matters because § 560.543 is keyed to the sale of property “acquired before the individual became a U.S. person or inherited from persons in Iran” — an entitlement-side condition that the U.S. heirs must be able to document.¹³² Second, the rugs raise a parallel entitlement question that does not collapse into the apartment analysis: they are personal-property heirlooms whose chain of family ownership and household use should be documented because § 560.524(b) and certain customs provisions key off facts about the items themselves rather than the heir’s status alone.

The U.S. file should accordingly capture, for each asset: the timeline of ownership (acquisition by the decedent, intra-family transfers, succession-related transfers); the heir’s relationship to the decedent and basis for inheritance; documentation that the asset existed in Iran before the U.S. heir’s emigration where applicable; and, for tangible items, photographs, prior inventories, family declarations, and any appraisal history. As in Scenario 2, U.S. counsel should not pretend to opinion on the Iranian-law sufficiency of these materials but should assemble them in a form that supports U.S.-side compliance, tax, and basis positions. In practice, this level of documentation is the exception rather than the rule, and counsel should be prepared to work with far less and take conservative positions accordingly.

Authorization for sale of inherited real or personal property in Iran: § 560.543.

For the apartment buyout, the operative authorization is § 560.543. The regulation authorizes “[i]ndividuals who are U.S. persons” to engage in transactions necessary and ordinarily incident to the sale of real and personal property in Iran and to transfer the proceeds to the United States, provided the property was acquired before the individual became a U.S. person or was inherited from persons in Iran. The authorization expressly extends to engaging the services of any persons in Iran necessary for the sale, including

attorneys, funds agents, and brokers.¹³³ OFAC’s 2018 amendment to § 560.543 broadened the rule to cover personal property as well as real property, so an inherited apartment, an inherited rug, or other inherited noncommercial real or personal property in Iran fits within the rule’s scope.¹³⁴

Three structural conditions deserve emphasis. First, § 560.543 is an *individual* authorization; it runs to “[i]ndividuals who are U.S. persons,” not to entities. A U.S.-resident corporate fiduciary cannot rely on § 560.543 to liquidate inherited Iranian property on behalf of a U.S. heir. The natural-person U.S. heir is the operative actor, and where the U.S. heir prefers a fiduciary structure (a revocable trust, an LLC, or a similar wrapper), counsel should consider sequencing the § 560.543 sale with the heir as the named seller and contributing the proceeds to the wrapper after repatriation rather than the other way round.

Second, § 560.543 does not authorize the wind-down of commercial enterprises in Iran, the reinvestment in Iran of proceeds, or the exportation or re-exportation to Iran of goods, software, or technology. The authorization reaches inherited noncommercial real or personal property in Iran that can be sold without winding down an Iranian commercial enterprise, reinvesting in Iran, involving blocked persons, or otherwise exceeding § 560.543’s conditions.¹³⁵ If the inherited “asset” is in fact an interest in an operating business — for example, a fractional interest in a textile factory rather than a passive holding — § 560.543 does not authorize the typical wind-down activities a fiduciary would otherwise expect to undertake, and a specific license is the appropriate course. The line between sale of an inherited business asset and wind-down of an Iran-based business is not always crisp; where it is unclear, the conservative posture is to apply for a specific license rather than to stretch § 560.543. Section 560.543 is also not an import authorization. Whatever § 560.543 authorizes happens in Iran with proceeds repatriated to the United States; the physical importation of any Iranian-origin tangible property into the

United States runs on a different track addressed below.

Third, the authorization assumes that no party to the transaction is blocked. If a buyer, co-owner, real-estate broker, or governmental approval authority involved in the sale is blocked — including by reason of the Fifty Percent Rule applied to a buyer entity, the § 560.543 does not authorize the transaction.¹³⁶ Iran-government entities holding any approval authority over the transaction (a municipality issuing a transfer authorization, a notary office, a tax authority confirming clearance) raise a separate and unresolved question: such entities are part of the Government of Iran and therefore blocked under § 560.211, but ministerial governmental fees that are genuinely “necessary and ordinarily incident to” the sale arguably fit within § 560.543’s authorization of those incidents. The regulation does not address the point expressly, and where a payment to a blocked governmental entity is more than ministerial — for example, a substantial transfer or registration tax — a specific license is the better course.

Authorization for inherited bank deposits: § 560.516, GL L, and the blocked-bank problem.

The two Iranian bank accounts cannot be analyzed under § 560.543 by simply calling them inherited “personal property.” They require their own analysis. The framework has three layers: the blocking status of the bank under E.O. 13599, E.O. 13902, or E.O. 13224; the ITSR funds-transfer rules under § 560.516 and § 560.320; and any applicable general license such as General License L.¹³⁷

Section 560.516 authorizes U.S. depository institutions and U.S. registered brokers or dealers in securities to process transfers to or from Iran, or for or on behalf of a person ordinarily resident in Iran, when the transfer arises from and is ordinarily incident and necessary to give effect to an authorized underlying transaction, subject to several conditions including that the transfer not involve debiting or crediting an “Iranian account” as that term is defined in § 560.320.¹³⁸ The defined term matters. “Iranian accounts”

means accounts of persons ordinarily resident in Iran (other than persons not located in Iran), the Government of Iran, an Iranian financial institution, or other persons whose property is blocked under § 560.211, that are *maintained on the books of a U.S. depository institution or U.S. registered broker or dealer in securities*. By its terms, § 560.320 is a defined-term restriction on what U.S. institutions may do with their own books, not a general restriction on accounts physically located in Iran. Accounts at Iranian banks are governed by other rules — primarily by the blocking status of the foreign bank and any applicable general license — not by the § 560.516 / § 560.320 channel restriction alone.

Bank Pasargad: GL L applies. The Pasargad deposit sits within General License L because Pasargad is blocked solely pursuant to E.O. 13902. GL L authorizes transactions and activities involving Iranian financial institutions blocked under E.O. 13902 to the extent the underlying transaction is authorized, exempt, or otherwise not prohibited under the ITSR.¹³⁹ For an inherited Pasargad deposit, the question therefore becomes whether a paying-out and repatriation transaction satisfies an underlying ITSR authorization. The most plausible candidate is § 560.550's personal-remittance authorization, treated as authorizing a personal, noncommercial transfer from an individual ordinarily resident in Iran (in substance, the estate-side payor) to a U.S. heir, processed by a U.S. depository institution and routed through a third country. The underlying transaction is the personal remittance; GL L cures the bank-blocking problem so that Pasargad's involvement does not by itself defeat the transfer. The transfer must still be screened at the moment of execution against any later designations affecting Pasargad, the third-country intermediary, or any other person in the payment chain.

Bank Melli: GL L does not apply. Bank Melli has been on the SDN List under E.O. 13224 for assisting in or supporting the IRGC-Qods Force since November 2018 and remains so designated. General License L does not authorize transactions involving Iranian financial institutions blocked

under E.O. 13224. Dealing in property in which Bank Melli has an interest is therefore prohibited absent a specific license, which OFAC may issue in narrow estate-administration circumstances. A U.S. heir who has inherited a balance at Bank Melli should not assume that the deposit is reachable under any general-license analysis. The practical consequences are real: documentation, blocked-property reporting if any Bank Melli funds come within U.S. jurisdiction, and the recognition that the funds may be functionally trapped wealth that cannot be repatriated until the regulatory posture changes.

In either case, U.S. financial institutions that come into contact with Bank Pasargad or Bank Melli funds — for example, by receiving wires routed through third-country correspondents — must screen, may be required to block, and must file the corresponding OFAC reports. A U.S. depository institution will not process a transfer it cannot square with its own sanctions, AML, and risk-policy framework, even where the transfer is technically permissible under GL L. Bank engagement on a Pasargad transfer should include the Treasury press release identifying Pasargad's E.O. 13902 designation, the GL L authorization with the ITSR underlying-authorization analysis, and a clear payment-chain map. Bank engagement on a Bank Melli transfer is generally a precursor to a specific-license application, not a substitute for one.¹⁴⁰

Execution for the § 560.543 sale: routing and bank engagement.

Once a § 560.543 sale closes, proceeds repatriation should be analyzed under § 560.516, not as an ordinary Scenario 1 personal remittance. Section 560.516 permits U.S. depository institutions and U.S. registered broker-dealers to process transfers that arise from and are ordinarily incident and necessary to an authorized underlying transaction — in this case, the § 560.543 sale — so long as the regulatory conditions are met. The transfer still must be screened for blocked persons, impermissible intermediaries, and Iranian financial institutions designated under authorities not covered by the

relevant authorization. The proceeds are denominated in Iranian Rials in Iran and must reach a U.S. heir's U.S. depository account; direct movement of funds from an Iranian financial institution to a U.S. financial institution is precluded by the absence of correspondent relationships, so the routing must move through a third country.

Documentation discipline matters more here than under the personal-remittance pathway. The high-conflict and post-conflict operating environment makes every step of this architecture harder and slower. Intermittent communications inside Iran, widened Iranian Rial-side spreads, sharpened AML scrutiny among UAE, Turkish, and European intermediaries — including for legitimate § 560.543 proceeds — and an accelerated designation pace targeting shadow-banking intermediaries together raise the marginal probability that an intermediary is designated mid-transaction.¹⁴¹

The bank-engagement package for a § 560.543 sale should be more elaborate than for a Scenario 2 cash distribution. The receiving institution will want to see the inheritance documentation; the sale contract or buyout agreement; proof that the property was acquired before the heir became a U.S. person or was inherited; the third-country routing institution; sanctions-screening results for the buyer, any co-owners, and any intermediaries; and a written legal analysis citing § 560.543 and § 560.516 and the regulatory basis for the bank's processing role. Where possible, counsel should obtain the bank's preliminary confirmation that it will accept the wire before closing the Iranian-side sale.

A particularly important execution step concerns the engagement of Iranian service providers. Section 560.543 expressly authorizes hiring an attorney, funds agent, or broker in Iran necessary for the sale, and OFAC FAQ 640 confirms that this authorization extends to engaging non-blocked Iranian persons in connection with the sale of inherited property.¹⁴² The U.S. heir may directly engage Iranian counsel, an Iranian real-estate broker, or an Iranian funds agent for purposes of the sale and repatriation. The authorization is keyed to the sale;

it does not extend to broader estate administration outside the § 560.543 sale, to retaining an Iranian attorney for ongoing services unrelated to the sale, or to engaging Iranian providers in connection with continuing economic engagement in Iran.

On informal channels, FAQ 243 should not be cited as the direct authority for a § 560.543 sale-proceeds transfer. It remains useful by analogy for the channel-risk point: U.S. persons should not personally assemble an informal exchange-house or hawala route. If a third-country intermediary is involved, that intermediary should be part of the regulated financial institution's payment-chain compliance process, not a family-selected or lawyer-directed workaround. Cryptocurrency, exchange houses run by family members, and other informal channels remain unauthorized for the U.S. heir to use directly.¹⁴³

A specialized but important execution issue concerns the heir's power-of-attorney to Iranian counsel. The U.S. heir's engagement of necessary Iranian-side service providers may fit within § 560.543 when the services are necessary and ordinarily incident to the authorized sale and the service provider is not otherwise blocked. U.S. counsel's own role is separate. Advice on U.S. law, sanctions compliance, and OFAC licensing may be authorized under § 560.525, but U.S. counsel should not assume that § 560.525 or § 560.543 permits U.S. counsel to contract with, instruct, supervise, or pay Iranian-side brokers, funds agents, or other transaction actors beyond the scope of the applicable authorization.¹⁴⁴ The engagement letter should separate legal advice, licensing work, bank documentation, and transaction execution, and the POA should be drafted narrowly, scoped to the § 560.543 sale and proceeds repatriation, and signed by the U.S. heir as principal rather than by a U.S.-resident sibling acting as informal coordinator. A separate question arises if Iranian counsel's fees must be paid by the U.S. heir; § 560.553 authorizes certain payments to non-U.S. legal-services providers from funds originating outside the United States, subject to specified conditions and reporting requirements.¹⁴⁵

Finally, a U.S.-resident sibling who is *not* an heir but who acts as the family's coordinator with Iranian counsel is exposed to facilitation risk under § 560.208.¹⁴⁶ Section 560.543's authorization runs to the U.S.-person heir undertaking the sale of *her own* inherited property. A U.S.-resident family member who directs or supervises the sale on behalf of an heir who is not a U.S. person — for example, a U.S.-citizen brother coordinating the buyout for a sister who lives in the United Kingdom — is in a different posture, and the analysis should be resolved before, not after, the U.S. coordinator becomes operationally engaged.

Tax and reporting integration.

The U.S. heir's tax position on the inherited apartment, the bank deposits, the rugs, and any sale proceeds is governed by ordinary cross-border inheritance tax principles, plus a few sanctions-specific complications. The threshold sequencing point is that § 560.543 does not impose a deadline for completion of authorized transactions, but federal tax obligations attach by statutory event and not by reference to whether sanctions execution has occurred.

Form 3520 reporting of foreign gifts and bequests. Sale proceeds from the heir's own inherited property are not a new foreign gift merely because the money is later repatriated. The reportable event under IRC Section 6039F, if any, is the earlier receipt of the inheritance or bequest from a foreign person or foreign estate, measured in the year the U.S. person received the property or became treated as receiving it for Section 6039F purposes. For an undivided interest in real property, the reportable amount is the value of the inherited share at the time of receipt, whether or not the heir ever sells it.¹⁴⁷ Where the inheritance crossed the \$100,000 threshold for foreign individuals or foreign estates in the year the heir received it, Form 3520 Part IV reporting applies for that year; any later disposition is an income-tax question, not a further information-reporting event, and is addressed in the basis and reporting discussion below.

Basis. IRC Section 1014 generally provides a fair-market-value basis for

inherited property as of the date of the decedent's death. As discussed in Scenario 2, that rule applies even where the foreign-decedent inheritance was outside the decedent's U.S. gross estate; Rev. Rul. 84-139 and Rev. Rul. 2023-2 are the operative authorities.¹⁴⁸ For the inherited apartment, the U.S. heir takes a date-of-death basis equal to the apartment's date-of-death fair market value, allocated to the heir's undivided one-quarter interest. For the bank deposits, basis is generally the U.S. dollar-equivalent value of the Iranian Rial-denominated balance on the date of death; because a foreign-currency bank deposit is a debt instrument, currency movement between death and withdrawal is a IRC Section 988 transaction, producing ordinary rather than capital gain or loss. Section 988 reaches only the transactions it defines — principally foreign-currency debt instruments, payables and receivables, and similar instruments — and does not govern currency movement on other assets. For the rugs, the same Section 1014 basis principle applies; the practical complication is establishing date-of-death fair market value for unique tangible items, addressed in Scenario 3. For the apartment and the rugs, currency movement is not separately computed; basis is translated at the date-of-death rate and amount realized at the sale-date rate, and the exchange-rate change is absorbed into a single capital gain or loss. Because the two rates will rarely match, counsel should not assume there is no U.S. gain or loss merely because the sale proceeds equal the date-of-death value in Iranian Rial.

Source and foreign-tax-credit. The source rule for gain on the eventual sale of the apartment is IRC Section 862(a)(5), which sources gain from the disposition of real property by reference to the situs of the property; the gain is foreign-source. Personal property is different. Under Section 865, gain on the sale of personal property by a U.S. resident is generally U.S.-source, with exceptions; a U.S. heir who eventually sells the rugs in the United States cannot count on foreign-source gain treatment in the way she can for the foreign-real-property

gain on the apartment.¹⁴⁹ Iranian transfer and registration charges on real-property sales are generally not income taxes; they are transactional levies and do not satisfy the Section 901 creditability test.¹⁵⁰ If Iran imposes a separate income tax on the gain — and the analysis depends on the Iranian-law treatment of the specific transaction, which this article does not analyze — the credit is available under Section 901 subject to the Section 904 limitation, with the foreign-source numerator reflecting the gain.¹⁵¹ There is no U.S.–Iran estate or income tax treaty.¹⁵²

Stepped-up basis interacts favorably with the Section 862 sourcing rule for inbound real property: the U.S. heir takes a date-of-death basis under Section 1014, recognizes only post-death gain, and that post-death gain is foreign-source under Section 862(a)(5), which can support foreign tax credit capacity if a creditable Iranian tax applies. The combination is one of the few points in Iran-connected estate planning where the federal tax architecture lines up favorably for the U.S. heir. The favorable alignment is not guaranteed, however. Because the U.S. computation runs in dollars and the Iranian computation runs in Rial, exchange-rate movement can produce a loss for U.S. purposes on a sale that generates a taxable gain in Iran. Where that happens there is no foreign-source income in the basket, and the foreign tax paid has nothing to credit against.

Alternate valuation under IRC Section 2032 is generally not available in the Scenario 3 fact pattern. Section 2032 requires the executor of an estate required to file Form 706 to make the election; the foreign decedent's estate is not subject to U.S. estate tax, so no Form 706 is filed and no Section 2032 election is available.¹⁵³

IRC Section 691 income in respect of a decedent. Some inherited assets retain a pre-death economic character that survives the inheritance event for U.S. tax purposes. Inherited bank-deposit principal is capital or inherited property and receives Section 1014 treatment; accrued but uncollected interest credited to an Iranian bank account through the date of death is

income in respect of a decedent (“IRD”) under Section 691, reported as ordinary income to the person entitled to it when recognized under U.S. tax principles, and without a Section 1014 basis adjustment for the IRD portion.¹⁵⁴ Where the inherited deposit pool contains a substantial accrued-interest component as of the date of death, this should be flagged at intake. Sanctions may delay or prevent remittance, but they do not automatically suspend tax or reporting obligations.

FBAR and Form 8938. Direct ownership of foreign real estate and tangible personal property — the apartment, the rugs, the gold jewelry — is not, by itself, a specified foreign financial asset for Form 8938 purposes; the analysis changes if the property is held through a foreign entity, foreign account, foreign trust, or another financial instrument.¹⁵⁵ FBAR exposure is separate and attaches by reference to the U.S. heir's financial interest in or signature or other authority over a foreign financial account, as discussed in Scenario 2. Inheritance of an Iranian bank account alone does not necessarily produce a financial interest within the meaning of the FBAR regulations; account retitling, signatory authority, or actual control over the account is generally required. But where the U.S. heir is named as an account holder during the administration of the foreign estate — even temporarily — the FBAR filing trigger may attach for that year. The point bears watching for U.S. heirs whose Iranian-side counsel routinely retitles accounts pending distribution.

Authorization for tangible property: The import wall.

The rugs are governed by a different and harsher regime. Section 560.543 may authorize a U.S. individual to sell inherited real or personal property in Iran and transfer the proceeds to the United States; it does not itself authorize the physical importation of Iranian-origin goods into the United States. Physical importation must be analyzed separately under § 560.201, § 560.306, § 560.524(b), any applicable informational-materials exemption, or a specific license.¹⁵⁶ “Iranian-origin goods” is defined broadly in § 560.306 to include not only goods grown, produced, manufactured,

extracted, or processed in Iran, but also goods that have *entered into Iranian commerce*.¹⁵⁷ For the heir's family rugs, both the manufacturing and the commerce questions resolve against the heir: the rugs are Iranian-origin under both prongs of § 560.306.

Three pathways might authorize importation. The first is § 560.524(b)'s household and personal effects authorization, which authorizes importation into the United States of Iranian-origin household and personal effects, including baggage and articles for family use, of persons arriving in the United States, provided the articles were actually used abroad by such persons or by other family members from the same foreign household, are not intended for any other person or for sale, and are not otherwise prohibited.¹⁵⁸ The provision is keyed to *arriving persons* and *actual prior use abroad* by that person or family members from the same foreign household. U.S. Customs and Border Protection (“CBP”) has confirmed in HQ Ruling 114595 and HQ Ruling H326950 that used Iranian-origin carpets imported by an arriving person who used the carpets abroad as household effects qualify under § 560.524(b) and may also enter duty-free under subheading 9804.00.05 of the Harmonized Tariff Schedule of the United States (“HTSUS”) if used abroad for at least one year.¹⁵⁹

The second pathway is the informational-materials carve-out under 50 U.S.C. § 1702(b)(3) and § 560.315. Artworks fall within informational materials only where classifiable under HTSUS headings 9701 (paintings, drawings, and pastels), 9702 (original engravings, prints, and lithographs), or 9703 (original sculptures and statuary).¹⁶⁰ Antique rugs do not classify under those headings; they generally classify under Chapter 57 (carpets and other textile floor coverings). The informational-materials pathway is therefore unavailable for the rugs in our fact pattern. (For other heirlooms — original paintings, original drawings, original prints — the analysis differs, and the informational-materials pathway can be a real route, subject to OFAC's 2020 art advisory and FAQs 812–814, which clarify that the carve-out does not protect

artwork in which a blocked person retains an interest, that artwork moved as an investment asset or medium of exchange remains sanction-sensitive, and that U.S. persons holding artwork in which a blocked person has an interest must deny access and report.)¹⁶¹

The third pathway is a specific license under § 501.801. For genuinely valuable heirloom items where the household-use facts are thin and the importer is unwilling to forgo the property, a specific-license application can be appropriate. The application should identify the precise items, document provenance, explain why no general license clearly covers the importation, and address sanctions-screening, source, and end-use questions.¹⁶² OFAC does not publish a robust corpus of reasoned heirloom-import determinations, and the practical timeline for a specific license is unpredictable; a fiduciary should not promise a client that a specific license will be granted within any particular window.

Before reaching for any of these pathways, counsel must address the federal case law that has consistently enforced the import wall against rugs of all ages and provenances. In *863 Iranian Carpets*,¹⁶³ the Northern District of New York ordered forfeiture under 19 U.S.C. § 1595a(c)(2)(B) where Iranian-origin carpets were introduced contrary to § 560.201 and the claimant presented no evidence of a license or authorization; testimony that some of the carpets were many decades old did not change the result. The Fourth Circuit's decision in *Hassanzadeh*¹⁶⁴ reinforces the point in the criminal context: the pre-1935 status of certain carpets did not exempt them from the import ban absent proof that they had not entered Iranian commerce after 1935. These cases are central to client counseling. A client who hears "I have these antique rugs, they're old family pieces, surely they're fine" needs to be told that the case law has consistently treated those exact narratives as immaterial to admissibility. CBP, for its part, enforces the OFAC import wall under 19 U.S.C. § 1595a(c), and false declarations or concealment can move a case from civil inadmissibility into criminal territory.¹⁶⁵

Two non-pathways deserve direct mention. Bonded warehouses, foreign trade zones, and transshipment routes do not solve the sanctions problem; § 560.406 extends the import prohibition to transshipment or transit through the United States, and § 560.408 extends it to importation into a bonded warehouse or foreign trade zone.¹⁶⁶ A bonded warehouse may be used as a customs documentary hold for cultural-property admissibility questions, but it is not a sanctions safe harbor. Cultural-property treatment under 19 U.S.C. § 2606 imposes its own admissibility regime on designated archaeological or ethnological material; very old or museum-quality items may require a source-country export certificate or equivalent proof at entry.¹⁶⁷ Section 560.542(d) of the ITSR is sometimes mis-cited in this context; it is in fact a limit on the human-remains, burial, cremation, and interment authorization in § 560.542, providing that authorization does not cover importation of Iranian-origin cultural property — not a limit on § 560.543.¹⁶⁸ Antique rugs woven within the past hundred years generally are not cultural property in the regulatory sense, but very old or museum-quality pieces may be, and the cultural-property pathway is a separate inquiry.

Application to the facts: The daughter's carpets and the brother's request.

Applied to the facts, the daughter's carpets may fit § 560.524(b) only if she can show that the carpets were actually used abroad by her or by family members from the same foreign household, that she is the qualifying arriving person, that the carpets are intended for her family use rather than another person or sale, and that no other prohibition applies. CBP has approved § 560.524(b) treatment for used Iranian carpets, but always on facts showing that the importer herself used the carpets abroad as household effects before arrival in the United States. Although neither the ITSR nor the CBP rulings specify a minimum duration of residence or use, a short visit or temporary stay in Iran should not be treated as automatically satisfying that predicate; the stronger case is a relocation or return-from-residence pattern. Where the daughter has lived continuously in the United

States and the rugs were used in the decedent's Tehran household — not in any household she shared abroad — § 560.524(b)'s "same foreign household" language is not obviously satisfied, and the conservative reading is that she is a license-first or sale-in-Iran case.

The brother's facts are weaker. He emigrated to the United States in 1985, became a citizen in 1992, has not been back to Iran since 2013, and wants his sister to ship "his portion" to him in the United States. That looks less like the importation of household effects of an arriving person and more like shipment of inherited Iranian-origin goods to a long-settled U.S. resident. Even if a creative § 560.524(b) theory could be advanced, the customs-duty side is not equally accommodating. Under 19 C.F.R. § 148.52(d), free entry of household effects under HTSUS 9804.00.05 is generally not available where more than 10 years have elapsed since the importer's last arrival from the country of use (subject to a port-director unavoidable-delay exception), and is barred outright if 25 years or more have elapsed.¹⁶⁹ For a brother who emigrated in 1985 and last visited Iran in 2013, the 10-year window has long since closed, and on a 1985-baseline reading, the 25-year bar is also implicated because he only had a visit in 2013. Section 560.524(b) does not have a comparable elapsed-time limitation, but the customs-duty rule may defeat duty-free treatment even if a sanctions theory could be sustained, and the practical result is that the brother's rug should not be shipped to him as inherited household effects.

Gold jewelry inherited under Scenario 2 is not a household effect merely because it is sentimental or has been in the family for generations. Jewelry must satisfy the same § 560.524(b) predicates: actual use abroad by the importer or by family members from the same foreign household, arrival of a qualifying person, no resale or other-person intent. Where those facts are not present, the prudent route for both the rugs and the jewelry is to leave them in Iran for sale under § 560.543 and proceeds repatriation under § 560.516, or to leave them with non-U.S. relatives outside the United States, or to seek a specific license. The

worst posture is to ship the items to the United States while the analysis is incomplete.

Execution for tangible property: Customs and the dual-gate problem.

Even where OFAC analysis comes out favorably, customs admissibility is a separate inquiry. CBP may enforce the OFAC import wall through 19 U.S.C. § 1595a(c), the umbrella seizure statute, and its decisions at the border are independent of OFAC's authorization decisions. For an arriving person relying on § 560.524(b) and HTSUS 9804.00.05, the customs presentation should include CBP Form 3299 (Declaration for Free Entry of Unaccompanied Articles) for any articles not personally accompanying the heir, an inventory specifying the items, photographs, declarations of prior household use abroad and current non-resale intent, and any prior-residence documentation.¹⁷⁰ CBP Form 3299 is the operative customs filing for unaccompanied effects, and inventories should be specific; "household goods" is not adequate.

A separate fiduciary-claimant problem deserves attention. CBP held in HQ H286759 that a corporation could neither claim its employees' Chapter 98 personal exemption nor act as the importer of record or authorized agent for their unaccompanied personal effects under HTSUS 9804.00.45. The ruling's operative analysis concerned the returning-resident provision (9804.00.45) rather than the household-effects-used-abroad regime of HTSUS 9804.00.05 and 19 C.F.R. § 148.52(a), but it still supports the narrower proposition that Chapter 98 personal-effects claims are tied to the qualifying natural person.¹⁷¹ Although the ruling arose in an employee-corporation context rather than an executor-or-trustee context, it suggests that Chapter 98 personal-effects treatment is closely tied to the natural person claiming the exemption; therefore, a fiduciary should not casually attempt to import inherited Iranian-origin property under a Chapter 98 personal-effects claim. The natural-person heir should be the customs claimant where the operative authorization is keyed to an arriving or qualifying individual.

Cultural-property admissibility imposes a parallel customs inquiry. For very old rugs, museum-quality items, or pieces that may classify as archaeological or ethnological material, 19 U.S.C. § 2606 and 19 C.F.R. § 12.104c require a source-country export certificate or other qualifying documentation.¹⁷² CBP may detain items pending production of the documentation; if proof is not produced in time, the items may be seized and forfeited. The cultural-property pathway is real but specialized; counsel should not assume it without confirming that the items in fact classify as designated material.

Valuation considerations.

Valuation in Scenario 3 has two distinct dimensions. The first is establishing date-of-death fair market value for U.S. tax basis purposes under Section 1014.¹⁷³ The second is recognizing that sanctions-related friction is itself a fair-market-value-relevant fact for purposes of the underlying valuation.

For the apartment, date-of-death fair market value is generally established by appraisal. Iranian-side appraisers may be engaged under § 560.543's authorization for service providers necessary for the sale; for valuation purposes alone (where no sale is contemplated), the authorization is narrower and an Iranian appraisal may need to fit within § 560.525's legal-services architecture or be generated as part of a planned § 560.543 sale.¹⁷⁴ Where an arms-length sale follows shortly after death, the sale price is the strongest evidence of date-of-death fair market value, subject to ordinary timing-of-valuation principles. Where a sale does not occur, the U.S. heir should preserve the underlying valuation evidence (appraisals, comparable sales, photographs, condition reports) in a form that supports a Section 1014 basis position later.

For the bank deposits, date-of-death fair market value is generally the U.S.-dollar equivalent of the Iranian Rial balance on the date of death. The relevant exchange rate is contested in conflict-environment conditions: the official rate, the parallel-market rate, and the third-country exchange-house rate diverge materially. The conservative

position is to use the rate at which the U.S. heir actually received proceeds (where a § 560.543 sale yields a known U.S.-dollar amount), backed out to the date of death using documented intervening fluctuation. Where no sale has occurred, the exchange-rate methodology should be selected and explained by the appraiser or tax adviser based on the rate a hypothetical willing buyer and seller would reasonably price into the asset on the valuation date, with attention to official rates, parallel-market rates, documented third-country conversion rates, and actual convertibility constraints.

For the rugs, valuation is qualitatively different. The rugs are unique tangible items without an active two-sided market in the United States during sanctions; appraisal evidence should rely on Iranian-market or third-country comparable sales (where reliable data exist) and on expert judgment. The principal U.S.-tax purpose of the valuation is Section 1014 basis if the rugs eventually are imported into the United States or otherwise treated as U.S.-tax-relevant; if the rugs are sold abroad under § 560.543 or retained outside the United States, the basis may not become operative for years. The heir should preserve photographs, prior insurance valuations, family records, and any contemporaneous Iranian-side appraisal.

A separate valuation question, relevant primarily for transfer-tax planning where a U.S.-domiciled person dies still owning Iranian-situs property (Scenario 4) but worth flagging here, is whether sanctions-related friction supports a marketability or liquidity discount under estate or gift tax fair-market-value principles. The willing-buyer, willing-seller standard under Treas. Reg. § 20.2031-1(b) and Rev. Rul. 59-60 is fact-specific; legal restraints on remittance, repatriation, and disposition are fair-market-value-relevant facts that a hypothetical willing buyer would price into the negotiation.¹⁷⁵ The closest tax authority is *Estate of Nienhuys*,¹⁷⁶ where the Tax Court took foreign exchange controls into account in valuing foreign property for estate-tax purposes and rejected both a zero-value approach and unadjusted use of the official exchange

rate. *Estate of Nienhuys* is not an OFAC case, and there is no published federal tax case squarely holding that “the proper sanctions discount is X%.” But it supports the narrower and defensible proposition that legal restrictions on converting or transmitting foreign assets are fair-market-value-relevant facts under ordinary estate-tax valuation principles. The doctrinal tools available for sanctions-impaired property are the ordinary lack-of-marketability and lack-of-control discounts, which the IRS’s DLOM Job Aid frames in terms of restricted-stock studies, pre-IPO studies, and option-pricing approaches; for legally immobilized property, an option-pricing or contingent-claim model may be more accurate than a percentage discount.¹⁷⁷ Sections 2703 and 2704 generally do not limit these adjustments because OFAC restrictions are sovereign legal disabilities binding the entire market rather than donor- or family-created restrictions of the kind those provisions target.¹⁷⁸

A practical caution is worth emphasis. Property eligible for sale analysis under § 560.543, eligible for proceeds-transfer analysis under § 560.516, and free of any blocked-person interest is less impaired than property that is itself blocked, co-owned by a blocked person, or dependent on a specific license. But “eligible for a general license” is not the same thing as freely marketable or readily bankable; valuation should reflect the actual restrictions, documentation burdens, expected delay, currency-conversion risk, and bank-execution risk as of the valuation date. Equally important, post-valuation-date conflict or banking developments should not be used mechanically to depress value unless they confirm risks that were known or reasonably knowable on the valuation date. Hindsight is not a valuation method.

Fiduciary and execution-risk considerations.

Scenario 3 introduces fiduciary considerations that Scenario 2 generally does not, because the U.S. heir actively manages the sale-and-repatriation process rather than passively receiving distributions from a foreign estate.

The most important point is that § 560.543 is keyed to the individual U.S. heir.¹⁷⁹ A U.S. corporate fiduciary — a bank trust department serving as trustee, a corporate executor, or a similar entity — cannot rely on § 560.543; the regulation runs to “[i]ndividuals who are U.S. persons.”¹⁸⁰ That structural limitation has implications for trust drafting, where a U.S. settlor has created a revocable trust and intends to inherit Iranian-situs property through it, the trustee’s ability to liquidate the property post-death is constrained. The cleaner sanctions architecture may be for the natural-person beneficiary to inherit the asset directly, undertake any § 560.543 sale in her individual capacity, and then, if otherwise appropriate under the trust, tax, and fiduciary framework, contribute or transfer the proceeds to the trust.

A second fiduciary point concerns the U.S. heir who agrees to coordinate the sale for multiple co-heirs. The heir’s § 560.543 position is clearest as to her own inherited interest. If she agrees to coordinate the sale for multiple co-heirs, receive pooled proceeds, direct funds agents on others’ behalf, forward siblings’ shares, or act for non-U.S. or Iran-resident relatives, she may be providing services, financial services, or facilitation beyond what § 560.543 clearly authorizes for her own property. The safer structure is to document each heir’s role separately, avoid U.S.-person control over other heirs’ funds unless independently authorized, and consider seeking specific licensing where the U.S. heir is functioning as a family funds agent or transaction coordinator. Section 560.543 is not an informal family-office license.¹⁸¹

A third fiduciary point concerns blocked-property reporting. If funds become blocked during the sale and repatriation process, for example, because a blocked person has an interest in the funds or a U.S. financial institution receives and blocks the payment, the person holding, unblocking, or transferring the blocked property must comply with § 501.603, including an initial report within 10 business days and annual reporting for blocked property held as of June 30 shall be filed annually by September 30. If a transaction

is rejected rather than blocked, § 501.604 imposes a separate rejected-transaction reporting obligation on the person rejecting the transaction.¹⁸² The reporting obligations attach by virtue of holding or causing the holding of blocked property; Sections 501.603 and 501.604 do not contain an express reasonable-cause safe harbor for missed blocked-property or rejected-transaction reports. Mitigation instead runs through voluntary self-disclosure, cooperation, and the enforcement factors in Appendix A to Part 501.¹⁸³

A fourth fiduciary point concerns mid-administration designation. If, during the pendency of a § 560.543 sale, a buyer, broker, funds agent, bank, or other intermediary is designated or otherwise becomes a blocked person, the transaction should be paused and reanalyzed before any further dealing. Section 560.543 does not override the blocked-property prohibitions in § 560.211, and OFAC may exclude persons, property, transactions, or classes of transactions from the operation of a license.¹⁸⁴ The U.S. heir should monitor sanctions-list status throughout the transaction, not only at inception, and the engagement letter with U.S. counsel should reflect that the sale may need to be unwound or restructured if a designation occurs.

Drafting and intake notes.

For Scenario 3, the drafting work attaches both to the U.S. heir’s own estate plan and, where applicable, to the sale-and-repatriation engagement.

The U.S. heir’s revocable trust or will should expressly address Iranian-situs property if it is anticipated. Useful provisions include, where otherwise lawful and where consistent with the governing instrument and applicable fiduciary law, an authorization for the trustee to direct or assign Iranian-situs assets to natural-person beneficiaries to facilitate § 560.543 sales (because the trustee cannot use § 560.543 directly); authority to retain sanctions counsel and to apply for OFAC specific licenses; authority to delay distributions of Iranian-situs property where sanctions or banking constraints preclude lawful transfer; authority to substitute cash or

other property for an asset that cannot be transferred; authority to maintain the property abroad with an appropriate nonblocked custodian, where retention and custody arrangements are lawful under applicable sanctions, customs, and foreign-law rules; authority to charge sanctions-related expenses (licensing, storage, valuation, repatriation costs) against the affected share rather than against the residue; and a sanctions-savings clause clarifying that the trustee has no duty to take unlawful action and no duty to ship physical property first and analyze later.¹⁸⁵ These provisions allocate fiduciary authority and beneficiary expectations under the governing instrument; they do not themselves authorize any transaction under OFAC regulations. Each sale, storage arrangement, custody arrangement, import, substitution, or proceeds transfer still must fit a general license, specific license, exemption, or other applicable authorization.

The engagement letter for Scenario 3 work should specify the scope of representation. Sanctions counseling, OFAC license applications, federal income tax and information reporting (e.g., Form 3520, Form 1040 reporting of basis and gain on eventual sale, FBAR and Form 8938 where applicable), state income tax reporting, and bank-engagement work are different services.¹⁸⁶ Counsel who advises on the § 560.543 analysis without addressing the basis, source, and FBAR analyses is providing partial advice.¹⁸⁷

For tangible-property matters, the intake checklist should test § 560.524(b) eligibility concretely: is the heir herself relocating from abroad; were the items used by the heir or by family members from the same foreign household; is there documentary evidence of prior use abroad; can the items be characterized as not for sale; do they classify outside HTSUS 9701-9703 (so the informational-materials pathway is unavailable); and could the items qualify as cultural property under 19 U.S.C. § 2606?

The intake should also recognize that the tracks sometimes interact. The same Iranian-resident sibling who facilitates the apartment buyout may also be the family member who would carry the

rugs out of Iran into a third country. The estate plan should not encourage the U.S. heir to direct that activity in ways that exceed § 560.543's authorization (which covers the sale of inherited property and the engagement of Iranian-side service providers necessary for the sale, not movement of physical property by Iranian-resident family members in connection with a different end-use).¹⁸⁸

Scenario 4: U.S. Person with Pre-Existing Iran-Situs Assets Seeking to Repatriate

Scenario 4 is a common Iran-connected estate-planning matter in practice and one where the federal architecture often fails the client. The U.S. person, a long-time U.S. citizen who emigrated from Iran decades ago, or a U.S. lawful permanent resident in similar circumstances, already owns Iran-situs property that she acquired before becoming a U.S. person or that she earlier inherited from a person in Iran under § 560.543's eligibility rule. The property has been generating modest income or sitting fallow for years.¹⁸⁹ She is now planning her own estate, considering whether to sell during her lifetime, what to do about ongoing rental income, and what happens at her death.

The defining feature of Scenario 4 is asymmetric optionality. During the client's lifetime, § 560.543 may be available for the sale of the qualifying Iran-situs property and transfer of related proceeds to the United States because the eligibility criteria attach to her as the individual U.S.-person seller.¹⁹⁰ After her death, the express § 560.543 general-license pathway is no longer available, leaving specific licensing, continued holding, or another independently authorized path.¹⁹¹ That asymmetry reframes the entire planning conversation, and counsel's most important contribution is to make the lifetime-vs.-death fork visible to the client.

Presenting facts.

Maryam, age 72, is a U.S. citizen who emigrated from Iran in 1983 and naturalized in 1995. She owns a residential apartment in northern Tehran that she acquired in 1981, before she emigrated. The apartment is rented to a non-related

Iranian-resident tenant; the rental income, the U.S. dollar equivalent of approximately \$9,000 per year, accumulates in an Iranian bank account that she has held since the 1980s. Assume the account is at an Iranian financial institution blocked only under E.O. 13599 and not separately designated under E.O. 13224, E.O. 13382, E.O. 13902, or another non-ITSR authority. If the account is at a bank designated under E.O. 13902, the analysis materially changes and requires a transaction-date screening and any applicable General License L / FAQs 842-843 analysis along the lines developed in Scenario 3; General License L authorizes only transactions that are themselves authorized, exempt, or otherwise not prohibited under the ITSR.¹⁹² Her husband Hossein, age 75, is also a U.S. citizen. Their two adult children, both U.S. citizens, live in California. Maryam's total estate, including prior taxable gifts and the Tehran apartment, is approximately \$22 million, leaving a projected taxable estate after her available applicable exclusion amount. She visits Tehran every two or three years to see remaining family.

She comes to her estate planner with three questions: 1) should she sell the apartment now or hold it; 2) what should she do about the rental income that has been accumulating in Iran for years; and 3) how should her estate plan handle the apartment if she still owns it at her death.

The lifetime vs. death decision.

The starting point is a clean statement of what § 560.543 does and does not authorize for Maryam. During her lifetime, § 560.543 authorizes her to sell the apartment in Iran and transfer the proceeds to the United States, because she acquired the apartment before becoming a U.S. person.¹⁹³ The authorization runs to "[i]ndividuals who are U.S. persons" and turns on the historical fact of pre-U.S.-person acquisition; it does not turn on her current residence, her continued visits to Iran, or whether the property is occupied or rented. The authorization is available to her now and remains available during life, provided the transaction continues to satisfy § 560.543 and does not involve

a blocked person or other excluded transaction, and there are no changes in the law.¹⁹⁴

What does not survive Maryam's death is the express § 560.543 general-license pathway. The regulation runs to "individuals who are U.S. persons," and its eligibility predicate is tied to the individual's own pre-U.S.-person acquisition or inheritance from persons in Iran. A U.S. executor, trustee, estate, or revocable trust is not the individual owner who acquired the property before becoming a U.S. person. Maryam's children are individuals, but they inherit from a U.S.-citizen decedent, not from "persons in Iran," and they did not themselves acquire the apartment before becoming U.S. persons. The result is not that a post-death sale is impossible; it is that the principal published general license is no longer available, leaving specific licensing, continued holding, or another independently authorized path.¹⁹⁵

That post-death gap is the trap of Scenario 4. If Maryam holds the apartment until her death, the property passes to her estate and her beneficiaries without the principal published general license to sell it and repatriate the proceeds. The principal pathways post-death are (i) holding the property indefinitely, or (ii) applying for a specific license under § 501.801, with all the timing and outcome uncertainty that entails.¹⁹⁶

A specific license could in theory authorize the executor or a beneficiary to sell the apartment and repatriate the proceeds, but OFAC processes specific-license applications case by case, with no published timeline and no presumption of grant. A defensible application should describe the property, ownership history, proposed sale, proposed payment route, estate-tax or administration need, parties and intermediaries, screening results, and why no published general license appears to apply.¹⁹⁷ If the estate cannot sell or monetize the apartment, the federal estate-tax analysis does not disappear: the apartment remains includible in Maryam's gross estate if she owns it at death, and the estate's inability to repatriate proceeds does not itself relieve the estate of U.S. tax

obligations.¹⁹⁸ The realistic conclusion is that, if Maryam dies still owning the apartment, the apartment becomes functionally trapped wealth in her estate, and the principal questions shift from "how do we sell it" to "how do we value, tax, document, and administer it."¹⁹⁹ None of the pathways is symmetric with the § 560.543 sale Maryam herself can do today.

The fork should be modeled numerically. Lifetime sale is itself a current realization event. Maryam's sale of the Tehran apartment during life is a taxable disposition for U.S. income-tax purposes; the amount realized, adjusted basis, exchange-rate methodology, Iranian income or transfer tax paid, and Sections 901 and 904 foreign-tax-credit position must all be modeled before advising sale.²⁰⁰ Holding until death may produce a Section 1014 basis adjustment but leaves the estate without the principal published authorization.²⁰¹ In a nontaxable estate, the basis step-up may be less valuable than preserving execution optionality. In a taxable estate with ample U.S.-side liquidity, the basis step-up and estate-tax valuation consequences may dominate.²⁰² The correct advice depends on current value, basis, expected appreciation, Iranian tax, available foreign tax credits, estate-tax exposure, liquidity, and the client's willingness to accept licensing risk at death. The wrong move is to drift into the death fork without recognizing it as a deliberate choice.

Lifetime repatriation: § 560.543 in pre-existing-ownership matters.

The architecture of a lifetime § 560.543 sale was developed in detail in Scenario 3. The core points carry forward without significant modification: § 560.543 authorizes the sale and the repatriation of proceeds;²⁰³ the operative actor is Maryam in her individual capacity; she may engage Iranian-side counsel, brokers, and funds agents necessary for the sale; and the buyer, broker, and any intermediary must be screened against the SDN list at execution. Two points distinguish the pre-existing-ownership context from the recent-inheritance context.

First, the entitlement documentation differs. In the recent-inheritance

context, the U.S. heir is documenting an inheritance event and a chain of title from a foreign decedent. In the pre-existing-ownership context, Maryam is documenting acquisition before her change in status. The relevant evidence is her Iranian-side title documents from the 1981 acquisition, her immigration record showing departure in 1983 and naturalization in 1995, and any contemporaneous documentation of the price and source of funds used in 1981. Section 560.543 does not require any specific form of proof, but a U.S. depository institution processing the wire and U.S. counsel preparing or reviewing the legal analysis will both expect a coherent file.

Second, the practical posture differs. Pre-existing ownership often comes with decades of operating history — rental contracts, repairs, taxes paid in Iran, bank accounts holding accumulated income. The sale unwinds all of that, and counsel should be prepared for the possibility that aspects of the operating history will surface during the sale process. An Iranian-side closing typically requires settlement of pending property taxes and registration fees, and the buyer may want to verify that there are no outstanding liens or encumbrances. Where the property has been used informally — for example, by extended family during Maryam's absences — those arrangements will need to be unwound or formalized as part of the closing.

The funds-transfer leg should be analyzed under § 560.516.²⁰⁴ A U.S. depository institution or U.S. registered broker-dealer may process a transfer that arises from and is ordinarily incident and necessary to the authorized § 560.543 sale, provided the transfer does not involve debiting or crediting an "Iranian account" as that term is defined in § 560.320 and otherwise satisfies the regulatory conditions.²⁰⁵ In practice, the payment path often requires third-country routing because U.S. banks generally may not maintain direct correspondent accounts with Iranian banks.²⁰⁶

The wind-down restriction in § 560.543(b)(1) does not apply to a residential apartment.²⁰⁷ It would apply if the property were a commercial enterprise,

for example, a small Tehran-based business that Maryam continued to own from a distance.²⁰⁸ The line between holding rental real estate and operating a commercial enterprise is fact-dependent; pure residential rental income is generally on the property side of the line, while a Tehran-based shop or small factory generating dividends would be on the commercial-enterprise side and would require a specific license rather than § 560.543. The accumulated rental income in Maryam's Iranian bank account is a separate problem addressed in the next subsection.

The ongoing-income problem.

The accumulated rental income in Maryam's Iranian bank account is one of the most common sources of confusion in Scenario 4 matters. Ongoing repatriation of rental income from Iran-situs real property is not authorized by § 560.543, which addresses sale of property and repatriation of sale proceeds, not routine exploitation of the underlying asset.²⁰⁹ It is also not clearly authorized by § 560.550's noncommercial personal-remittance provision, because rental income is commercial in character — it is income from real-property operation rather than family support payments.²¹⁰ And § 560.516 only authorizes U.S. depository institutions to process transfers incident to authorized underlying transactions; routine rental-income remittance from Iran-situs property has no obvious underlying-transaction hook.²¹¹

Maryam's U.S. tax obligation on the rental income is separate from whether she can lawfully manage, collect, use, or repatriate the funds. Routine repatriation is not clearly authorized, and ongoing lease administration, property management, repairs, tax payments, and instructions to Iran-side agents may themselves require sanctions analysis under the services and facilitation rules.²¹²

That conclusion has three operational consequences. The first is tax. The rental income is U.S.-taxable to Maryam under Section 61, regardless of whether she can repatriate it.²¹³ She reports the activity on Schedule E of her Form 1040, computing gross rents, deductible expenses, and depreciation under U.S. rules rather than

Iranian ones. Because the apartment is used predominantly outside the United States, it is depreciated under the alternative depreciation system, which prescribes a longer recovery period than domestic residential rental property. The practical consequence is that the U.S. and Iranian measures of net rental income will rarely match, and the resulting basis and income differences carry through to the foreign tax analysis below. If Iranian tax law independently taxes the rental income, no federal foreign tax credit is available. Section 901(j) disallows the credit for income taxes paid or accrued to designated countries, and Iran is among them, so the Section 904 limitation and ordinary creditability analysis are never reached. Section 901(j)(3) turns off the Section 275(a)(4) disallowance for these taxes, so a deduction under Section 164 is generally the only relief available. FBAR may apply if she has a financial interest in or signature authority over the Iranian bank account holding the income. Direct ownership of the apartment is not itself a specified foreign financial asset for Form 8938 purposes, but the foreign bank account holding rent may be.²¹⁴

The second consequence is structural. Holding the apartment indefinitely while accumulating untransmittable rental income produces a growing balance that becomes part of Maryam's gross estate at death, all in Iranian Rials, all in an Iranian bank account, all subject to the same trapped-wealth analysis as the apartment itself.²¹⁵ The longer the holding period, the larger the trapped-income position becomes. For clients holding Iran-situs rental property for tax-deferral or sentimental reasons, the accumulating Iranian Rial balance is a hidden cost that compounds the underlying problem.

The third consequence is that the rental-income problem provides an additional argument for the lifetime-sale fork. Selling under § 560.543 ends the future rental-income problem and permits transfer of the sale proceeds if the sale and funds transfer satisfy the regulatory conditions. It should not be assumed, however, that years of accumulated rental income can be swept into the sale-proceeds transfer.

Closing adjustments, deposits, taxes, repair escrows, or rent prorations that are necessary and ordinarily incident to the authorized sale may be analyzed with the sale; a separate accumulated rental balance built up over years should be treated as a distinct asset requiring its own sanctions, tax, and bank-execution analysis, and in many cases a specific license may be the cleaner route. Counsel should identify the rental balance separately on the intake checklist, analyze the tax separately, test FBAR and Form 8938 separately, and decide whether a specific license is needed for disposition or repatriation.

There are creative responses to the rental-income problem that counsel sees in practice. Some clients use accumulated rental income for local property expenses — repairs, taxes, utilities, or maintenance. That should not be treated as self-clearing merely because the funds do not leave Iran. Payments to vendors, property managers, utilities, tax authorities, or other local parties may involve services to Iran, the Government of Iran, Iranian financial institutions, or other regulated parties; if the expense is necessary and ordinarily incident to an authorized § 560.543 sale, the analysis is stronger, but ordinary ongoing property operation has less clear authority and may require specific licensing. Others give the rental income to Iran-resident family members, which raises facilitation questions if the U.S. person is directing the Iranian-side payments.²¹⁶ Others donate the rental income to Iranian charitable organizations, which raises questions under the humanitarian-transactions framework and the Government-of-Iran rule, with § 560.550(b) expressly excluding charitable donations to entities from the personal-remittance authorization.²¹⁷ None of these is a complete solution, and the article does not attempt a comprehensive treatment; the point for estate planners is that the rental-income disposition needs to be addressed expressly during lifetime planning rather than left to drift.

Tax integration at death.

Gross estate inclusion: Section 2031 includes in the gross estate the value

of all property in which Maryam held an interest at her death, wherever situated. The apartment is in her gross estate at its date-of-death fair market value. The accumulated Iranian Rial-denominated rental income is also in her gross estate, valued at the date-of-death exchange rate. Worldwide inclusion applies to U.S.-citizen decedents regardless of whether the property can be brought to the United States.²¹⁸

Valuation: The valuation of the apartment for estate-tax purposes follows the willing-buyer, willing-seller standard, and sanctions-related friction is a fair-market-value-relevant fact that a hypothetical willing buyer would price into the negotiation. The article addressed the doctrinal framework for valuing sanctions-impaired property in Scenario 3, and the discussion there carries forward to Scenario 4.²¹⁹

The post-death loss of § 560.543 access is relevant to fair market value, but it does not create an automatic percentage discount. The appraisal should identify the actual legal posture on the valuation date: the identity of the seller (a U.S. estate, not a § 560.543-eligible individual), the absence of an express general license, the likelihood and timing of specific licensing, the bankability of proceeds, the exchange-rate risk, the buyer pool, the documentation costs, and any blocked-person or blocked-bank issues.²²⁰ The discount should not be a generalized “Iran discount”; it should be a valuation of the specific property interest in the hands of the estate at death.²²¹ The appraiser should also avoid double-counting. If the base valuation already reflects Iranian market illiquidity, currency controls, and ordinary sanctions friction, any additional discount for post-death licensing risk should be separately justified.

The accumulated rental income in the Iranian bank account presents a separate valuation problem. The Iranian Rial-denominated balance must be converted to U.S. dollars at the date-of-death exchange rate. The relevant rate is contested — official, parallel-market, and third-country rates diverge — and the U.S.-side discount for a balance that cannot be repatriated may be substantial.

Section 1014 basis: Section 1014 generally provides a fair-market-value basis at death for property included in the gross estate.²²² Maryam’s children take a date-of-death basis equal to the apartment’s date-of-death fair market value, allocated as appropriate among them. The basis adjustment is real and carries forward to any eventual sale, however delayed; the basis benefit is one of the principal arguments for the death fork. That said, the basis benefit is contingent on the children eventually being able to sell. If the apartment remains unsaleable for the children’s lifetimes, the basis adjustment has no practical value.²²³ The basis benefit is most meaningful where the family expects to obtain a specific license, await a regulatory change, or sell to an Iran-resident relative under U.S. authorization.

Section 2014 foreign death tax credit: Section 2014 may credit U.S. estate tax with foreign estate, inheritance, legacy, or succession taxes actually paid on foreign-situs property included in the U.S. gross estate.²²⁴ The credit is narrow. It runs only against U.S. estate tax under Section 2001; only against foreign taxes that qualify as estate-equivalent under U.S. characterization principles; only for foreign-situs property included in the U.S. gross estate; and only when foreign tax is actually paid, with proof on Form 706-CE or a permitted substitute filing.²²⁵

For Iran-related estates, three issues recur. First, Iran imposes inheritance taxes under its Direct Taxation Law, but the U.S. characterization of those levies has not been resolved in any U.S. authority the author has located. Whether the Iranian inheritance regime qualifies as an “inheritance, legacy, or succession” tax under Section 2014, or instead operates substantively as a capital-gains-at-death or transfer-recording charge, is a question for Iranian-counsel-supplied characterization and U.S. tax-counsel review. *Estate of Ballard*²²⁶ is the direct Section 2014 authority on the death-triggered capital-gains-tax problem: a tax triggered at death is not necessarily an estate, inheritance, legacy, or succession tax if, in substance, it is a capital-gains tax. *Biddle*²²⁷ and *PPL*²²⁸

are foreign income-tax-credit cases under Section 901, not Section 2014 cases, but they support the broader characterization principle by analogy: U.S. law, not the foreign label, governs creditability. *Estate of Ballard* is therefore a strong indication that an Iranian levy structured as a capital-gains tax at death would not qualify even if it were collected as part of an inheritance proceeding. Counsel should obtain an Iranian-counsel characterization memorandum before any Section 2014 position is finalized.

Second, Section 2014 requires actual payment of the foreign tax with documented proof. Sanctions may impair the executor’s ability to pay an Iranian tax authority. There is no authority squarely tolling Section 2014(e)’s claim window for sanctions-caused nonpayment, and the conservative posture is to file a protective Schedule P on a timely Form 706, identify the unresolved sanctions issue, and pursue Section 6161 relief on the U.S. side.²²⁹ An estimated claim under Treas. Reg. § 20.2014-5 is allowed where the foreign tax is unresolved at filing, but final allowance does not occur until actual payment and proof.

Third, there is no U.S.–Iran estate or gift tax treaty.²³⁰ Estates with Iranian nexus must rely on the domestic statutory architecture, with no treaty source for situs override or special spouse provisions.

Section 6166 unavailability: Section 6166 does not solve Maryam’s Tehran apartment problem because the apartment, as stated, is directly held passive residential rental real estate, not an interest in a qualifying closely held business.²³¹ The relevant statutory test is whether the estate includes an interest in a closely held business meeting the active-trade-or-business and value-percentage requirements; foreign situs alone is not the operative disqualification. If the Iran-situs asset were an active closely held business interest, Section 6166 would require a separate analysis. But a passive residential apartment does not become a closely held business interest merely because it produces rent. For Maryam’s facts, the potential

payment-relief provision is Section 6161, not Section 6166.

Marital deduction and QDOT considerations:

Where Maryam's surviving spouse Hossein is a U.S. citizen, the unlimited marital deduction under Section 2056 applies to property passing to him at her death, and the apartment can be held in a marital trust or passed outright without producing immediate estate tax.²³² The marital deduction defers, rather than solves, the trapped-wealth problem; the apartment will be in Hossein's gross estate at his death (or in the marital-trust assets at that point), and the same post-death § 560.543 unavailability will apply.²³³ The marital deduction buys time, not optionality.

Where the surviving spouse is *not* a U.S. citizen, Section 2056(d) eliminates the marital deduction unless the property passes to a Qualified Domestic Trust under Section 2056A.²³⁴ The QDOT regime preserves the marital deduction at the cost of a deferred Section 2056A estate tax payable when corpus is distributed to the surviving spouse, and imposes specific U.S.-trustee, security, and administration requirements.²³⁵ Tax law may permit a QDOT to hold foreign real property if the QDOT requirements, security rules, and reporting obligations are satisfied. But an Iran-situs apartment raises two additional problems. First, the QDOT security rules may require a U.S. bank trustee, bond, or letter of credit, and may limit the percentage of foreign real property held without such security; for a QDOT of \$2 million or less, no more than 35% of the trust's fair-market value may consist of real property located outside the United States unless the security requirements are otherwise satisfied. Second, sanctions law independently controls whether the apartment can be retitled, administered, sold, or distributed. QDOT qualification preserves the marital deduction only if the tax requirements are met; it does not create OFAC authorization. The U.S. trustee of a QDOT cannot use § 560.543 to liquidate the apartment, the same individual-only problem that defeats the regular U.S. estate. Any distribution of corpus to the surviving spouse is a Section 2056A tax event unless the hardship exception

applies, and is a sanctions-side event if the surviving spouse is in Iran or the distribution must move funds in connection with the apartment.

The article does not attempt a comprehensive QDOT analysis; the point for Scenario 4 estate planners is that a non-citizen surviving spouse adds a layer of complexity to an already difficult planning problem. Where a non-citizen spouse is involved, the lifetime-sale fork becomes substantially more attractive, both because the QDOT regime is intricate and because the post-death sanctions and tax interactions multiply.

Transfer-tax timing and executor liability.

Federal estate tax is due nine months after Maryam's death.²³⁶ Form 4768 provides an automatic six-month extension to file Form 706, but it does not extend the time to pay; the payment-extension regime is in Section 6161, and interest under Section 6601 continues to run on unpaid tax notwithstanding any extension.²³⁷ If the apartment is illiquid and unmonetizable for sanctions reasons, and if the rest of Maryam's estate does not provide sufficient liquidity to cover the tax attributable to the apartment, the executor faces a real timing problem.

Section 6161 permits an extension of time to pay estate tax for reasonable cause, with the IRS treating twelve months as the maximum single grant and additional twelve-month grants permitted up to ten years for tax shown on the return; deficiencies may be extended for up to four years.²³⁸ The Treasury regulation defines "undue hardship" as more than an inconvenience and provides that a sale at fair market value where a market exists is generally not enough to support relief.²³⁹ For an Iran-connected estate, the executor's argument should be that no market exists in any practical sense — the apartment cannot be sold to a U.S.-side buyer because it is in Iran, cannot be sold to an Iranian buyer for proceeds repatriable to the United States because § 560.543 is unavailable to the executor, and cannot be sold under specific license absent OFAC's prior authorization. The undue-hardship argument is fact-intensive and turns on the executor's having made

and documented reasonable efforts to monetize the property.

Interest under Section 6601 continues to accrue during a Section 6161 extension; the extension affects the late-payment penalty but not the interest.²⁴⁰ For a substantial estate, the interest cost can be material, and the executor should account for it in any extension request.

Penalty exposure on the U.S. side is governed by Section 6651. *Boyle*²⁴¹ makes timely filing a nondelegable executor duty; reliance on counsel does not constitute reasonable cause for late filing. *Boyle* does not foreclose a separate reasonable-cause argument for late payment where sanctions, blocked assets, or bank refusal prevented timely liquidity. A documented sanctions-impossibility record — blocked-property reports, OFAC license applications, bank rejection notices, screening results — can support a Section 6651 reasonable-cause defense for late payment, even though it does not excuse late filing.²⁴² The combined recommendation: timely-file Form 706 with a protective Schedule P; submit Form 4768 if needed; submit a Section 6161 extension request before the payment due date; and prepare a contemporaneous reasonable-cause record for any later penalty defense.

Executor personal liability under 31 U.S.C. § 3713(b) is a separate and important consideration.²⁴³ *Coppola*²⁴⁴ holds that a representative who distributes estate assets while federal tax remains unpaid can face personal liability to the extent of the improper distributions, where the fiduciary has knowledge or notice of the federal debt. For a Scenario 4 executor, the implication is that beneficiary distributions should be deferred until the federal tax position is stabilized; an executor who distributes assets to heirs while leaving federal estate tax unpaid risks personal liability under the priority statute. Form 5495 discharge from personal liability under Section 2204 is available, but it does not eliminate the underlying lien attaching to estate property under Section 6324.²⁴⁵

Drafting and intake notes.

Scenario 4 drafting should accomplish three things. First, it should make the lifetime-vs.-death fork visible to

the client, with a clean explanation of the asymmetric authorization rule and the trapped-wealth consequence at death. Second, it should provide the executor with workable authority and discretion if the death fork is selected. Third, it should preserve documentation throughout the client's lifetime so that, post-death, the executor has a coherent file to work from.

The client's revocable trust or will should expressly address Iran-situs property if the client intends to hold the apartment until death. Useful provisions include: authority to retain sanctions counsel and to apply for OFAC specific licenses; authority to delay distributions of Iran-situs property where sanctions or banking constraints preclude lawful transfer; authority to substitute U.S.-side cash or other property for an asset that a beneficiary cannot lawfully or practically receive; authority to charge sanctions-related expenses (licensing, valuation, storage, professional fees) against the affected share rather than against the residue; and a sanctions-savings clause confirming that the trustee has no duty to take unlawful action and no duty to distribute property the trustee cannot lawfully transfer. As in Scenario 3, these provisions allocate fiduciary authority under the governing instrument; they do not authorize any transaction under OFAC regulations, and each substantive act still requires its own authorization analysis.

Where the surviving spouse is a non-citizen, the document should address QDOT formation and funding expressly, including who serves as U.S. trustee, what bank-trustee or bond-or-letter-of-credit security arrangement applies, and how the apartment is to be valued for QDOT funding purposes. The document should not assume that the apartment can be straightforwardly contributed to a QDOT or distributed from one; the underlying sanctions analysis must be performed at each operative event.

Executor selection matters, but not because a natural-person executor can use § 560.543 in a fiduciary capacity. They cannot. The practical difference is institutional, many corporate fiduciaries may decline Iran-connected administration, while an individual

fiduciary may be more willing to coordinate documents, retain sanctions counsel, and pursue licensing. That practical flexibility does not create federal authorization. A fiduciary should not route acts through beneficiaries or co-trustees "in their individual capacities" if they are in substance carrying out fiduciary instructions or administering estate property. If individual beneficiaries have separate, independently authorized transactions, those should be documented separately and not used as a substitute for estate authorization. The governing instrument can allocate authority, permit delay, authorize licensing, and protect the fiduciary from state-law distribution pressure; it cannot create federal sanctions authorization.²⁴⁶

Intake on the Scenario 4 lifetime side should capture: the property's date and method of acquisition; the client's immigration history and dates of changes in U.S. status; rental history and accumulated income; any other Iran-side assets; the family circumstances (citizenship and residence of spouse and beneficiaries); and the client's preferences as to lifetime sale, hold-until-death, or some intermediate position. Intake on the Scenario 4 death side should additionally capture the executor or trustee's identity, U.S. counsel for the estate, and any pre-existing OFAC interactions.

The article notes one drafting trap. Some clients ask their estate planners to authorize transactions in Iran (sale, distribution, repatriation) in advance through the trust instrument or through a power of attorney. The instrument can authorize the fiduciary as a matter of state-law fiduciary capacity, but it cannot authorize federally-prohibited conduct. Drafting that purports to authorize "any sale or distribution of Iran-situs property" should be paired with sanctions-savings language and should not be read by the fiduciary as a substitute for the underlying sanctions analysis.

Conflict-environment overlay.

The conflict environment does not change the Scenario 4 regulatory analysis, but it increases execution risk. Before action, counsel should recheck current OFAC authorities (including

the current electronic Code of Federal Regulations ("eCFR") text of § 560.543, applicable FAQs, and General License L for any E.O. 13902-blocked institution in the payment chain), sanctions-list data for all parties and banks, and the receiving institution's willingness to process the transfer.²⁴⁷ As of publication-date verification, the core § 560.543 architecture for Scenario 4 has not changed. The lifetime-sale fork is available under § 560.543 and remains so. The principal post-death general license is closed by the eligibility predicate, regardless of the conflict environment. Clients facing the Scenario 4 fork should make the choice on the merits and should not allow operational headwinds to convert what is a deliberate planning decision into drift.

V. OUTBOUND SCENARIOS: WEALTH MOVING FROM THE UNITED STATES TO IRAN

Section IV addressed inbound matters: wealth moving from Iran or from a person in Iran into the hands of U.S. persons. The four inbound scenarios draw on a common set of authorities, though not every scenario implicates each one: § 560.543 (for sale and repatriation of inherited or pre-acquired Iranian property), § 560.516 (for the funds-transfer leg), and § 560.550 (for noncommercial personal remittances received by U.S.-resident individuals). The principal authorization tools cluster around U.S. depository institutions, third-country routing, and the eligibility predicate of pre-U.S.-person acquisition or inheritance from a person in Iran.

The outbound architecture is different in important ways. The principal authorization for outbound noncommercial family transfers is § 560.550, with § 560.516 supplying the funds-transfer framework where a U.S. depository institution or U.S. registered broker-dealer processes a transfer arising from an authorized underlying transaction.²⁴⁸ *Banki* remains useful background because it recognized the significance of noncommercial family remittances in the Iran program, but it is not a substitute for satisfying the current regulatory conditions. The operative questions are whether the transfer is

noncommercial and personal, whether the recipient is non-blocked, whether the transfer is routed through the required regulated channel, whether it avoids Iranian accounts and the Government of Iran, and whether any intermediary creates a separate sanctions or AML problem. Section 560.543 is largely irrelevant on the outbound side because the U.S. donor or fiduciary is sending value out, not selling Iranian property and bringing proceeds back. OFAC FAQ 243's prohibition on direct U.S.-person engagement with hawalas or money service businesses applies in both directions but is encountered most often on the outbound side, where families have historically used informal channels to send support to relatives in Iran.

On the tax side, outbound is also different. The U.S. donor or U.S. decedent is the worldwide-tax taxpayer for both gift tax and estate tax purposes; the recipient's residence in Iran does not change the U.S. taxpayer's exposure.²⁴⁹ The inbound-side concerns of Section 6039F informational reporting on receipts from foreign persons, Form 3520 receipt-reporting, and FBAR for foreign accounts are largely absent. In their place are gift-tax-return obligations under Form 709 and, on the death side, a complex set of Subchapter J, Chapter 3 withholding, and Section 2056A QDOT considerations that have no clean inbound analogue.

This Section V addresses two scenarios. Scenario 5 is the outbound lifetime case: a U.S. person making a gift or providing support to a family member in Iran. Scenario 6 is the outbound death case: a U.S. decedent leaving an estate or trust share to a non-U.S.-citizen Iran-resident beneficiary. As in the inbound scenarios, the analysis distinguishes between non-blocked Iran-resident recipients (for whom the personal-remittance pathway is generally available) and recipients who are themselves blocked persons (for whom no general license is available); the analytical paths differ markedly.

Scenario 5: Lifetime gifts or support from U.S. person to family in Iran

Scenario 5 is the outbound lifetime mirror of Scenario 1. Where Scenario

1 addressed a U.S. recipient receiving funds from a person in Iran, Scenario 5 addresses a U.S. donor sending funds to a person in Iran. The federal architecture is meaningfully similar — § 560.550 personal-remittance authorization, § 560.516 banking, third-country routing, MSB/hawala prohibition — but the donor's U.S. tax exposure is substantially different. The U.S. donor is on the hook for federal gift tax under Section 2501 on worldwide gifts, regardless of where the donee resides.²⁵⁰

Presenting facts.

Bahar, age 58, is a U.S. citizen who emigrated from Iran in 1990 and naturalized in 2003. She is married to Reza, also a U.S. citizen. Her elderly mother, age 84, lives in Tehran with Bahar's brother Kourosh. Bahar would like to send her mother \$1,500 per month for ongoing support; make a one-time gift of \$50,000 to her mother for medical care; make a \$30,000 gift to Kourosh and his wife in connection with the renovation of their apartment; and make a \$20,000 gift to her niece's wedding. Bahar also asks her estate planner whether she can buy a small apartment in Tehran for her mother to use during her remaining years, and whether she can arrange ongoing payments to a property manager in Iran to maintain that apartment. None of the proposed recipients is a blocked person on the stated facts.

Authorization framework.

The starting point is § 560.550, the noncommercial personal-remittance authorization developed in detail in Scenario 1, with its non-blocked recipient, regulated-channel processing, no-Iranian-account, and no-Government-of-Iran conditions.²⁵¹ The monthly support, the wedding gift to Bahar's niece, and the personal gift to Kourosh and his wife are the strongest § 560.550 candidates, assuming the recipients are non-blocked individuals and the payment path satisfies the regulation. The medical-care transfer also may fit, but the analysis depends on how it is paid. A cash gift to Bahar's mother for medical care is still a family remittance. A direct payment to an Iran-side provider may preserve the gift-tax

exclusion under Section 2503(e), but it must separately satisfy sanctions rules, including screening the provider, avoiding the Government of Iran and blocked persons, and using a permissible payment channel.²⁵²

Section 560.550 supplies the authorization if its conditions are satisfied. *Banki* is useful historical support for treating noncommercial family support as distinct from ordinary prohibited services to Iran, but the current analysis must be grounded in the text of § 560.550 and the payment-processing rule in § 560.516. Routing typically requires a third-country intermediary because U.S. depository institutions generally do not maintain direct correspondent accounts with Iranian banks.²⁵³ The OFAC personal-remittance framework expressly does not authorize a U.S. person to deal directly with hawalas or money service businesses. FAQ 243 makes clear that the U.S. depository institution may use a third-country intermediary, but the U.S. donor, Bahar, cannot use a hawala broker.²⁵⁴ *Banki* itself underscores the line: the carve-out for family remittances is real, but transmitting funds for others or operating in a way that looks like a money-transmission business has produced criminal exposure under both IEEPA and 18 U.S.C. § 1960.²⁵⁵

The fifth question, buying an apartment in Tehran for Bahar's mother, is materially different. A purchase by a U.S. person of real property in Iran is not a noncommercial personal remittance. It is a commercial transaction subject to § 560.204's prohibition on the exportation of services to Iran, § 560.207's prohibition on new investment in Iran, and the broader § 560.211 blocking architecture.²⁵⁶ Section 560.543 by its text addresses sale of inherited or pre-existing Iranian property by a U.S. person, not new acquisition.²⁵⁷ A specific license under § 501.801 would be required for Bahar to acquire Iranian real property in her own name.²⁵⁸

A bona fide, unconditional personal remittance to Bahar's mother or brother may be analyzed under § 560.550 if the recipient is non-blocked and all channel restrictions are satisfied. But Bahar should not retain a beneficial interest in the apartment, condition the

gift on purchase, direct title, choose or supervise the broker, control the property manager, require resale, or use the relative as a nominee.²⁵⁹ If the substance of the arrangement is that Bahar is acquiring, financing, managing, or retaining an interest in Iranian real property, the transaction is not a personal remittance; it is a new-investment and services problem requiring separate authorization or a specific license.

The sixth question, ongoing payments to a property manager in Iran, is also outside § 560.550. Property-management payments to a third-party agent in Iran are a service transaction with a non-family-member, not a noncommercial personal remittance. The analysis under § 560.204 and § 560.208 governs. A non-U.S. family member's independent ownership and management of that person's own Iranian property is different from a non-U.S. person acting as Bahar's agent. Bahar may not approve, finance, guarantee, or facilitate a non-U.S. person's Iran-side property-management transactions if the same conduct would be prohibited if performed by Bahar directly. If the property is Bahar's in substance, or if the manager is acting for her, a specific license should be considered before any payment or instruction is made.

Tax integration.

The federal gift-tax architecture is straightforward in outline. U.S. citizens and residents are subject to gift tax under Section 2501 on worldwide gifts, with the donor as the taxpayer; the donee's residence and citizenship do not change the donor's exposure (with one important exception, addressed below). The annual gift tax exclusion under Section 2503(b) is \$19,000 per donee for 2026, indexed for inflation under Section 2503(b)(2) and rounded down to the nearest \$1,000, so practitioners should confirm the current-year figure.²⁶⁰

The monthly support payments to Bahar's mother (totaling \$18,000 per year) are within the \$19,000 annual exclusion. The one-time \$50,000 medical gift exceeds the annual exclusion, but Section 2503(e) excludes from gift-tax treatment payments made

directly to a medical provider for the benefit of any individual, regardless of relationship.²⁶¹ If Bahar pays the Iranian medical provider directly, and the sanctions analysis below is satisfied, the entire payment is outside the gift tax. If she instead transfers \$50,000 to her mother as cash for medical care, only \$1,000 of annual exclusion remains — the \$18,000 of support payments to the same donee consumed the rest — and \$49,000 is a taxable gift requiring Form 709.

The medical and educational exclusions under Section 2503(e) are valuable, but they create a sanctions tension. Section 2503(e) answers only the gift-tax question. For sanctions purposes, the provider, the provider's bank, the payment route, and any Government-of-Iran status under § 560.304 must be screened separately. A direct payment to an Iranian provider may preserve the gift-tax exclusion but fail the sanctions analysis. The relevant sanctions question is not loose governmental affiliation; it is whether the counterparty is the Government of Iran, a political subdivision, agency, instrumentality, owned-or-controlled person, or a person acting for or on behalf of the Government of Iran within § 560.304. A payment to an Iranian public hospital, university with Government-of-Iran status under § 560.304, blocked provider, Iranian financial institution outside an applicable authorization, or account involving the Government of Iran may fall outside § 560.550 even if it would otherwise satisfy Section 2503(e). If the direct-provider route cannot be documented as lawful, the cleaner sanctions path may be a personal remittance to the individual, but that may sacrifice the Section 2503(e) exclusion and produce a taxable gift to the extent the payment exceeds the annual exclusion.

The \$30,000 gift to Kourosh and his wife may be structured as a gift to both spouses, with \$19,000 excluded for each donee. Alternatively, if Bahar and Reza elect gift-splitting under Section 2513, they can effectively double the per-donee exclusion to \$38,000 for any single donee.²⁶² The \$20,000 wedding gift to the niece exceeds Bahar's

\$19,000 annual exclusion by \$1,000 if Bahar makes the gift alone. If Bahar and Reza elect gift-splitting, the gift can be treated as made one-half by each spouse and would be fully sheltered by their combined annual exclusions; but the gift-splitting election itself requires Form 709 mechanics, and the election generally applies to all gifts by either spouse during that year unless an exception applies. The fact that a split gift is fully sheltered does not eliminate the need to make the election properly.

A separate issue concerns gifts to non-citizen spouses. Under Section 2523(i), the unlimited marital deduction does not apply to gifts to a noncitizen spouse, and an annual exclusion of \$194,000 (in 2026) applies in lieu of the unlimited marital deduction.²⁶³ This is irrelevant to Bahar's facts (Reza is a U.S. citizen), but it would be relevant if she were married to a noncitizen spouse residing in Iran or elsewhere.

Charitable transfers require separate tax and sanctions analysis. For gift-tax purposes, Section 2522 is not identical to the income-tax charitable deduction rules, and a foreign organization is not automatically disqualified merely because it is foreign. The organization must satisfy the applicable Section 2522(a) category and substantive requirements. Separately, § 560.550 does not authorize charitable donations to entities in Iran; OFAC treats charitable donations to entities as outside the personal-remittance authorization. A donor who wants to support charitable purposes connected to Iran should not send funds directly to an Iranian entity without a separate sanctions analysis, and in many cases a specific license or a U.S.-qualified charity with its own sanctions-compliance framework will be required.²⁶⁴

For taxable gifts in any year, Form 709 is due April 15 of the following year, extendable six months by Form 4868 or, where no income tax extension is sought, by Form 8892. The form is the donor's cumulative lifetime record and applies the lifetime exclusion in cumulative fashion as taxable gifts accumulate against the \$15 million 2026 amount.²⁶⁵

Drafting and intake notes.

Scenario 5 is generally not a drafting-heavy scenario — most lifetime support and gift transactions do not require new documents. But several practice points matter. First, intake should capture: the donor's citizenship and residence; the donee's citizenship, residence, and SDN-screening status; the proposed amount and frequency; the proposed payment route; the bank and intermediary chain; and the purpose of the gift. Where the gift exceeds the annual exclusion, the donor's cumulative use of lifetime exclusion is needed for Form 709 reporting.

Second, recurring support payments should be set up through the U.S. depository institution as recurring wires rather than as ad hoc transfers via informal channels.²⁶⁶ The institution will conduct OFAC screening on each transfer; the recurring structure makes that screening predictable and auditable, and it builds the compliance file the donor will want if questions arise later.

Third, intake should screen against changes in donee status. A non-blocked donee can become a blocked person between transfers, for example, through E.O. 13224 designation.²⁶⁷ Each transfer should be screened against the SDN list at execution, not only at intake.

Fourth, powers of attorney are not generally a sanctions workaround for outbound transfers. A POA does not authorize the agent to do anything the principal could not lawfully do; if Bahar cannot lawfully wire funds to a hawala broker under § 560.550, her agent cannot do it on her behalf. POAs in this context are typically useful only for ordinary administrative tasks (filing Form 709, communicating with a U.S. depository institution on Bahar's behalf), not as a substitute for substantive sanctions analysis.

Fifth, structural alternatives that route directing authority through Iran-side family members should be analyzed under the facilitation rule in § 560.208.²⁶⁸ The line between making a personal remittance for the donee's use and directing the donee's expenditures is fact-dependent. Where the donee would use the funds in any event for

the contemplated purpose, the analysis is straightforward; where the donor in substance directs the use, facilitation concerns arise.

Conflict-environment overlay.

Outbound transfers are subject to the same conflict-environment headwinds as inbound. Banks, intermediaries, and fiduciaries may require more documentation, more screening, longer lead time, or specific-license comfort before processing Iran-connected wires. The practical advice for Scenario 5 clients: budget more time, use established banking relationships, and do not be surprised if a wire is rejected and rerouted.²⁶⁹

As of publication-date verification, the § 560.550 architecture described in this Scenario is suspended. Effective August 24, 2026, OFAC stayed §560.550 indefinitely and stated that transactions formerly authorized by it are no longer authorized.²⁷⁰ General License BB authorized wind-down of previously authorized transactions only through 12:01 a.m. eastern daylight time on September 8, 2026. the recurring support to Bahar's mother, the wedding gift to her niece, and the gift to Kourosh and his wife - the strongest candidates under the discussion above - have no general-license basis while the stay is in place. What remains is a specific license under § 501.801, now governed by a presumption of denial, or not transferring.²⁷⁰ The parts of this Scenario that survive the stay are the parts that never depended on § 560.550. The prohibition on a U.S. person dealing directly with a money services business or hawala was described in FAQ 243 as a limit on the general license, but the conduct it described is prohibited by §§ 560.204, 560.206, and 560.208 in any event, and with no general license in place the informal channel is simply authorized. The loss of the lawful channel makes the unlawful one more tempting and no less unlawful, and the practitioner should expect to have that conversation more often. Counsel should recheck the status of the stay, the current eCFR text of §§ 560.550 and 560.516, OFAC's Iran general-license and licensing-policy pages, and the SDN-list status of all parties before any transfer.²⁷¹

Scenario 6: U.S. Decedent with Heirs or Beneficiaries in Iran

Scenario 6 is the outbound death mirror of Scenario 2. Where Scenario 2 addressed an Iran-resident decedent leaving a U.S. beneficiary, Scenario 6 addresses a U.S. decedent leaving an Iran-resident beneficiary who is not a U.S. citizen, lawful permanent resident, or U.S. tax resident. The federal architecture for distribution shares some elements with Scenario 5, § 560.550 personal-remittance authorization, third-country routing, MSB/hawala prohibition, but the fiduciary context, the tax integration, and the drafting needs are substantially different.

The defining feature of Scenario 6 is that distribution is being done by a fiduciary, not by an individual donor. The fiduciary has fiduciary duties under state law, federal sanctions duties, and federal tax duties that may not align. The federal tax law continues to operate even when distribution is unlawful or impossible: a beneficiary whose share is "required to be distributed currently" under Subchapter J may be taxed on income whether or not the distribution actually occurs, and a U.S. trust's Chapter 3 withholding obligation can attach without an actual transfer where the beneficiary is a foreign person.²⁷²

That misalignment between sanctions law's prohibition, state fiduciary law's distribution duty, and federal tax law's inclusion and withholding rules is the practitioner's central problem in Scenario 6 when the beneficiary is a foreign person. The drafting choices made before death determine whether the post-death administration will face the misalignment in its sharpest form (a mandatory-distribution simple trust with a foreign beneficiary) or in a more manageable form (a complex trust with discretionary accumulation authority and separate-share architecture).²⁷³

Presenting facts.

Reza, age 76, is a U.S. citizen who emigrated from Iran in 1978 and naturalized in 1989. He is widowed. His two adult children, Pouya and Sahar, are both U.S. citizens living in California. His third child, Mehran, lives in Tehran; Mehran is an Iranian citizen and is not a U.S. citizen,

lawful permanent resident, or U.S. tax resident. None of the three children is a blocked person on the stated facts. Reza's total estate is approximately \$25 million, including a \$20 million U.S.-based investment portfolio, a \$3 million California residence, and various personal property; the estate is taxable on his stated facts after application of the \$15 million 2026 applicable exclusion amount.²⁷⁴

Reza's existing estate plan, drafted in 2005, leaves his estate equally to the three children outright. His revocable trust contains no sanctions-related provisions. He has not addressed in any specific way the sanctions implications of an outright distribution of one-third of the estate to Mehran, nor the foreign-beneficiary tax implications of distributions to Mehran. He comes to his estate planner asking whether the existing plan needs updating, what happens if he dies with the existing plan in place, and how he should structure Mehran's share to accommodate Iran-related execution constraints.

Federal preemption of state fiduciary duties.

Before reaching the technical authorization, tax, and drafting questions, the federal preemption framework should be understood. State-law fiduciary duties — to distribute promptly, to treat beneficiaries impartially, to avoid undue delay — apply to Reza's executor and successor trustee. But where federal sanctions law forbids a particular distribution, state-law fiduciary duties yield to federal supremacy.²⁷⁵

*Crosby v. National Foreign Trade Council*²⁷⁶ supplies the primary obstacle-preemption framework. The Court held that state law is preempted where it stands as an obstacle to the accomplishment and execution of Congress's full purposes and objectives in enacting a calibrated federal sanctions regime — exactly the analytical framework that applies when a state fiduciary-duty rule would compel an unlawful distribution under the ITSR. *American Insurance Association v. Garamend*²⁷⁷ supports displacement where state law conflicts with national foreign policy, and *Zschernig v. Miller*²⁷⁸

is relevant background showing that inheritance rules can implicate foreign affairs — though *Zschernig* should not be read to federalize ordinary fiduciary administration merely because a beneficiary lives abroad.

The synthesis is more careful than a flat preemption claim. If federal sanctions law actually prohibits a distribution, any contrary state-law rule requiring immediate distribution must yield, and the fiduciary should have a strong preemption-based defense to surcharge for refusing to make a distribution that federal law forbids.²⁷⁹ But the analysis is different where the payment is authorized and the obstacle is execution risk, bank refusal, incomplete diligence, or uncertainty. In those cases, the fiduciary should document the impediment, continue diligence, seek bank confirmation or an alternate authorized channel, apply for a specific license where appropriate, and consider court instructions. Federal preemption is strongest where compliance with state law would require a federal violation; it is not a blanket defense to indefinite inaction. The author has not located a sanctions-and-state-fiduciary-duty case squarely on Iran or any other modern sanctions program; the doctrine rests on the obstacle and foreign-affairs preemption principles articulated in the cases above. The doctrinal foundation is strong, but it is general rather than program-specific.

That preemption foundation does not, however, immunize a fiduciary from federal liability under OFAC. The fiduciary remains strictly liable for federal sanctions violations. A December 9, 2025 OFAC settlement with a U.S.-based trust fiduciary illustrates the point clearly.²⁸⁰ The fiduciary, an attorney and former U.S. government official, served as trustee of a U.S.-based family trust of a sanctioned Russian oligarch from 2018 to 2022. The fiduciary relied on outside sanctions counsel that had concluded the trust was not blocked property. OFAC nevertheless determined that the SDN retained a property interest in the trust through a family-member proxy, that the fiduciary "should have known" of the SDN's continuing influence, and that 122 apparent violations had occurred.

The settlement was \$1,092,000.²⁸¹ The matter is not Iran authority, but it is highly instructive because OFAC's strict-liability framework, property-interest analysis, and gatekeeper expectations operate across sanctions programs, and a fiduciary whose trust has a continuing interest by, or for the benefit of, a blocked person faces substantial OFAC exposure regardless of the sanctions program at issue.

Authorization framework.

A bequest or trust distribution to a non-blocked family member ordinarily resident in Iran may be a defensible candidate for § 560.550 treatment when it is a funds transfer, noncommercial and personal in substance, and processed through the required bank or broker channel. But § 560.550 is not an estate- or trust-administration safe harbor. If the distribution involves a blocked beneficiary, blocked property, a business interest, in-kind securities, fiduciary compensation, payment of estate expenses in Iran, a non-family entity, or an informal channel, the analysis changes and a specific license may be required (Section 560.550 is currently stayed, and the discussion that follows described the authorization as it stood before the stay. See the Introductory Note for further detail).²⁸²

There is, additionally, a doctrinal gap that practitioners should not paper over. The author has not located OFAC published guidance squarely treating an estate or trust distribution to an Iran-resident beneficiary as a "noncommercial personal remittance." FAQ 243 and FAQ 164 address remittances generally, and inheritances from U.S. estates are not specifically addressed. The persuasive analogy is strong for the cleanest fact patterns, but it is analogy rather than direct authority. Counsel should treat estate-administration distributions under § 560.550 as a defensible position for clean fact patterns and should consider, for any unusual transaction, whether a specific license is the cleaner route.

Where the bequest is in-kind rather than cash, additional analysis is needed. An in-kind distribution of U.S. securities to a foreign brokerage

account is not cleanly within § 560.550, which addresses cash remittances.²⁸³ Liquidation of U.S. securities by the trust and distribution of cash proceeds is the cleaner approach. In-kind distribution of physical property — jewelry, art, household items — would itself require analysis under the export control rules; certain categories of physical property are subject to Department of Commerce export controls separately from OFAC sanctions, and cultural-property transfers raise additional regulatory issues.²⁸⁴

A blocked-beneficiary analysis starts with the beneficiary's property interest under the governing instrument, but it does not end there. If the beneficiary has a vested share, mandatory distribution right, withdrawal right, or other enforceable interest, the fiduciary should assume the blocked person has a property interest requiring blocking and reporting unless sanctions counsel concludes otherwise. If the beneficiary's interest is purely discretionary, contingent, or remote, the analysis is more fact-specific. The fiduciary should not distribute, disclaim, decant, modify, or reallocate the interest without sanctions analysis, because post-blocking changes affecting a blocked person's interest can themselves be prohibited dealings.²⁸⁵ For trust assets, § 501.603 places primary reporting responsibility on the trustee; initial blocked-property reports are due within 10 business days, annual reports are due for blocked property held as of June 30, and litigation affecting blocked property triggers § 501.605 notice.²⁸⁶

The MSB/hawala prohibition applies on the outbound side as on the inbound. A fiduciary cannot retain a hawala broker to facilitate distribution to Iran. FAQ 243 makes the prohibition explicit, and the line is reinforced by *Banki* and by 18 U.S.C. § 1960 prosecutions of unlicensed money transmission.²⁸⁷ A fiduciary using informal channels to make a distribution to Iran exposes the fiduciary, the estate, and U.S. counsel to serious sanctions and criminal risk; the strict-liability nature of OFAC enforcement and the recent enforcement focus on professional gatekeepers — the December 2025 settlement above being the most prominent example — reinforce the point.

Tax integration.

Gross estate inclusion and basis: The U.S. estate-tax architecture for Reza's estate is straightforward. Section 2031 includes in his gross estate the value of all property in which he held an interest at death, wherever situated.²⁸⁸ The fact that Mehran resides in Iran and is not a U.S. person does not change the inclusion analysis. Reza is the U.S. decedent and the worldwide gross-estate rule applies to his property. The estate is subject to U.S. estate tax under Section 2001 on the taxable estate (gross estate minus deductions).²⁸⁹ Section 1014 generally provides Mehran (along with Pouya and Sahar) with a date-of-death basis equal to the date-of-death fair market value, allocated as appropriate among them.²⁹⁰ The basis benefit is real for the U.S.-situs portfolio assets, although Mehran's ability eventually to receive his share, and the operational mechanics of doing so, is a separate question addressed below.

Marital deduction and QDOT considerations: The marital deduction is not available on Reza's facts because he is widowed. If a noncitizen surviving spouse residing in Iran were involved, the marital deduction would require a Qualified Domestic Trust under Section 2056A, and the security, U.S.-trustee, and 35% foreign-real-property limitations developed in Scenario 4 would apply.²⁹¹ For Iran-connected matters, the QDOT analysis is technically available but operationally complex; sanctions law independently controls whether distributions to a spouse in Iran can be made. The lifetime-sale fork developed for Scenario 4 — selling Iran-situs property during the U.S. citizen spouse's life rather than after — becomes substantially more attractive when a noncitizen spouse is in Iran and a QDOT would otherwise be required.

Subchapter J: the mandatory-distribution trap: The Subchapter J architecture for Reza's trust during administration is the most important tax issue in Scenario 6 and the most consequential tax-side drafting choice. Reza's existing 2005 trust contains no sanctions-related provisions and does not specify how income is to be administered with respect to a foreign beneficiary.

If the governing instrument and applicable fiduciary accounting rules require all fiduciary accounting income to be distributed currently, the trust may be treated as a simple trust for the year, assuming the other requirements are met, and Mehran is taxed on his allocable share of trust income whether or not the distribution actually occurs — but only to the extent that share consists of U.S.-source income. As a foreign person, Mehran is subject to U.S. income tax under Section 871 only on U.S.-source income and on income effectively connected with a U.S. trade or business; the conduit rules fix the amount and timing carried out to him, not the reach of U.S. taxing jurisdiction. Section 652 (for simple trusts) and Section 662 (for complex trusts) provide that the beneficiary is taxed on amounts "required to be distributed currently."²⁹² The classification is determined by the instrument and applicable accounting rules, not by the fiduciary's administrative choice in a given year.

For a U.S. trust with a foreign beneficiary, Treasury regulations under § 1.1441-5 separately require Chapter 3 withholding on a foreign beneficiary's allocable share of amounts subject to withholding, with the obligation triggering on distribution or, for a U.S. simple trust, on the requirement to distribute even where actual distribution has not occurred.²⁹³ Chapter 3 withholding applies only to amounts subject to withholding (generally U.S.-source fixed, determinable, annual, or periodical ("FDAP") income and specified other items), not to all distributable net income ("DNI"); the trustee must identify the character and source of each item before applying a withholding rate. The default Chapter 3 rate is 30% under Section 1441(a) in the absence of an applicable income-tax treaty. Because Iran is not on the IRS list of U.S. income-tax treaty countries, no treaty reduction should be assumed.²⁹⁴

The withholding obligation can therefore arise without a distribution actually occurring. A U.S. simple trust must withhold when it makes a distribution; if the trust was required to distribute and did not (because of sanctions or because the receiving

institution refused), the regulation still requires withholding on the foreign beneficiary's allocable share of amounts subject to withholding when Form 1042-S reporting is due. The fiduciary cannot simply hold the funds and wait; the tax obligation continues to run, and a fiduciary that fails to withhold faces secondary liability under Section 1461.

A complex trust where the governing instrument gives the fiduciary true discretion to accumulate income, and where the fiduciary does not make or become obligated to make a current distribution, has fundamentally different tax mechanics. The trust bears the income tax at trust rates (which compress quickly to the 37% bracket but apply only to retained income), beneficiary inclusion is deferred, and Chapter 3 withholding does not apply because no distribution has been made, and no distribution has been required. The fiduciary in effect substitutes trust-level taxation for beneficiary inclusion plus withholding, accepting a higher rate on the retained income in exchange for the timing flexibility that allows administration to proceed without forcing distributions the trust cannot lawfully make.

A grantor trust shifts the income tax to the grantor entirely under Sections 671–679, bypassing the downstream block. But Reza's trust is a revocable trust during life that becomes irrevocable at death; from death forward, it is no longer a grantor trust as to Reza, and the Subchapter J analysis applies.²⁹⁵

A U.S. estate is in a different position than a U.S. trust. For estates, withholding under Treas. Reg. § 1.1441-5 is tied to DNI of amounts subject to withholding that is actually distributed, not merely required. Administration through an estate during a bona fide period of administration is therefore more forgiving than administration through a mandatory-income trust. But that is a temporary mechanism; estates eventually close and distribute residue, at which point trust mechanics take over.

Where the trust contemplates several beneficiaries with different statuses — Pouya and Sahar in California, Mehran in Tehran — separate-share treatment

under Section 663(c) becomes important.²⁹⁶ If substantially separate and independent shares can be identified, each share is treated as a separate trust for the limited purposes of Sections 661 and 662, allowing different administration of the affected and unaffected shares.²⁹⁷ Section 663(c) is a tax allocation rule with substantive requirements; a fiduciary cannot simply label shares as separate if they are not substantially separate and independent. Drafting should anticipate separate-share treatment from the outset rather than rely on later fiduciary improvisation.

Information reporting: Form 1041 generally must be filed annually for a domestic estate or trust if it has taxable income, gross income of \$600 or more, or a non-resident alien beneficiary.²⁹⁸ Forms 1042 and 1042-S must be filed where the fiduciary has Chapter 3 withholding or reporting obligations with respect to amounts subject to withholding allocable or paid to a foreign beneficiary.²⁹⁹ For Mehran, who on the stated facts is a foreign person for U.S. tax purposes, Forms 1042 and 1042-S are operative for his share (If a different Iran-resident beneficiary were a U.S. citizen — for example, a U.S.-citizen child residing in Iran — the trustee would obtain a Form W-9 and report the distributive share through ordinary Form 1041 / Schedule K-1 architecture; Forms 1042 and 1042-S would not apply merely because of Iran residence). The information-reporting obligations continue regardless of whether actual distribution occurred and regardless of sanctions-caused administrative complications. Sanctions impediments may support a fact-specific reasonable-cause argument for late payment or reporting failures, but they do not generally excuse the obligation to file domestic returns where domestic filing channels remain available.³⁰⁰

Drafting.

The drafting centerpiece of Scenario 6 is a set of provisions that allocate fiduciary authority and discretion to handle the misalignment between sanctions law, state fiduciary law, and federal tax law. The provisions

below are illustrative; drafting must be conformed to applicable state law, the client's specific circumstances, and the governing instrument's overall plan.³⁰¹

Sanctions supersession clause: The clause should give the fiduciary express authority to refuse or delay any act that the fiduciary reasonably believes would violate U.S. sanctions law.³⁰² Sample illustrative language:

No fiduciary shall be required to make any distribution or take any action that the fiduciary reasonably believes would violate any U.S. sanctions law, OFAC regulation, blocking order, or related banking restriction. The fiduciary may suspend performance pending screening, legal analysis, licensing, or payment-channel confirmation, and, to the fullest extent permitted by law, the fiduciary shall have no liability for breach of fiduciary duty arising from any such suspension undertaken in good faith.

The supersession clause provides important protection against state-law surcharge claims. Combined with the federal preemption authorities discussed above, the clause makes clear that the fiduciary's good-faith refusal or delay is not a breach of duty. The clause does not, however, immunize the fiduciary from federal liability if the fiduciary in fact engages in prohibited conduct, that is the strict-liability point reinforced by the December 2025 settlement.³⁰³

Blocked-property segregation clause: The clause should give the fiduciary express authority to segregate property that may be blocked, hold the property in a segregated interest-bearing blocked account, file required OFAC reports, and take no further action except as authorized.³⁰⁴ Sample illustrative language:

If any asset or proposed distribution is or may be blocked property under any U.S. sanctions program, the fiduciary may place the property in a segregated interest-bearing blocked account or otherwise hold it as blocked property, shall make all reports required under 31 C.F.R. Part 501 and any applicable program-specific regulations, and shall take no further action with respect to such property except pursuant to a general license, specific license, or other written authorization of the relevant authority.

The segregation clause aligns trust administration with the blocking architecture and reporting obligations under § 501.603. It also clarifies that the fiduciary is not required to distribute blocked property under any circumstance, regardless of state-law fiduciary pressure to do so.

Licensing and cooperation clause:

The clause should give the fiduciary express authority to apply for specific licenses, request interpretive guidance, retain sanctions counsel, and require beneficiaries to provide identifying, residency, banking, and sanctions-screening information as a condition to any distribution.³⁰⁵ Sample illustrative language:

The fiduciary may apply for specific licenses or interpretive guidance from any sanctions authority, retain qualified sanctions counsel, and require any beneficiary to provide identifying information, residency information, banking information, and sanctions-screening confirmations as a condition to any distribution. The reasonable costs of such licensing and counsel may be charged against the affected share rather than against the residue of the trust.

The clause builds the diligence record and gives the fiduciary tools to seek specific relief when no general license is available. Charging costs against the affected share rather than the residue addresses an equitable concern, the unaffected beneficiaries should not bear the cost of administering an Iran-connected share.

Discretionary accumulation and separate-share clause:

This is the most important tax-protective drafting choice in Scenario 6 when the affected beneficiary is a foreign person. The clause should permit the fiduciary, where a sanctions, licensing, or banking impediment affects a beneficiary's share, to administer the affected share as a separate share with a view to qualifying for separate-share treatment under Section 663(c) and to accumulate income where the instrument permits.³⁰⁶ Sample illustrative language:

Notwithstanding any other provision of this instrument, if a sanctions, licensing, banking, or other regulatory impediment affects a beneficiary or any payment route to that beneficiary, the fiduciary may establish and

administer the affected beneficiary's interest as a separate trust or separate share, with separate accounting, separate investment treatment where appropriate, and separate allocation of income, deductions, reserves, taxes, licensing costs, and compliance costs, with the intent that the share qualify for separate-share treatment under Internal Revenue Code section 663(c) to the extent permitted by applicable tax law. Where this instrument otherwise grants the fiduciary discretion to accumulate income, the fiduciary may exercise that discretion to defer current distribution until distribution is lawful and commercially practicable.

The clause is the structural response to the Subchapter J trap identified above when the beneficiary is a foreign person. Section 663(c) is a tax allocation rule, not an authorization rule; it does not create sanctions authorization or override the governing instrument. The clause should anticipate Section 663(c)'s substantive "substantially separate and independent" requirement, not assume it.

For an existing instrument that already requires current distribution, the fiduciary may not have unilateral authority to convert the share into an accumulation share. The available tools in that situation may include construction, modification, decanting, beneficiary consent, court instructions, or specific tax and sanctions advice; the analysis is state-law-specific and outside the scope of this article. For new drafting, the instrument should create the discretion before death rather than rely on post-death modification.

Alternative payment route clause:

The clause should give the fiduciary mechanical flexibility where the problem is routing rather than blocking. Sample illustrative language:

If payment to a beneficiary is lawful only through a specified channel, the fiduciary may distribute through a U.S. depository institution or U.S. registered broker-dealer, to a lawful non-Iranian account designated by the beneficiary, or through any other channel the fiduciary reasonably determines is authorized under applicable law. No distribution shall be made to a nominee, exchange house, money-services business, family intermediary, or third-country account if the fiduciary knows or has reason to know that the arrangement is intended to evade sanctions, conceal the true

beneficiary, bypass required bank processing, or deliver value through an unauthorized Iran-side channel. Any third-country account must be screened, documented, and owned or controlled by the beneficiary or otherwise independently authorized. The fiduciary shall not use any payment channel that the fiduciary reasonably believes is prohibited.

The clause permits the fiduciary to use third-country accounts or alternative receiving structures that comply with § 560.550 and § 560.516, while expressly prohibiting use of MSBs, hawalas, nominees, or other channels intended to evade sanctions.³⁰⁷ A payment to a third-country account for the benefit of an Iran-resident beneficiary remains a payment for or on behalf of that beneficiary; the third-country location does not eliminate sanctions analysis.

Exculpation and indemnity: State law typically permits some exculpation of fiduciaries for good-faith conduct, with limits for bad faith, gross negligence, or reckless indifference. The clause should preserve fiduciary protection within the limits of applicable state law and provide cost-shifting where a beneficiary unsuccessfully challenges a sanctions-based suspension. Sample illustrative language:

No fiduciary shall be liable for any action or inaction taken in good faith in compliance with what the fiduciary reasonably believes to be applicable U.S. sanctions law. Any beneficiary who challenges a sanctions-based suspension or any other compliance-related decision and does not prevail shall reimburse the fiduciary for reasonable compliance costs incurred in defending the challenge, including reasonable attorney's fees, with such costs being charged against that beneficiary's share. No exculpation, indemnity, or cost-shifting clause protects the fiduciary from OFAC enforcement, civil penalties, blocked-property reporting obligations, or criminal exposure for willful violations.

State variation in exculpation rules is significant and the limits in the governing jurisdiction must be confirmed. No drafting language is a sanctions safe harbor; the clause does not change the strict-liability nature of OFAC enforcement.

Fiduciary execution.

Fiduciary execution in Scenario 6 brings together several federal regimes

that the drafting discussion above has prepared for. The blocked-property reporting obligation under § 501.603 is mandatory and time-sensitive: if trust assets become blocked, the trustee must file an initial report with OFAC within 10 business days, with annual reports thereafter.³⁰⁸ The trustee has primary responsibility under § 501.603(a) (2) for trust assets.³⁰⁹ Failure to file the report is itself a violation regardless of the underlying distribution decision. Section 501.605 separately requires notice to OFAC if litigation may affect blocked property — a requirement that ordinary probate or trust litigation involving a blocked beneficiary's share may trigger.³¹⁰

The strict-liability nature of OFAC enforcement is a constant in fiduciary administration. The December 2025 settlement reinforced what professionals had previously inferred from prior enforcement releases: even a fiduciary who relies on outside sanctions counsel can face substantial liability if the underlying analysis was incomplete or if a blocked person's continuing influence — through proxies, family members, or other indirect arrangements — was not adequately diligenced.³¹¹ OFAC's gatekeeper-focused enforcement posture means that fiduciaries acting in Iran-connected matters should treat sanctions diligence as part of fiduciary prudence, not as a separable specialist concern.

Practical fiduciary execution in Scenario 6 therefore involves a sequence of compliance steps. First, screening at the outset of administration: SDN-list screening of all beneficiaries, third-party agents, and intermediary banks. Second, ongoing screening at each distribution event: status changes can occur between distributions. Third, blocked-property reporting where applicable: file the § 501.603 initial report and continuing annual reports. Fourth, specific-license applications where the proposed distribution does not fit a general license: counsel should prepare the application with care, recognizing that license grant is discretionary and not presumed. Fifth, careful documentation of each compliance step, including bank rejection notices,

screening results, and the bases for any retention or distribution decision. Sixth, coordination with a U.S. depository institution that will process authorized transfers; institutional relationships that can handle Iran-connected wires through tested third-country routing are valuable. Seventh, Subchapter J administration consistent with the drafting architecture, accumulation versus mandatory distribution, and timely Form 1041, 1042, and 1042-S filings where the beneficiary is a foreign person.

TRIA, *Bank Markazi*, and blocked-property attachment risk.

The Terrorism Risk Insurance Act of 2002 ("TRIA") does not make ordinary trust or estate shares attachable merely because a beneficiary lives in Iran.³¹² The relevant questions are whether the property is blocked, whether the blocked property is "of" a terrorist party or its agency or instrumentality, whether a judgment creditor has a valid statutory basis for attachment or execution, and whether the person asserting rights can prove the required ownership, beneficial-interest, agency, or instrumentality relationship.³¹³ Those questions are distinct from ordinary OFAC blocking and from the OFAC Fifty Percent Rule.³¹⁴

Two narrow factual patterns can create TRIA-related issues in estate planning. First, if a beneficiary is alleged to be acting for a foreign terrorist organization or for Iran in a capacity that would make the beneficiary's interest in the trust a "blocked asset" of a terrorist party — for example, where the beneficiary is a senior official of a designated entity or a known proxy — TRIA litigation could in theory reach the trust share.³¹⁵ Second, if the trust holds interests in entities that would be blocked under the OFAC Fifty Percent Rule, or that may qualify as agencies or instrumentalities of a terrorist party under TRIA's separate analysis, attachment exposure on the asset side could arise.³¹⁶ The two doctrines are independent: the OFAC Fifty Percent Rule reaches entities owned in the aggregate, directly or indirectly, 50% or more by one or more blocked persons, while TRIA's "agency or instrumentality" inquiry is governed

by ordinary meaning rather than by the FSIA's § 1603(b) definition.³¹⁷

The current statutory and case-law architecture under TRIA,³¹⁸ the FSIA,³¹⁹ and the Iran-specific provisions of 22 U.S.C. § 8772 has been refined by *Bank Markazi v. Peterson*,³²⁰ *Rubin v. Islamic Republic of Iran*,³²¹ the 2024 *Peterson v. Bank Markazi*,³²² and *Kirschenbaum v. 650 Fifth Avenue*.³²³ The author has not located federal appellate or Supreme Court authority squarely addressing TRIA attachment of a U.S. trust beneficiary's share or a probate-estate residual share in the Iran context. The best-supported approach for estate planners is to treat sanctions law as controlling the ability to administer or transfer the asset, while property and tax law continue to control who owns it and how it is characterized, recognizing that the federal execution statutes can in unusual circumstances override some state-law protections.

For ordinary Scenario 6 administrations, the practical TRIA point is that if the family circumstances involve any past or present association of any beneficiary or any held entity with a designated entity, the analysis becomes substantially more complex and specialized counsel is required. Pre-death drafting can usefully include a provision authorizing the fiduciary to comply with any lawful turnover, attachment, or execution order, and to charge associated costs against the affected share.

Conflict-environment overlay.

The conflict environment does not change the Scenario 6 regulatory analysis, but it increases execution risk. Before each transfer, counsel should recheck current OFAC authorities (especially § 560.550, § 560.516, FAQs 243 and 164, and applicable general licenses), the SDN-list status of all parties and banks in the chain, and the receiving institution's willingness to process the transfer.³²⁴

The proper response remains the disciplined approach. Drafting should anticipate the misalignment problem and provide the fiduciary with discretionary authority to handle it. Administration should assume that distribution to an Iran-resident

beneficiary will require careful diligence and should not be rushed. Where there is genuine uncertainty about the lawful path, the fiduciary should pause, consult sanctions counsel, segregate the affected share, file the required reports, and document each step. For Reza's existing 2005 plan, the answer is that the plan needs updating; outright distribution of one-third of the estate to Mehran, without sanctions-savings provisions and without separate-share or accumulation flexibility, exposes the executor and successor trustee to the misalignment problem in its sharpest form, and exposes the family to administration friction that careful drafting can largely avoid.

VI. CONCLUSION

The preceding sections walked through six scenarios that recur in Iran-connected estate planning. Each scenario worked the same federal architecture — entitlement under U.S. and foreign law, authorization under the ITSR, and execution through banking and operational channels — to a different conclusion. Some scenarios may fit published general-license pathways if the parties, purpose, asset class, and payment channel all satisfy the regulatory conditions. Others sit in no-authority zones where careful documentation, specific licensing, and structural drafting are the practitioner's only tools. This Section VI synthesizes the practice framework that emerges from the scenarios and offers final observations on the work.

Practice Framework: Intake, Screening, Workflow, and Documentation

Iran-connected estate planning is fact-intensive, and most matters are won or lost at intake and at the first compliance review. A disciplined framework — running from intake through screening, workflow, and documentation — produces the file that supports the client's planning, withstands OFAC scrutiny, and enables the fiduciary to act with confidence after death. The framework below is the synthesis of what the scenarios in Sections IV and V suggest as good practice; it is offered as a working template, not as a fixed protocol.³²⁵

Intake.

Intake should capture, in addition to the ordinary estate-planning items, the client's U.S. status history (citizenship and date acquired, lawful permanent residence, U.S. tax residence, prior immigration history, travel patterns to Iran), and a family map covering the spouse, children, parents, and other relevant family members' citizenship, residence, U.S. tax status, SDN-list status, and any past or present association with designated entities. The dates of changes in U.S. status matter for § 560.543 eligibility because the regulation's eligibility predicate turns on whether the property was acquired before the individual became a U.S. person. The Scenario 6 distinction between a U.S.-citizen Iran-resident beneficiary and a foreign-person Iran-resident beneficiary depends entirely on getting these facts right at intake.³²⁶

Intake should also capture an asset map. For Iran-side assets — real property, bank accounts, accumulated rental or other income, business interests, jewelry and tangible items, securities — record date and method of acquisition, current valuation method, current operating posture (held, leased, idle), and the holding bank's status under E.O. 13599 and any subsequent designations. U.S.-side assets are the ordinary balance sheet. Third-country assets often serve as intermediate holding accounts or as a destination for repatriated proceeds. Banking infrastructure is its own intake item: the U.S. depository institutions the client uses, their willingness to process Iran-connected transfers, third-country institutional relationships in the chain, any past wire rejections, and any pending OFAC license applications. A client whose bank has refused Iran-connected wires in the past faces different operational constraints than a client with a tested, sanctions-aware banking relationship.³²⁷

Pre-existing legal documents should be inventoried — will, revocable trust, irrevocable trusts, durable power of attorney, healthcare directive, business agreements — with attention to whether each predates the client's awareness of sanctions issues and whether it contains any sanctions-related provisions.

A 2005-vintage trust with no sanctions provisions, like Reza's plan in Scenario 6, is a different file than a 2023-vintage trust with discretionary accumulation and separate-share authority. Tax history should also be captured at intake: prior Form 706 filings (for any predeceased spouse), Form 709 filings, Form 3520 / 3520-A filings, FBAR history, Form 8938 history, prior § 901 foreign tax credits claimed, and any prior estate-tax deficiencies or audits. The cumulative lifetime taxable-gift record is needed for applicable exclusion analysis under Section 2010(c); annual-exclusion planning is a separate exercise that requires current-year donee-by-donee transfer information, gift-splitting history, and confirmation of whether other gifts to the same donee have already been made during the year.³²⁸

Screening.

Screening should begin with OFAC's SDN List and Consolidated Sanctions List, but it should not stop there. The file should identify the sanctions list result, the program tag or authority, any ownership or control issue, any Government-of-Iran issue, and any banking-specific restriction (such as CAPTA or correspondent-account limitations) where relevant. Screening should be performed at intake and repeated before each operative event, because designation status can change between events.³²⁹

Sectoral and program-specific designations should be checked for each financial institution in the chain, including third-country intermediaries: E.O. 13599 (Iranian-financial-institutions baseline blocking), E.O. 13902 financial-sector designations (with attention to whether General License L and FAQs 842–843 preserve an otherwise available ITSR authorization for the specific transaction), E.O. 13224 (terrorism), E.O. 13382 (proliferation), and other program-specific authorities. Government-of-Iran involvement requires checking whether any party is the state, a political subdivision, an agency or instrumentality, the Central Bank of Iran, a person owned or controlled by any of the foregoing, or a person acting for or on behalf of any of the foregoing — the elements

of the § 560.304 definition. Public hospitals, government universities, public foundations, and other state-linked institutions require analysis under those elements; “affiliation” alone is not the legal test. If the entity falls within § 560.304, § 560.550 does not authorize a transfer by, to, or through it.

The “Iranian account” defined-term check requires care. Section 560.516 conditions authorized transfers on the absence of debits or credits to an “Iranian account” as defined in § 560.320 — a technical restriction keyed to accounts on the books of a U.S. depository institution or U.S. registered broker-dealer for a person in Iran or the Government of Iran, not to all accounts physically located in Iran.³³⁰ This should not be confused with a separate Iranian-financial-institution analysis. An account physically held at an Iranian bank may not be an “Iranian account” under § 560.320, but movement of funds to, from, or through that bank may still implicate blocked-property rules under E.O. 13599 and E.O. 13902, the General License L framework, bank-refusal risk, and transaction-specific authorization issues.

Entity-level analysis. Where entities are involved — closely held companies, partnerships, family offices, holding entities — the OFAC Fifty Percent Rule (blocking any entity owned in the aggregate, directly or indirectly, 50% or more by one or more blocked persons) is part of ordinary sanctions screening. TRIA agency-or-instrumentality analysis is different; it becomes relevant where blocked property, Iran-linked entities, judgment-creditor risk, or attachment or execution litigation is plausible. The two doctrines should not be merged. The TRIA inquiry under *Kirschenbaum* asks whether an entity functions for, provides material services on behalf of, or is owned, controlled, or directed by a terrorist party. Where a beneficiary is in Iran, intake should also capture beneficiary representations of citizenship, residence, account ownership, and sanctions-screening status, with confirmation at each operative event.³³¹

Workflow.

The workflow that emerges from the scenarios begins with identifying the

operative scenario — inbound lifetime support (Scenario 1), inbound death (Scenario 2), inbound inheritance with repatriation (Scenario 3), inbound pre-existing ownership (Scenario 4), outbound lifetime gifts (Scenario 5), or outbound death (Scenario 6) — recognizing that scenarios overlap and that matters often involve more than one. At each operative event, counsel should distinguish entitlement (the legal right under U.S. or foreign property, succession, or contract law), authorization (what permits the transaction under U.S. law: general license, specific license, or no authorization), and execution (how the transaction will be carried out: which institutions, which accounts, which documentation). Estate planners trained on ordinary cross-border practice often collapse these; Iran-connected work requires keeping them separate.

The general-license map should then be assembled: § 560.543 (sale and repatriation of inherited or pre-U.S.-person Iranian property), § 560.550 (noncommercial personal remittances — stayed indefinitely effective August 24, 2026), § 560.516 (funds transfers incident to authorized underlying transactions), § 560.525 (legal services), § 560.553 (legal-services fees), and program-specific general licenses (including General License L for E.O. 13902 designees, subject to the FAQ 842–843 limitation that GL L does not authorize transactions otherwise prohibited under the ITSR).³³² Where no general license fits, the options are specific licensing under § 501.801, now governed by a presumption of denial, structural alternatives, such as separate-share administration, holding or blocking property pending licensing, lifetime sale where § 560.543 remains available, or declining to execute until a lawful channel exists, or some combination. Practitioners should not improvise around the gaps; they should identify them clearly and pursue licensing where appropriate.³³³

U.S. depository institutions and counsel should be engaged early. The institution that will process the wire, the U.S. counsel or sanctions counsel who will prepare or review the legal analysis, and any sanctions counsel

preparing a specific-license application should all be involved before execution; a pre-execution call with the institution’s sanctions compliance team often surfaces practical concerns the legal analysis alone misses. Every step should be documented — every screening result, authorization decision, bank rejection, and license application and response. The file is the article’s most important deliverable to the fiduciary or successor counsel who comes after, and it is also the factual record that may support a reasonable-cause position where sanctions, blocked property, bank refusal, or licensing delay prevented timely payment, withholding, remittance, or complete reporting. It should not be described as a general excuse for late filing where U.S. filing channels remained available.³³⁴

Documentation.

The compliance file is the practitioner’s defense against challenge to OFAC, to the IRS, to a state probate court, to a successor fiduciary, and to a beneficiary who later contests an action. It should include eight categories: screening results; bank correspondence; licensing records; Part 501 reporting records; counsel memoranda; tax and information-reporting filings; beneficiary representations; and court filings or reasonable-cause materials. The file should be retained under current OFAC recordkeeping rules, generally at least ten years for transactions subject to OFAC regulations, and for blocked property, for the duration of the blocking period and for at least ten years after any authorized transfer, unblocking, or other reportable disposition. The file should be indexed so successor fiduciaries can identify what has been screened, reported, licensed, rejected, blocked, or left unresolved.

Final Observations

The entitlement, authorization, and execution distinction is the article’s central contribution. Estate planners trained on ordinary cross-border practice tend to collapse three questions into one: who has the right, how the transaction is authorized, and how it is carried out. Iran-connected work requires keeping the questions separate. A U.S. heir entitled

to inherit may not be authorized to receive. An authorized transfer may not be bankable in practice. A fiduciary may face all three problems at once. The gaps among entitlement, authorization, and execution are where the trapped wealth lives.

The asymmetric optionality of § 560.543 is the most consequential structural fact for inbound matters. The provision is available to individual U.S. persons selling pre-U.S.-person or inherited Iranian property during life, but the principal published general license is not symmetrically available to estates, trusts, or beneficiaries inheriting from a U.S. decedent.³³⁵ For clients holding Iran-situs property, this asymmetry forces a deliberate lifetime-versus-death decision. In some cases, preserving § 560.543 execution optionality may justify a lifetime sale despite the loss of a potential Section 1014 basis adjustment. In other cases, income-tax cost, estate-tax posture, liquidity, family objectives, valuation evidence, or the client's tolerance for licensing risk may point the other way. The planning failure is not choosing death-side retention; the planning failure is letting the client drift into death-side retention without understanding the consequences.

On the outbound side, the corresponding structural fact is the Subchapter J trap. A U.S. trust that requires current distribution to an Iran-resident beneficiary who is a foreign person for U.S. tax purposes may create beneficiary inclusion under Section 652 or Section 662 and Chapter 3 withholding obligations under Treas. Reg. § 1.1441-5 to the extent the DNI includes amounts subject to withholding, even if the actual cash distribution cannot occur. The architectural response, where consistent with the client's dispositive intent, is a complex trust with genuine discretionary accumulation authority and separate-share architecture under Section 663(c), drafted before death.³³⁶ Post-death modification of an existing mandatory-distribution plan is much harder, and the available tools (construction, modification, decanting, beneficiary consent, court instructions) vary substantially by state law. For clients with non-U.S.-citizen beneficiaries in

Iran, drafting changes during life are the practitioner's principal lever.

The conflict environment is operational before it is structural. The core private-client architecture used in this article, § 560.550 personal remittances, § 560.543 property sales, § 560.516 funds transfers, § 560.525 legal services, blocked-property rules, and Part 501 procedures, had remained stable enough to support planning across multiple changes in U.S. administration and across recurring cycles of regional conflict. But that stability should not be overstated, as it is evidenced by the recent indefinite stay of § 560.550 on August 24, 2026, and narrowing of the specific-licensing channel a few weeks later. New designations, amended FAQs, modified general licenses, E.O. 13902 overlays, and program-specific changes can alter the answer for a particular transaction. Conflict and bank de-risking usually change execution costs and timelines; formal regulatory changes can change the structure itself. Estate planners should not allow operational headwinds to convert deliberate planning decisions into drift, and should not assume that today's general-license map is necessarily the same as tomorrow's.

There are genuine areas of uncertainty that the article has been candid about. The interaction of Section 2014 with Section 2056A QDOT events. Whether estate or trust distributions to Iran-resident beneficiaries qualify as "noncommercial personal remittances" under § 560.550. Whether OFAC blockage tolls Section 2014(e)'s claim period. The precise contours of Section 663(c) separate-share treatment in sanctions cases. The absence of published authority extending § 560.543 to fiduciary-capacity post-death sales by estates, trusts, executors, or trustees — central to the lifetime-versus-death fork in Scenario 4. The scope of federal preemption of state fiduciary duties where federal sanctions law actually prohibits a distribution, as distinct from cases where distribution may be authorized but practically unbankable or delayed.³³⁷ None of these is squarely resolved in published authority. Practitioners working in these

zones should document positions carefully, pursue specific licensing where appropriate, and maintain candor with clients about the uncertainty. The honest acknowledgment that an answer is not yet known is part of the work.

A note on the regulatory environment. This article was written during a period in which the Iran sanctions architecture, stable for years across multiple changes in U.S. administration and across recurring cycles of regional conflict, began to move quickly. The article assumes the regime will continue. If circumstances change materially — broader sanctions relief, diplomatic engagement that produces a U.S.–Iran treaty, or a fundamental restructuring of the ITSR — the analysis would need to be revisited. Counsel should treat publication-date verification before publication, and transaction-date verification before any client action, as basic steps. The current eCFR text, OFAC FAQs, general licenses, sanctions-list data, bank-status information, IRS thresholds, form instructions, and treaty lists should all be rechecked. The architecture in this article is a snapshot.

A closing on the client. The article opened with the client and should close there. Estate planners encountering Iran-connected matters serve clients who often have lived through difficult circumstances — emigration during or after revolution; family separation across decades; assets accumulated in one country and lives lived in another. These clients deserve the same thoughtful, careful planning as any other estate-planning client. The technical complexity of the federal architecture is not a reason to decline the work. It is a reason to do the work with the discipline and the care the client has earned.

The trapped wealth metaphor that gives the article its title is not, finally, about wealth. It is about the gap between entitlement and access, between what a family may legally own or expect to receive, what it understandably regards as part of its history, and what U.S. law and financial institutions will allow to move. The estate planner's job in Iran-connected matters is to map that gap honestly, to use the federal architecture's

authorized pathways where they exist, to seek specific licensing where they do not, and to draft and document so that what can move, moves; what cannot move yet, is preserved; and what the family decides to do, the family does with full understanding of what the law requires.

End Notes

¹ Iranian Transactions and Sanctions Regulations, 91 Fed. Reg. 54957 (Aug. 26, 2026) (final rule; stay of effectiveness) (staying 31 C.F.R. §§ 560.544, 560.550, and 560.554 indefinitely effective Aug. 24, 2026, and staying the effectiveness of Iran General Licenses F and G); Publication of Iran-Related Web General Licenses AA and BB, 91 Fed. Reg. 55265 (Aug. 27, 2026) (Iran General License BB, authorizing transactions ordinarily incident and necessary to the wind down of transactions previously authorized by, among other provisions, 31 C.F.R. § 560.550, through 12:01 a.m. eastern daylight time, September 8, 2026, provided that any payment to a blocked person is made into a blocked interest-bearing account located in the United States); OFAC, “Iranian Transactions and Sanctions Regulations: Statement of Licensing Policy on Iran-Related Requests” (Sept. 10, 2026); see also Iranian Transactions and Sanctions Regulations, 91 Fed. Reg. 57512 (Sept. 10, 2026) (staying 31 C.F.R. §§ 560.522, 560.528, and 560.529 effective Sept. 8, 2026, and staying the effectiveness of Iran General License J-1); 31 C.F.R. § 560.550 (section retained in the regulatory text and designated as stayed); 31 C.F.R. §§ 560.516, 560.524, 560.525, 560.543, 560.553.

² Unless otherwise noted, this article uses “U.S. citizen” to mean a U.S. citizen who resides in the United States and is not a tax resident of any other country. The analysis does not address the additional layer of issues that arises when a U.S. citizen is also tax resident elsewhere — for example, a U.S. citizen living in France with family in Iran, who would face French tax-residency consequences in addition to the U.S. rules discussed here. Practitioners advising a U.S. citizen with a non-U.S. tax residency should treat this article as addressing only the U.S. side of the analysis and should separately evaluate the client’s obligations in the other jurisdiction, including under any applicable income tax treaty.

³ See discussion in Sections III–V (developing the authorization analysis under the ITSR and applying it across six scenarios); see also 31 C.F.R. §§ 560.201, 560.211 (general prohibition on transactions with Iran; blocking of Government-of-Iran and Iranian-financial-institution property under E.O. 13599). The entitlement, authorization, and execution distinction developed here organizes the remainder of this article; the gaps among the three are where trapped wealth lives.

⁴ Iranian Transactions and Sanctions Regulations, 31 C.F.R. pt. 560; see 50 U.S.C. § 1705 (civil and criminal penalties for violations of regulations issued under the International Emergency Economic Powers Act).

⁵ 31 C.F.R. §§ 560.525, 560.543, 560.550.

⁶ 31 C.F.R. § 501.801(b).

⁷ See U.S. Dep’t of Justice, “BNP Paribas Sentenced for Conspiring to Violate the International Emergency Economic Powers Act and the Trading with the Enemy Act” (May 1, 2015) (ordering forfeiture of \$8,833,600,000 and a \$140,000,000 fine); U.S. Dep’t of Justice, “Standard Chartered Bank Admits to Illegally Processing Transactions in Violation of Iranian Sanctions and Agrees to Pay More Than \$1 Billion” (Apr. 9, 2019); U.S. Dep’t of the Treasury, “U.S. Treasury Department Announces Settlement with Standard Chartered Bank” (Apr. 9, 2019) (describing combined \$1.1 billion settlement).

⁸ 50 U.S.C. § 1705(a)–(b); OFAC, Economic Sanctions Enforcement Guidelines, 31 C.F.R. pt. 501 app. A.

⁹ Migration Policy Inst., “Immigrants from Iran in the United States” (2021) (describing post-Revolution and post-1980s migration waves); see also Fahmy & Passel, “7 Facts About Iranians in the U.S.,” Pew Research Center (Mar. 5, 2026) (current population estimate); Editorial Note, “Migration and the Iranian Diaspora,” 2 GlobIS Rev. 1 (June 2025), <https://globisreview.com/editorial-note-migration-and-the-iranian-diaspora/>; El-Bawab, “Economic, Political Factors Driving Increase in Migration from Iran,” *Arab News* (Jan. 7, 2024), <https://www.arabnews.com/node/2438031>.

¹⁰ Thomas, “U.S. Sanctions on Iran,” Cong. Rsch. Serv., IFI2452, (Aug. 19, 2025); see also Thomas, “Iran Sanctions,” Cong. Rsch. Serv., RS20871, (Feb. 2, 2022) (long-form historical overview).

¹¹ Exec. Order No. 13599, 77 Fed. Reg. 6659 (Feb. 8, 2012); OFAC, “Frequently Asked Question No. 640” (Nov. 5, 2018) (confirming that E.O. 13599 blocks all property of the Government of Iran and Iranian financial institutions).

¹² Exec. Order No. 13846, 83 Fed. Reg. 38939 (Aug. 7, 2018); see Thomas, IFI2452, Note 10, *supra*, (describing JCPOA period and reimposition).

¹³ Iran Sanctions Act of 1996, Pub. L. No. 104-172, 110 Stat. 1541 (originally enacted as the Iran and Libya Sanctions Act); Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010, Pub. L. No. 111-195, 124 Stat. 1312 (codified as amended at 22 U.S.C. § 8501 et seq.); Countering America’s Adversaries Through Sanctions Act, Pub. L. No. 115-44, tit. I, 131 Stat. 886 (2017) (requiring congressional review of certain sanctions relief).

¹⁴ Nat’l Security Presidential Mem./NSPM-2, “Imposing Maximum Pressure on the Government of the Islamic Republic of Iran, Denying Iran All Paths to a Nuclear Weapon, and Countering Iran’s Malign Influence” (Feb. 4, 2025); Fin. Crimes Enf’t Network (FinCEN), Advisory No. FIN-2025-A002, “Iranian Regime Illicit Oil Smuggling, Shadow Banking, and Weapons Procurement Efforts” (June 6, 2025); U.S. Dep’t of the Treasury, “Treasury Targets Iran’s Shadow Fleet, Networks Supplying Ballistic Missile and ACW Programs” (Feb. 25, 2026).

¹⁵ U.S. Dep’t of State, “Completion of U.N. Sanctions Snapback on Iran” (Sept. 27, 2025); Council of the Eur. Union, “Iran Sanctions Snapback: Council Reimposes Restrictive Measures” (Sept. 29, 2025).

¹⁶ U.S. Dep’t of the Treasury, “Treasury Targets Iran’s Shadow Fleet, Networks Supplying Ballistic Missile and Advanced Conventional Weapons Production” (Feb. 25, 2026); U.S. Dep’t of State, “Sanctions to Disrupt Iran’s Weapons Procurement Networks and Shadow Fleet” (Feb. 25, 2026); see Human Rights Watch, “Iran: Internet Shutdown Violates Rights, Escalates Risks to Civilians” (Mar. 6, 2026) (documenting wartime communications disruptions). For publication-date verification, see OFAC, “Iran-related Designations; Counter Terrorism and Iran-related Designation Update; Issuance of Iran-related General License” (Apr. 24, 2026) (issuing Iran-related General License V authorizing wind-down of transactions involving Hengli Petrochemical (Dalian) Refinery Co., Ltd. under Executive Order 13902); OFAC, “Counter Terrorism Designation; Iran-related Designations; Issuance of Frequently Asked Question; Publication of Iran-related OFAC Alert” (Apr. 28, 2026) (issuing FAQ 1249 on Strait of Hormuz toll payments and Iran-related Alert on sanctions risk of dealing with teapot oil refineries). See also Note 1, *supra*.

¹⁷ Fahmy & Passel, Note 9, *supra*.

¹⁸ *Id.*

¹⁹ *Id.*

²⁰ See Fahmy & Passel, Note 9, *supra*, (describing demographic profile of immigrant and U.S.-born Iranian American populations); GlobIS Rev. Editorial Note, Note 9, *supra*; El-Bawab, Note 9, *supra*; Tababar, “Migration and Brain Drain from Iran,” Stanford Iranian Stud. Program (April 2020).

²¹ 31 C.F.R. § 560.211; 31 C.F.R. § 560.304 (defining “Government of Iran”); 31 C.F.R. § 560.324 (defining “Iranian financial institution”).

²² World Bank, “Macro Poverty Outlook: Iran” (Oct. 2025) (documenting pre-conflict inflation exceeding forty percent and continuing Iranian rial depreciation).

²³ Note 11, *supra*; 31 C.F.R. § 560.211.

²⁴ OFAC, “Revised Guidance on Entities Owned by Persons Whose Property and Interests in Property Are Blocked” (Aug. 13, 2014); OFAC, “Frequently Asked Question No. 399” (Aug. 13, 2014) (aggregating ownership across blocked persons under different OFAC programs).

²⁵ See U.S. Dep’t of the Treasury, “Treasury Designates the IRGC Under Terrorism Authority and Targets IRGC and Military Supporters Under Counter-Proliferation Authority” (Oct. 13, 2017); OFAC, “Frequently Asked Question No. 533” (Oct. 30, 2017); Designation of the Islamic Revolutionary Guard Corps as a Foreign Terrorist Organization, 84 Fed. Reg. 15,278 (Apr. 15, 2019).

²⁶ 31 C.F.R. § 560.201.

²⁷ 31 C.F.R. § 560.524(b).

²⁸ See IRC Section 6039F (foreign-gift reporting); 31 U.S.C. § 5314 (FBAR); 50 U.S.C. § 1705 (IEEPA penalties, including criminal penalties of up to \$1 million per violation and twenty years' imprisonment for willful violations).

²⁹ Note 22, *supra*.

³⁰ NSPM-2, Note 14, *supra*.

³¹ 31 C.F.R. § 560.314

³² *Id.*; see 31 C.F.R. §§ 560.204, 560.206, 560.208.

³³ See Note 26, *supra*.

³⁴ 31 C.F.R. § 560.204.

³⁵ 31 C.F.R. § 560.206 (defining “transaction or dealing” to include purchasing, selling, transporting, swapping, brokering, approving, financing, facilitating, or guaranteeing).

³⁶ 31 C.F.R. §§ 560.203, 560.208.

³⁷ See 31 C.F.R. §§ 560.204, 560.206; OFAC, “Frequently Asked Question No. 37” (Sept. 10, 2002) (concluding that operating an account for a person ordinarily resident in Iran would be an export of services to Iran).

³⁸ Exec. Orders, Note 11, *supra*; 31 C.F.R. § 560.211.

³⁹ 31 C.F.R. §§ 560.211(a), 560.322 (defining “blocked account” and “blocked property”).

⁴⁰ Note 24, *supra*.

⁴¹ *Id.* (describing aggregation principles where ownership is below fifty percent but indicia of control are present).

⁴² Note 23, *supra*.

⁴³ 31 C.F.R. § 560.550; OFAC, “Frequently Asked Question No. 243” (Oct. 22, 2012) (clarifying that U.S. persons may not deal directly with money services businesses or hawalas, while U.S. depository institutions are not necessarily precluded from engaging third-country MSBs in processing authorized transfers).

⁴⁴ Iranian Financial Sanctions Regulations, 31 C.F.R. pt. 561.

⁴⁵ 31 C.F.R. § 561.201; OFAC, “List of Foreign Financial Institutions Subject to Correspondent Account or Payable-Through Account Sanctions” (current).

⁴⁶ See Note 7, *supra*.

⁴⁷ See Note 8, *supra*.

⁴⁸ 31 C.F.R. §§ 560.550, 560.21.

⁴⁹ Note 43, *supra*. Section 560.550 is stayed indefinitely effective August 24, 2026. See Note 1, *supra* (The conditions described above still matter, because the section remains in the regulatory text and the stay may be lifted, and because those conditions frame what a specific-license applicant would have to show. But for any transfer occurring while the stay is in place, § 560.550 supplies no authorization at all, and the analysis moves to the specific-licensing discussion in the article).

⁵⁰ 31 C.F.R. § 560.543; see OFAC, FAQ 640, Note 11, *supra* (describing the 2018 amendment expanding § 560.543 to personal property and confirming the scope of authorized service-provider engagement).

⁵¹ 31 C.F.R. §§ 560.525, 560.553.

⁵² Note 27, *supra*.

⁵³ 31 C.F.R. § 560.516.

⁵⁴ 31 C.F.R. § 501.801. OFAC, Iranian Transactions and Sanctions Regulations: Statement of Licensing Policy on Iran-Related Requests (Sept. 10, 2026) (On September 10, 2026, OFAC adopted a presumption of denial for Iran-related licensing requests and suspended prior statements of licensing policy that had provided a favorable posture for particular categories of activity; under the policy, licenses may be issued only as required by law or in exceptional and urgent circumstances, such as risk to life, limb, or environmental safety, and applications are reviewed case by case in consultation with the Department of State).

⁵⁵ Thomas, IF12452, Note 10, *supra*.

⁵⁶ *Id.*

⁵⁷ Note 13, *supra*.

⁵⁸ Thomas, IF12452, Note 10, *supra*; Exec. Order No. 13846, Note 12, *supra*.

⁵⁹ NSPM-2, Note 14, *supra*.

⁶⁰ U.S. Dep’t of the Treasury, Note 16, *supra*; FinCEN, Advisory No. FIN-2025-A002, Note 14, *supra*.

⁶¹ Thomas, IF12452, Note 10, *supra*.

⁶² Int’l Monetary Fund, “Islamic Republic of Iran: 2016 Article IV Consultation—Press Release; Staff Report; and Statement by the Executive Director for the Islamic Republic of Iran,” IMF Country Report No. 17/62 (Feb. 2017) (documenting that Iranian banks faced protracted difficulty restoring correspondent banking relationships even after JCPOA Implementation Day).

⁶³ See, e.g., 31 C.F.R. § 501.601 (general OFAC recordkeeping requirements applicable across programs).

⁶⁴ Note 43, *supra*.

⁶⁵ *Id.*

⁶⁶ 31 C.F.R. § 560.550; § 560.211. See Note 49, *supra*.

⁶⁷ *Id.* § 560.550(a)(1)–(4).

⁶⁸ See 31 C.F.R. §§ 1010.311, 1020.320.

⁶⁹ 31 C.F.R. § 560.550(b).

⁷⁰ 31 C.F.R. § 560.550(a)(2); Note 43, *supra*.

⁷¹ OFAC FAQ 243, Note 43, *supra*; OFAC, “Frequently Asked Question No. 164” (Feb. 6, 2012 (confirming that authorized noncommercial remittance payments involving certain Iranian financial institutions blocked solely under E.O. 13599 must be processed through a third country because U.S. banks may not maintain

correspondent accounts for Iranian banks); see 31 C.F.R. § 560.516.

⁷² OFAC, FAQ 164, Note 71, *supra*; see also 31 C.F.R. § 1010.661.

⁷³ OFAC, Economic Sanctions Enforcement Guidelines, Note 47, *supra*.

⁷⁴ See Note 7, *supra*.

⁷⁵ OFAC, “A Framework for OFAC Compliance Commitments” (May 2019) (describing the proactive compliance posture OFAC encourages, including documented sanctions analysis and counterparty diligence).

⁷⁶ FinCEN, Advisory No. FIN-2010-A011, “Informal Value Transfer Systems” (Sept. 1, 2010); see also FinCEN, Advisory No. FIN-2003-A001, “Informal Value Transfer Systems” (Mar. 20, 2003).

⁷⁷ 50 U.S.C. § 1705 (civil penalties up to the greater of the inflation-adjusted statutory maximum or twice the transaction amount; criminal penalties for willful violations of up to \$1,000,000 per violation and twenty years’ imprisonment for natural persons); 31 C.F.R. § 501.701.

⁷⁸ 18 U.S.C. § 1960 (criminalizing knowingly conducting, controlling, managing, supervising, directing, or owning all or part of an unlicensed money transmitting business).

⁷⁹ 460 F.3d 563 (4th Cir. 2006).

⁸⁰ 685 F.3d 99 (2d Cir. 2012).

⁸¹ *Id.* at 113–15 (rejecting a categorical “mere customer or beneficiary” safe harbor).

⁸² FinCEN, Advisory No. FIN-2025-A002, Note 14, *supra*; see also U.S. Dep’t of the Treasury, “Treasury Sanctions Iranian Network Laundering Billions for Regime Through Shadow Banking Scheme” (June 6, 2025).

⁸³ OFAC, “Frequently Asked Question No. 559” (Mar. 19, 2018).

⁸⁴ OFAC, “Sanctions Compliance Guidance for the Virtual Currency Industry” (Oct. 15, 2021); OFAC, “Settlement Agreement Between the U.S. Department of the Treasury’s Office of Foreign Assets Control and Bittrex, Inc.” (Oct. 11, 2022); OFAC, “Settlement Agreement Between the U.S. Department of the Treasury’s Office of Foreign Assets Control and Payward, Inc. d/b/a Kraken” (Nov. 28, 2022); OFAC, “Settlement Agreement Between the U.S. Department of the Treasury’s Office of Foreign Assets Control and Binance Holdings, Ltd.” (Nov. 21, 2023).

⁸⁵ *Court Holding Co.*, 324 U.S. 331, 334 (1945).

⁸⁶ Form 3520 is due on the 15th day of the fourth month following the end of the taxable year — April 15 for calendar-year taxpayers — and is filed separately from the taxpayer’s income tax return. An extension of time to file the income tax return also extends the Form 3520 deadline to October 15.

⁸⁷ IRC Section 6039F; IRS, *Instructions for Form 3520* (rev. Dec. 2025); Rev. Proc. 2025-32, 2025-45 I.R.B. 695 (giving the 2026 Section 6039F threshold of \$20,573 for foreign corporations

and partnerships); IRS, “Gifts from Foreign Person,” <https://www.irs.gov/businesses/gifts-from-foreign-person> (current \$100,000 threshold for foreign individuals and foreign estates; \$19,570 for 2024 and \$20,116 for 2025 for foreign corporations and partnerships).

⁸⁸ IRS, *Instructions for Form 3520* (rev. Dec. 2025) (requiring separate identification of each gift exceeding \$5,000 once the \$100,000 aggregate threshold is crossed; aggregating gifts from related foreign persons).

⁸⁹ IRC Section 6039F(c).

⁹⁰ Collins, “IRS Hears Concerns from TAS and Practitioners, Makes Favorable Changes to Foreign Gifts and Inheritance Filing Penalties,” Nat’l Taxpayer Advocate Blog (Oct. 24, 2024) <https://www.taxpayeradvocate.irs.gov/news/nta-blog/irs-hears-concerns-from-tas-and-practitioners-makes-favorable-changes-to-foreign-gifts-and-inheritance-filing-penalties/2024/10/>; IRS, “Delinquent International Information Return Submission Procedures,” <https://www.irs.gov/individuals/international-taxpayers/delinquent-international-information-return-submission-procedures>.

⁹¹ IRS, “Delinquent International Information Return Submission Procedures” (preserving a general warning that penalties may be assessed during processing, but specifying that for Forms 3520 and 3520-A, reasonable-cause statements attached to the return and labeled as such will be considered before a penalty is assessed).

⁹² IRC Section 102(a) (gross income does not include the value of property acquired by gift, bequest, devise, or inheritance); Treas. Reg. § 1.102-1(a).

⁹³ 31 U.S.C. § 5314; 31 C.F.R. § 1010.350.

⁹⁴ 598 U.S. 85 (2023) (holding that the non-willful FBAR penalty applies on a per-report rather than per-account basis).

⁹⁵ IRC Section 6038D; Treas. Reg. § 1.6038D-2 (current thresholds: \$50,000 end-of-year or \$75,000 anytime for unmarried specified individuals; \$100,000/\$150,000 for married joint; \$200,000/\$300,000 for qualifying individuals living abroad; \$400,000/\$600,000 for qualifying joint filers abroad).

⁹⁶ See U.S. Dep’t of the Treasury, Note 16, *supra*; see also Notes 14 and 60, *supra*.

⁹⁷ Article does not analyze foreign law, see discussion of scope in Section I.

⁹⁸ Note 22, *supra*; Human Rights Watch, Note 16, *supra*.

⁹⁹ 31 C.F.R. §§ 560.211, 560.322, 501.807; OFAC, “Frequently Asked Question No. 9” (updated Aug. 21, 2024). No public OFAC FAQ located squarely states that death of a blocked person unblocks or does not unblock estate property; the article’s conclusion follows from the blocking regulations, FAQ 9, and OFAC’s separate delisting/unblocking procedures.

¹⁰⁰ 31 C.F.R. §§ 560.550(a) (excluding from the personal-remittance authorization individuals

whose property and interests in property are blocked under § 560.211), 560.211, 501.801.

¹⁰¹ Note 24, *supra*. See also Note 40, *supra*.

¹⁰² OFAC, FAQ 399, Note 24, *supra* (aggregating ownership across blocked persons under different OFAC programs).

¹⁰³ See Notes 66–67, *supra*.

¹⁰⁴ No published OFAC FAQ or general license has been located that squarely addresses inheritance distributions from a foreign estate to a U.S. heir as a discrete category. The analysis in this Section proceeds on the regulatory text of § 560.550 and on OFAC’s broader interpretive guidance regarding personal remittances.

¹⁰⁵ Note 50, *supra*.

¹⁰⁶ Note 34, *supra*.

¹⁰⁷ 31 C.F.R. § 560.208; see also § 560.417 (treating referral, change of policy, or restructuring to permit a foreign affiliate to engage in a prohibited transaction as facilitation).

¹⁰⁸ Note 51, *supra*.

¹⁰⁹ 31 C.F.R. §§ 560.516, 560.550; OFAC FAQ 164, Note 71, *supra*; OFAC FAQ 243, Note 43, *supra*.

¹¹⁰ World Bank Group, “Macro Poverty Outlook: Iran, Islamic Republic” (Apr. 2026).

¹¹¹ See Note 87, *supra*.

¹¹² See Note 88, *supra*.

¹¹³ See Note 89–90, *supra*.

¹¹⁴ See Note 92, *supra*.

¹¹⁵ IRC Section 1014; Rev. Rul. 84–139, 1984–2 C.B. 168; Rev. Rul. 2023–2, 2023–16 I.R.B. 658.

¹¹⁶ IRC Sections 901, 2014; IRS, “Estate & Gift Tax Treaties (International),” <https://www.irs.gov/businesses/small-businesses-self-employed/estate-gift-tax-treaties-international> (Iran is not listed as a country with a U.S. estate or gift tax treaty). Section 2014 is not analyzed in Scenario 2 because the U.S. beneficiary is not the decedent whose U.S. estate tax is being credited. The Section 2014 issue is developed in Scenario 4 to the extent a U.S. citizen or resident dies owning Iran-situs property that is included in the U.S. gross estate and on which a qualifying foreign death tax is actually paid.

¹¹⁷ See Note 93, *supra*.

¹¹⁸ See Note 93, *supra*.

¹¹⁹ See 31 C.F.R. § 1010.350 (FBAR requirements apply by virtue of the U.S. person’s financial interest in or signature or other authority over a foreign financial account, regardless of whether sanctions affect the ability to access the account).

¹²⁰ 31 C.F.R. § 1010.420 (FBAR recordkeeping requirements: name on the account, account number, institution name and address, account type, and maximum value, retained for five years).

¹²¹ IRC Section 7701(a)(31)(B); Treas. Reg. § 301.7701-7 (a trust is foreign unless a U.S.

court can exercise primary supervision over administration and one or more U.S. persons control all substantial decisions).

¹²² IRC Section 679, 6048, 6677; IRS, *Instructions for Form 3520-A* (annual information return for foreign trusts with U.S. owners; civil penalty under § 6677 generally the greater of \$10,000 or 35% of the gross value of property transferred to a foreign trust, 35% of the gross value of distributions received, or 5% of the gross value of trust assets treated as owned by the U.S. person).

¹²³ See Notes 34, 36–37, *supra* (prohibited exports of services and facilitation); Note 47, *supra* (OFAC strict-liability civil enforcement standard).

¹²⁴ 31 C.F.R. § 560.525; § 560.543.

¹²⁵ See discussion of authorization pathways in Section III (discussing the categorical separateness of sanctions analysis from federal-tax compliance and the separate scope-definition that responsible engagement letters reflect).

¹²⁶ See Notes 14, 16, and 60, *supra*.

¹²⁷ 31 C.F.R. § 560.543(a)–(b) (authorizing individual U.S. persons to engage in transactions ordinarily incident and necessary to the sale of certain inherited property in Iran and the transfer of proceeds to the United States); OFAC, “Frequently Asked Question No. 646” (updated Feb. 5, 2020).

¹²⁸ 31 C.F.R. §§ 560.211, 560.516, 560.324 (definition of “Iranian financial institution”); OFAC General License L: Authorizing Certain Transactions Involving Iranian Financial Institutions Blocked Pursuant to Executive Order 13902 (Oct. 8, 2020), <https://ofac.treasury.gov/media/48626/download>; see also OFAC, FAQ 164, Note 71, *supra*.

¹²⁹ 31 C.F.R. §§ 560.201, 560.306, 560.524(b).

¹³⁰ See Notice of OFAC Sanctions Actions, 85 Fed. Reg. 64,795, 64,797 (Oct. 14, 2020); U.S. Dep’t of the Treasury, “Treasury Sanctions Eighteen Major Iranian Banks” (Oct. 8, 2020).

¹³¹ See U.S. Dep’t of the Treasury, “U.S. Government Fully Re-Imposes Sanctions on the Iranian Regime as Part of Unprecedented U.S. Economic Pressure Campaign” (Nov. 5, 2018) (designating Bank Melli pursuant to E.O. 13224 for assisting in, sponsoring, or providing financial, material, or technological support for, or financial or other services to or in support of, the IRGC-Qods Force).

¹³² 31 C.F.R. § 560.543(a).

¹³³ Note 127, *supra*; OFAC, FAQ 640 (confirming the 2018 expansion of § 560.543 to authorize sale of inherited or pre-U.S.-person personal property in Iran and to authorize engagement of necessary Iranian-side service providers, provided no service provider is blocked apart from E.O. 13599–only Government of Iran status).

¹³⁴ Iranian Transactions and Sanctions Regulations, 83 Fed. Reg. 55,269, 55,271 (Nov. 5, 2018).

¹³⁵ 31 C.F.R. § 560.543(b)(1)–(3) (excluding from § 560.543 the wind-down of commercial enterprises in Iran, reinvestment in Iran of proceeds, and exportation or reexportation to Iran of goods, software, or technology); see also *id.* § 560.201 (separate import prohibition for Iranian-origin goods).

¹³⁶ See Note 24, *supra* (Fifty Percent Rule); see also Note 40, *supra*; 31 C.F.R. § 560.211.

¹³⁷ Exec. Order No. 13902, 85 Fed. Reg. 20495 (Apr. 10, 2020); Exec. Order No. 13224, 66 Fed. Reg. 49079 (Sept. 25, 2001), as amended; 31 C.F.R. §§ 560.211, 560.516, 560.543; OFAC, General License L, Note 128, *supra*; OFAC, Frequently Asked Questions Nos. 640, 842–843.

¹³⁸ 31 C.F.R. §§ 560.516, 560.320 (defining “Iranian accounts” as accounts of persons ordinarily resident in Iran, the Government of Iran, an Iranian financial institution, or other persons whose property is blocked under § 560.211, that are maintained on the books of a U.S. depository institution or U.S. registered broker or dealer in securities — not, by its terms, accounts physically maintained in Iran).

¹³⁹ OFAC, General License L, Note 128, *supra* (authorizing transactions and activities involving Iranian financial institutions blocked solely pursuant to E.O. 13902 to the extent the underlying transaction is authorized, exempt, or otherwise not prohibited under the ITSR); OFAC, FAQs. 842–843; see also OFAC FAQ 164, Note 71, *supra* (third-country routing requirement for authorized transfers involving Iranian financial institutions because U.S. depository institutions may not maintain correspondent accounts for Iranian banks).

¹⁴⁰ 31 C.F.R. §§ 501.603, 501.604 (initial blocked-property report within 10 business days; annual blocked-property report by September 30 for property remaining blocked as of June 30; rejected-transaction reporting).

¹⁴¹ See Notes 14, 16, and 60, *supra*.

¹⁴² OFAC, FAQ 640, Note 137, *supra*.

¹⁴³ See the discussion in Scenario 1 regarding informal-channel discussion.

¹⁴⁴ 31 C.F.R. § 560.525; see Notes 51 and 108, *supra*.

¹⁴⁵ 31 C.F.R. § 560.553 (authorizing receipt of certain legal fees from funds originating outside the United States, subject to specified conditions and reporting requirements).

¹⁴⁶ 31 C.F.R. § 560.208; see Notes 36 and 107, *supra*.

¹⁴⁷ Note 87, *supra*.

¹⁴⁸ Note 115, *supra*. IRC Section 988.

¹⁴⁹ IRC Section 862(a)(5) (gain from disposition of real property located outside the United States is foreign-source income); see also Section 865(a) (general source rule for sale of personal property by a U.S. resident is the residence of the seller, with exceptions).

¹⁵⁰ IRC Section 901; Treas. Reg. § 1.901-2 (credibility turns on whether the foreign levy is,

in U.S. terms, an income tax or a tax in lieu of an income tax).

¹⁵¹ IRC Section 904(a); Treas. Reg. § 1.904-6.

¹⁵² See Note 116, *supra* (Iran is not listed on the IRS estate or gift tax treaty list).

¹⁵³ IRC Section 2032 (alternate valuation election available only to executors of estates required to file Form 706 and electing under Section 2032(a)).

¹⁵⁴ IRC Section 691; Treas. Reg. § 1.691(a)-1.

¹⁵⁵ IRC Section 6038D; Treas. Reg. § 1.6038D-3; IRS, “Basic Questions and Answers on Form 8938,” <https://www.irs.gov/businesses/corporations/basic-questions-and-answers-on-form-8938> (direct ownership of foreign real estate or tangible personal property is not, by itself, a specified foreign financial asset).

¹⁵⁶ 31 C.F.R. §§ 560.201, 560.306, 560.524(b); 19 C.F.R. § 148.52(a), (d); U.S. Customs & Border Prot. (CBP), HQ Ruling H326950 (June 20, 2003); CBP, HQ Ruling 114595 (July 9, 1999).

¹⁵⁷ 31 C.F.R. § 560.306(a)(2).

¹⁵⁸ 31 C.F.R. § 560.524(b); see CBP HQ Rulings, Note 156, *supra*.

¹⁵⁹ CBP HQ Rulings, Note 156, *supra*.

¹⁶⁰ 50 U.S.C. § 1702(b)(3); 31 C.F.R. § 560.315.

¹⁶¹ OFAC, “Advisory and Guidance on Potential Sanctions Risks Arising from Dealings in High-Value Artwork” (Oct. 30, 2020); OFAC, “Frequently Asked Question Nos. 812–814” (clarifying that the Berman Amendment does not categorically exempt artwork dealings from OFAC regulation, and that artwork in which a blocked person has an interest remains subject to blocking and reporting obligations).

¹⁶² See Note 54, *supra*.

¹⁶³ 981 F. Supp. 746, 747–49 (N.D.N.Y. 1997) (forfeiture under 19 U.S.C. § 1595a(c)(2)(B) where the claimant presented no evidence of a license or authorization for Iranian-origin carpets imported in violation of § 560.201).

¹⁶⁴ 271 F.3d 574 (4th Cir. 2001).

¹⁶⁵ 19 U.S.C. § 1595a(c); see also 18 U.S.C. § 545 (criminal smuggling).

¹⁶⁶ 31 C.F.R. §§ 560.406, 560.408.

¹⁶⁷ 19 U.S.C. § 2606; 19 C.F.R. § 12.104c; 22 U.S.C. § 2459.

¹⁶⁸ 31 C.F.R. § 560.542(d) (the human-remains, burial, cremation, and interment authorization in § 560.542 does not authorize importation of Iranian-origin cultural property or other items of archaeological, historical, or rare scientific importance).

¹⁶⁹ 19 C.F.R. § 148.52(d) (allowing duty-free entry for household effects, including carpets, actually used abroad for at least one year and not intended for another person or sale; providing that the year of use need not be continuous or immediately precede importation; generally denying free entry where effects arrive more

than ten years after the importer’s last arrival from the country of use absent unavoidable delay, and barring free entry after twenty-five years). Section 560.524(b) is, by contrast, not subject to a comparable elapsed-time limitation; the divergence between the sanctions and customs analyses is the practical result.

¹⁷⁰ 19 C.F.R. §§ 148.6(a), 148.42, 148.52; U.S. Customs & Border Prot., CBP Form 3299 (Declaration for Free Entry of Unaccompanied Articles).

¹⁷¹ CBP HQ Ruling H286759.

¹⁷² Note 167, *supra*.

¹⁷³ IRC Section 1014.

¹⁷⁴ 31 C.F.R. §§ 560.201, 560.204, 560.525, 560.543.

¹⁷⁵ Treas. Regs. §§ 20.2031-1(b), 25.2512-1; Rev. Rul. 59-60, 1959-1 C.B. 237.

¹⁷⁶ 17 T.C. 1149, 1163–64 (1952) (taking Dutch foreign-exchange restrictions into account in valuing foreign property for estate-tax purposes and using a reduced dollar conversion rate rather than the official exchange rate).

¹⁷⁷ IRS, “Discount for Lack of Marketability: Job Aid for IRS Valuation Professionals” (Sept. 25, 2009) <https://www.irs.gov/pub/irs-lbi/dlom.pdf> (stating that the Job Aid is not an official IRS position and should not be cited as precedent); Rev. Rul. 77-287, 1977-2 C.B. 319.

¹⁷⁸ IRC Sections 2031, 2512, 2703, 2704; *Estate of Holman*, 130 T.C. 170 (2008), *aff’d* 601 F.3d 763 (8th Cir. 2010); *Estate of Bright*, 658 F.2d 999 (5th Cir. 1981).

¹⁷⁹ Note 132, *supra*.

¹⁸⁰ *Id.*

¹⁸¹ See OFAC, “Frequently Asked Question No. 95”; Federal Financial Institutions Examination Council, “Bank Secrecy Act/Anti-Money Laundering Examination Manual” (OFAC section).

¹⁸² See Note 140, *supra*.

¹⁸³ See Notes 47 and 73, *supra*.

¹⁸⁴ 31 C.F.R. §§ 560.211, 560.503, 560.543.

¹⁸⁵ 31 C.F.R. §§ 560.204, 560.208, 560.543(a).

¹⁸⁶ IRC Sections 6038D, 6039F, 6048; 31 U.S.C. § 5314; 31 C.F.R. § 1010.350.

¹⁸⁷ See Section III (legal-services architecture).

¹⁸⁸ See OFAC, “A Framework for OFAC Compliance Commitments” (May 2019); 31 C.F.R. pt. 501, app. A.

¹⁸⁹ See 31 C.F.R. §§ 560.204, 560.206, 560.207, 560.427, 560.543(a) (prohibiting, absent authorization, exports of services to Iran, dealings in Iranian-origin services, new investment, and financial services, while separately authorizing only certain sale-and-proceeds transactions for qualifying property).

¹⁹⁰ 31 C.F.R. § 560.543(a)(1)–(2); OFAC, FAQ 640, Note 11, *supra* (confirming the 2018 expansion of § 560.543 to authorize sale of inherited or

pre-U.S.-person personal property in Iran and to authorize engagement of necessary Iranian-side service providers, subject to blocked-person limitations); see Scenario 3 (development of § 560.543 architecture in the inheritance context).

¹⁹¹ Note 132, *supra*.

¹⁹² OFAC General License L, Note 128, *supra*; OFAC, FAQ 842–43, Note 136, *supra*.

¹⁹³ Note 132, *supra*.

¹⁹⁴ 31 C.F.R. §§ 560.211, 560.503, 560.543(a).

¹⁹⁵ 31 C.F.R. §§ 560.543(a), 560.314 (defining “U.S. person”). Even if the relevant executor, trustee, estate, trust, or U.S. counsel is a U.S. person for ITSR purposes, § 560.543 is limited by its text to individuals and does not expressly create a general estate- or trust-administration authorization.

¹⁹⁶ 31 C.F.R. §§ 501.801, 560.501, 560.543(a).

¹⁹⁷ 31 C.F.R. §§ 501.801, 560.501.

¹⁹⁸ IRC Sections 2001(a), 2031(a), 2033; Treas. Reg. § 20.2031-1(b).

¹⁹⁹ 31 C.F.R. §§ 501.801, 560.501, 560.543(a); IRC Sections 2001(a), 2031(a), 2033; Treas. Reg. § 20.2031-1(b).

²⁰⁰ IRC Sections 1001 (taxable disposition), 1011–1016 (basis computation), 901 (foreign tax credit for creditable foreign income taxes), 904 (FTC limitation). Iranian transfer or registration charges on the sale are generally not creditable income taxes; any creditable Iranian income tax on the gain is potentially available subject to the Section 904 limitation and ordinary creditability analysis.

²⁰¹ IRC Section 1014(a), (b)(1); Treas. Reg. § 1.1014-1(a).

²⁰² IRC Sections 2001, 2031(a); Treas. Reg. § 20.2031-1(b).

²⁰³ Note 179, *supra*.

²⁰⁴ 31 C.F.R. § 560.516(a)–(b).

²⁰⁵ 31 C.F.R. §§ 560.516, 560.320 (defining “Iranian accounts” as accounts maintained on the books of a U.S. depository institution or U.S. registered broker or dealer in securities, by its terms, a defined-term restriction on what U.S. institutions may do on their own books, not a general restriction on accounts physically located in Iran). See OFAC, FAQ 164, Note 71, *supra* (third-country routing requirement for authorized transfers involving Iranian financial institutions because U.S. depository institutions may not maintain correspondent accounts for Iranian banks).

²⁰⁶ OFAC, FAQ 164, Note 71, *supra*.

²⁰⁷ 31 C.F.R. § 560.543(a), (b)(1).

²⁰⁸ 31 C.F.R. § 560.543(b)(1) (excluding wind-down of commercial enterprises in Iran from § 560.543’s authorization); but see 31 C.F.R. § 560.543(a) (authorizing transactions necessary and ordinarily incident to sale of qualifying real or personal property in Iran).

²⁰⁹ 31 C.F.R. § 560.543.

²¹⁰ 31 C.F.R. § 560.550.

²¹¹ 31 C.F.R. §§ 560.516, 560.543, 560.550. Section 560.543 addresses sale of qualifying property and transfer of related proceeds; § 560.550 addresses noncommercial personal remittances and excludes commercial transfers; § 560.516 requires an authorized underlying transaction.

²¹² 31 C.F.R. §§ 560.204, 560.208, 560.427 (prohibitions on exportation of services to Iran, facilitation of transactions by foreign persons, and provision of financial services).

²¹³ IRC Section 61 (worldwide income inclusion for U.S. citizens).

²¹⁴ IRC Sections 61, 901, 904; 31 U.S.C. § 5314; 31 C.F.R. § 1010.350 (FBAR requirement); IRC Section 6038D; Treas. Regs. §§ 1.6038D-2, 1.6038D-3. (Direct ownership of the apartment is not itself a specified foreign financial asset for Form 8938 purposes, but the foreign bank account holding rent may be).

²¹⁵ IRC Sections 2031(a), 2033; Treas. Reg. § 20.2031-1(b).

²¹⁶ See Notes 36 and 107, *supra*.

²¹⁷ 31 C.F.R. §§ 560.204, 560.208, 560.427, 560.550(b) (charitable donations to entities expressly excluded from the personal-remittance authorization).

²¹⁸ IRC Sections 2031(a), 2033; Treas. Regs. §§ 20.2031-1(a), 20.2033-1(a) (worldwide gross-estate inclusion for U.S.-citizen and U.S.-resident decedents).

²¹⁹ Treas. Reg. § 20.2031-1(b); Rev. Rul. 59-60, 1959-1 C.B. 237; *Estate of Nienhuys*, Note 176, *supra*, at 1163–64; see Scenario 3 (development of valuation framework, including treatment of sanctions-related friction as an FMV-relevant fact).

²²⁰ 31 C.F.R. § 560.543(a); OFAC, FAQ 640, Note 11, *supra*.

²²¹ IRS, Note 177, *supra* (DLOM methodologies apply to valuation of properties overseas).

²²² See Note 115, *supra* (basis at death).

²²³ IRC Sections 1014(a), (b)(1), 167(a), 168(g); Treas. Reg. § 1.1014-1(a).

²²⁴ IRC Section 2014(a) (credit against the tax imposed by Section 2001 for any foreign estate, inheritance, legacy, or succession taxes actually paid to a foreign country in respect of any property situated within such foreign country and included in the gross estate); Treas. Reg. § 20.2014-1.

²²⁵ IRC Section 2014(a), (b), (e); Treas. Regs. §§ 20.2014-1, 20.2014-2, 20.2014-3, 20.2014-5, 20.2014-6; (limitation computations and proof procedures); IRS Form 706-CE, Certificate of Payment of Foreign Death Tax (rev. August 2025).

²²⁶ 85 T.C. 300 (1985) (Canadian tax on the deemed disposition of appreciated property at death is not an “estate tax” for Section 2014 purposes because it is in substance a capital-gains tax, not a death-transfer tax;

foreign-government label and death-trigger character of the levy do not control the U.S. characterization analysis).

²²⁷ 302 U.S. 573 (1938).

²²⁸ 569 U.S. 329 (2013). Both are foreign income-tax credit cases under Section 901, not Section 2014 death-tax-credit cases; they support the broader characterization principle by analogy: U.S. law, not the foreign label, governs creditability of foreign taxes.

²²⁹ IRC Section 2014(e); Treas. Reg. § 20.2014-6 (claim period later of four years after Form 706 filing, expiration of any § 6161 extension, or sixty days after Tax Court finality). The author has not located primary authority holding that OFAC blockage tolls Section 2014(e) or substitutes for “actual payment.”

²³⁰ Note 116, *supra* (Iran is not on the IRS list of countries with U.S. estate or gift tax treaties).

²³¹ IRC Section 6166(a), (b)(1), (b)(9) (election available for estate tax attributable to interests in closely held businesses meeting the active-trade-or-business and value-percentage requirements; passive assets generally excluded); Treas. Regs. §§ 20.6166-1, 20.6166A-2; Rev. Rul. 2006-34, 2006-2 C.B. 1172.

²³² IRC Section 2056(a)

²³³ 31 C.F.R. § 560.543(a).

²³⁴ IRC Sections 2056(d)(1) (no marital deduction for property passing to a noncitizen surviving spouse, with exceptions), 2056(d)(2) (exception for property passing to a qualified domestic trust under Section 2056A), 2056A (QDOT requirements and Section 2056A-tax mechanism).

²³⁵ Treas. Regs. §§ 20.2056A-1, 20.2056A-2, 20.2056A-4, 20.2056A-5; see particularly Treas. Reg. § 20.2056A-2(d) (security arrangements, including U.S.-bank-trustee, bond, or letter-of-credit alternatives; for QDOTs of \$2 million or less, no more than 35% of the fair-market value of trust assets may consist of real property located outside the United States unless the security requirements are satisfied).

²³⁶ IRC Sections 6075(a) (Form 706 due nine months after death), 6151(a) (estate tax payable when return is required to be filed); IRS, *About Form 706, United States Estate (and Generation-Skipping Transfer) Tax Return*.

²³⁷ IRC Section 6081(a); Treas. Reg. § 20.6081-1; IRS, *About Form 4768* (automatic six-month extension to file; payment extension separately governed by Section 6161; interest under Section 6601 runs on unpaid tax).

²³⁸ IRC Section 6161(a)(2), (b)(2) (extension of time for payment of estate tax for reasonable cause; up to twelve months for tax shown on the return, with additional twelve-month grants permitted up to ten years; up to four years for deficiencies); Internal Revenue Manual 4.25.4 (estate-tax extension procedures).

²³⁹ Treas. Reg. § 20.6161-1(a)(2) (defining “undue hardship” as more than an inconvenience; sale at current fair market value, where a market exists, is generally not enough to support the extension).

²⁴⁰ IRC Section 6601(a)–(b) (interest on underpayments accrues from the last date prescribed for payment notwithstanding any extension).

²⁴¹ 469 U.S. 241, 249–52 (1985) (timely filing of an estate-tax return is a nondelegable duty; reliance on counsel does not constitute reasonable cause for late filing under Section 6651(a)(1)).

²⁴² IRC Section 6651(a)(2) (failure-to-pay penalty subject to reasonable-cause exception); Treas. Reg. § 301.6651-1(c) (reasonable cause includes circumstances beyond the taxpayer's control where the taxpayer exercised ordinary business care and prudence).

²⁴³ 31 U.S.C. § 3713(b) (representative who pays other claims before federal claims is personally liable to the extent of the improper payment).

²⁴⁴ 85 F.3d 1015, 1019–1020 (2d Cir. 1996) (applying federal-priority rule to estate executors in tax-payment context where fiduciary distributes estate assets before satisfying federal tax claims and has knowledge or notice of the debt).

²⁴⁵ IRC Section 2204; Treas. Reg. § 20.2204-1; IRS Form 5495, Request for Discharge from Personal Liability Under Internal Revenue Code Section 2204 or 6905. The estate-tax lien under Section 6324 attaches to estate property and is not extinguished by the executor's personal discharge under Section 2204.

²⁴⁶ 31 C.F.R. §§ 560.101, 560.501, 560.502, 560.543(a), 501.801.

²⁴⁷ See Notes 14, 16, and 60, *supra* (conflict-environment overlay sources). The current 31 C.F.R. § 560.543 text was last verified by the author in the eCFR display reviewed before this draft, with Title 31 reflecting amendments through March 30, 2026; counsel should re-verify the current eCFR text, OFAC FAQs, general licenses, and SDN-list status of all transaction parties at publication and again immediately before any transaction.

²⁴⁸ 31 C.F.R. §§ 560.516, 560.550; OFAC, FAQ 243, Note 43, *supra*; OFAC, FAQ 164, Note 71, *supra*; Banki, Note 80, *supra* at 110–114. (discussing noncommercial family remittances under the pre-2012 Iran remittance framework and recognizing that such remittances were not generally prohibited services under § 560.204; current transfers must satisfy § 560.550 and OFAC guidance).

²⁴⁹ IRC Sections 2501(a)(1) (gift tax on transfers by U.S. citizens or residents of property wherever situated), 2031, 2033 (worldwide gross-estate inclusion); see Note 218, *supra* (worldwide inclusion).

²⁵⁰ IRC Section 2501.

²⁵¹ 31 C.F.R. § 560.550 (authorization for noncommercial personal remittances to or from Iran or for or on behalf of an individual ordinarily resident in Iran, subject to: non-blocked recipient; processing by U.S. depository institution or U.S. registered broker-dealer; no debit or credit of an Iranian account as defined

in § 560.320; and no involvement by, to, or through the Government of Iran).

²⁵² IRC Section 2503(e); Treas. Reg. § 25.2503-6(a), (b)(3).

²⁵³ 31 C.F.R. § 560.516 (U.S. depository institutions and U.S. registered broker-dealers may process transfers arising from and ordinarily incident and necessary to authorized underlying transactions); Banki, Note 80, *supra* at 110–14 (useful historical support for treating noncommercial family remittances as distinct from ordinary prohibited services to Iran; current analysis must be grounded in the text of § 560.550 and § 560.516).

²⁵⁴ OFAC, FAQ 243, Note 43, *supra*; OFAC FAQ 164, Note 71, *supra*; 31 C.F.R. §§ 560.516, 560.550.

²⁵⁵ 18 U.S.C. § 1960 (criminalizing operation of unlicensed money-transmitting businesses); United States v. Homa Int'l Trading Corp., 387 F.3d 144 (2d Cir. 2004) (per curiam) (transmission of funds to Iran on behalf of others is a “service” under the ITSR even when no fee is charged).

²⁵⁶ 31 C.F.R. §§ 560.204, 560.207, 560.208, 560.211, 560.316.

²⁵⁷ 31 C.F.R. § 560.543 (text addresses sale of qualifying real or personal property in Iran by individual U.S. persons, not new acquisition); see Note 54, *supra* (specific licensing under § 501.801).

²⁵⁸ *Id.*

²⁵⁹ 31 C.F.R. § 560.208; see Note 36, *supra*.

²⁶⁰ IRC Section 2503(b); Rev. Proc. 2025-32, 2025-45 I.R.B. 695 (2026 annual exclusion for gifts of present interest is \$19,000 per donee).

²⁶¹ IRC Section 2503(e) (qualified transfers for tuition paid directly to an educational organization or for medical care paid directly to the provider are not treated as transfers by gift); Treas. Reg. § 25.2503-6.

²⁶² IRC Section 2513(a)(1) (election to treat gift as made one-half by each spouse; once made, the election generally applies to all gifts by either spouse during the calendar year, with limited exceptions); Treas. Reg. § 25.2513-1.

²⁶³ IRC Section 2523(i) (no unlimited marital deduction for gifts to a noncitizen spouse, but expanded annual exclusion for such gifts; for 2026, the exclusion amount is \$194,000); Rev. Proc. 2025-32, 2025-45 I.R.B. 695; IRS, “Frequently Asked Questions on Gift Taxes for Nonresidents Not Citizens of the United States,” <https://www.irs.gov/businesses/small-businesses-self-employed/frequently-asked-questions-on-gift-taxes-for-nonresidents-not-citizens-of-the-united-states>.

²⁶⁴ IRC Section 2522; Treas. Reg. § 25.2522(a)-1. The gift-tax charitable deduction does not contain a categorical domestic-organization requirement parallel to Section 170(c)(2)(A); a foreign organization may qualify under Section 2522 if it satisfies the substantive Section 2522(a) requirements. The sanctions overlay is the larger restriction for Iran-connected charitable giving. See 31 C.F.R. §

560.550(b) (charitable donations to entities expressly excluded from the noncommercial personal-remittance authorization).

²⁶⁵ IRS, *About Form 709, United States Gift (and Generation-Skipping Transfer) Tax Return* (Form 709 is generally due on or before April 15 of the year following the year of the gift; the lifetime applicable exclusion amount is \$15 million for 2026 under Section 2010(c) as amended).

²⁶⁶ 31 C.F.R. §§ 560.516, 560.550(a).

²⁶⁷ 31 C.F.R. § 560.211; Exec. Order No. 13224, 66 Fed. Reg. 49079 (Sept. 25, 2001); OFAC, Sanctions List, Note 45, *supra*.

²⁶⁸ 31 C.F.R. §§ 560.208, 560.417.

²⁶⁹ See Notes 14, 16, and 60, *supra* (conflict-environment overlay sources).

²⁷⁰ See Note 248, *supra*. Section 560.550 is stayed indefinitely effective August 24, 2026. See Note 1, *supra*; 31 C.F.R. §§ 560.204, 560.206, 560.208.

²⁷¹ Notes 42 and 71, *supra*; OFAC, Sanctions List, Note 45, *supra*. OFAC, “Iranian Transactions and Sanctions Regulations: Statement of Licensing Policy on Iran-Related Requests” (Sept. 10, 2026).

²⁷² IRC Sections 651, 652(a), 661, 662; Treas. Reg. § 1.1441-5(b)(2)(ii), (iii).

²⁷³ IRC Sections 651, 652(a), 661, 662, 663(c); Treas. Regs. §§ 1.651(a)-1, 1.652(a)-1, 1.663(c)-1.

²⁷⁴ IRC Sections 2010(c); Rev. Proc. 2025-32, 2025-45 I.R.B. 695.

²⁷⁵ 31 C.F.R. §§ 560.203, 560.204, 560.208, 560.211.

²⁷⁶ 530 U.S. 363, 372–74, 386–88 (2000) (state law is preempted where it stands as an obstacle to the accomplishment and execution of Congress's full purposes and objectives in enacting a calibrated federal sanctions regime; Crosby is the primary obstacle-preemption authority for sanctions and state-law conflicts).

²⁷⁷ 539 U.S. 396, 416–17 (2003) (state law yields where it presents a sufficiently clear conflict with executive foreign policy and the national government's “one voice” interest in foreign affairs).

²⁷⁸ 389 U.S. 429, 441 (1968) (background authority showing that inheritance rules can implicate foreign affairs; cited not to federalize ordinary fiduciary administration merely because a beneficiary lives abroad, but to confirm that the inheritance setting is not categorically beyond foreign-affairs preemption analysis).

²⁷⁹ Crosby, Note 276, *supra*; Am. Ins. Ass'n, Note 277, *supra*; Zschernig, Note 278, *supra*; 31 C.F.R. §§ 560.203, 560.211.

²⁸⁰ OFAC, “Enforcement Release: OFAC Settles with an Individual for \$1,092,000 Related to Apparent Violations of Ukraine-/Russia-Related Sanctions” (Dec. 9, 2025).

²⁸¹ See OFAC, Economic Sanctions Enforcement Guidelines, 31 C.F.R. pt. 501, app. A (OFAC civil enforcement is on a strict-liability basis); Note 280,

supra (settlement with an attorney and former U.S. government official who served as fiduciary of a U.S.-based family trust of a sanctioned Russian oligarch from 2018 to 2022; despite reliance on outside sanctions counsel concluding the trust was not blocked property, OFAC determined the SDN retained a property interest through a family-member proxy and that the fiduciary “should have known,” resulting in 122 apparent violations and a \$1,092,000 settlement; conduct found non-egregious and not voluntarily self-disclosed). Russia-related fiduciary settlement used by analogy; not Iran-specific authority.

²⁸² See Note 49, *supra*.

²⁸³ 31 C.F.R. §§ 560.204, 560.321, 560.327, 560.427, 560.516, 560.550.

²⁸⁴ *Id.*

²⁸⁵ 31 C.F.R. §§ 560.211, 560.322, 501.603 (prohibition on dealings with blocked persons; broad definition of “property” and “property interest”; trustee has primary responsibility for reporting blocked trust assets; initial blocking report due within 10 business days; annual report of blocked property as of June 30 due by September 30); OFAC, FAQ 9.

²⁸⁶ 31 C.F.R. § 501.605 (U.S. person must notify OFAC if litigation, arbitration, or other binding alternative dispute resolution proceedings may affect blocked property).

²⁸⁷ OFAC FAQ 243; *Banki*, Note 80, *supra*.

²⁸⁸ IRC Section 2031.

²⁸⁹ IRC Sections 2001(a), 2031(a), 2033, 2051; Treas. Regs. §§ 20.2031-1(a), 20.2033-1(a).

²⁹⁰ IRC Sections 1014; Treas. Reg. § 1.1014-1(a).

²⁹¹ IRC Sections 2056(d), 2056A; Treas. Regs. §§ 20.2056A-1, 20.2056A-2; see Scenario 4 (development of QDOT analysis in the inbound context).

²⁹² IRC Section 641, 651, 652, 661, 662 (Subchapter J taxation of estates and trusts); Section 652(a) (simple-trust beneficiary required to include in gross income amounts of income required to be distributed currently, whether distributed or not, to the extent of the trust’s distributable net income); Section 662(a) (complex-trust beneficiary required to include amounts properly paid, credited, or required to be distributed currently); Treas. Regs. §§ 1.652(a)-1, 1.662(a)-1.

²⁹³ IRC Sections 1441 (default 30% withholding on payments of certain U.S.-source FDAP income to foreign persons), 1442, 1461 (withholding-agent liability); Treas. Regs. §§ 1.1441-1, 1.1441-5(b) (U.S. trust withholding obligations on distributions to foreign beneficiaries), 1.1441-5(b)(2)(i) (U.S. simple trust must withhold on the foreign beneficiary’s allocable share of amounts subject to withholding required to be distributed, whether or not actually distributed), 1.1441-5(b)(2)(ii) (U.S. complex trust withholds on the portion of DNI consisting of amounts subject to withholding actually distributed or required to be distributed), 1.1441-5(b)(2)(iii) (U.S. estate

withholds on DNI actually distributed). Chapter 3 withholding applies only to amounts subject to withholding (generally U.S.-source FDAP and specified other items), not to all DNI. The 30% rate is the default in the absence of an applicable income-tax treaty; the United States has no income-tax treaty with Iran.

²⁹⁴ *Id.*

²⁹⁵ IRC Sections 671–679. A revocable trust during the grantor’s life is a grantor trust as to the grantor under Section 676, on the grantor’s death, the trust generally ceases to be a grantor trust as to the grantor and becomes subject to ordinary Subchapter J taxation, although a trust may be a grantor trust as to a different person if Section 678 applies.

²⁹⁶ IRC Section 663(c) (where a single trust has more than one beneficiary, substantially separate and independent shares of different beneficiaries are treated as separate trusts for the limited purposes of Sections 661 and 662); Treas. Reg. § 1.663(c)-1 to -5. Section 663(c) is a tax allocation rule with substantive requirements; it does not create sanctions authorization, override the governing instrument, or permit treatment of shares as separate where they are not in fact substantially separate and independent.

²⁹⁷ *Id.*

²⁹⁸ IRC Section 6012(a)(3), (a)(4); Treas. Reg. § 1.6012-3(a), (b); IRS, *About Form 1041, U.S. Income Tax Return for Estates and Trusts*.

²⁹⁹ IRC Sections 1441(a), 1461; Treas. Regs. §§ 1.1441-1(b), 1.1441-2(a), 1.1441-5(b)(2), 1.1461-1(b), (c); IRS, *About Form 1042, Annual Withholding Tax Return for U.S. Source Income of Foreign Persons*; IRS, *About Form 1042-S, Foreign Person’s U.S. Source Income Subject to Withholding*.

³⁰⁰ IRC Sections 6651(a), 6721, 6722; Treas. Regs. §§ 301.6651-1(c), 301.6724-1(a).

³⁰¹ The drafting illustrations in this Subsection are an illustrative synthesis based on the architectures recognized in OFAC primary authority (cited above) and standard fiduciary-drafting practice; they are not verbatim ACTEC, Restatement, or Uniform Trust Code forms. Counsel should conform any actual drafting to applicable state law, the client’s specific circumstances, and the governing instrument’s overall plan.

³⁰² 31 C.F.R. §§ 560.203, 560.204, 560.208, 560.211; 50 U.S.C. § 1705(a), (b); 31 C.F.R. pt. 501, app. A, § I(B).

³⁰³ Note 280, *supra*.

³⁰⁴ 31 C.F.R. §§ 501.603, 560.211, 560.213, 560.322, 560.325.

³⁰⁵ 31 C.F.R. §§ 501.801, 560.525.

³⁰⁶ IRC Sections 661, 662, 663(c); Treas. Regs. §§ 1.661(a)-2, 1.662(a)-1, 1.663(c)-1 to -5.

³⁰⁷ 31 C.F.R. §§ 560.516, 560.550; OFAC FAQ 243; OFAC FAQ 164.

³⁰⁸ 31 C.F.R. §§ 560.516.

³⁰⁹ 31 C.F.R. §§ 560.603(a)(2).

³¹⁰ 31 C.F.R. §§ 560.605.

³¹¹ Note 280, *supra*.

³¹² Terrorism Risk Insurance Act of 2002 (TRIA) § 201(a), Pub. L. No. 107-297, 116 Stat. 2322, 2337 (codified as note to 28 U.S.C. § 1610) (making “blocked assets” of a “terrorist party,” including blocked assets of an agency or instrumentality of that terrorist party, subject to execution or attachment in aid of execution); see also Note 323.

³¹³ *Id.*; 28 U.S.C. §§ 1605A, 1609–1611; See Note 321.

³¹⁴ Note 24, *supra*; OFAC, Frequently Asked Question No. 401; see Note 323 at 132–35.

³¹⁵ Note 312, *supra*.

³¹⁶ Note 314, *supra*.

³¹⁷ OFAC, Revised Guidance, Note 24, *supra*, at 1; OFAC FAQ 399; see Note 321.

³¹⁸ TRIA, Note 312, *supra* (TRIA agency-or-instrumentality inquiry distinct from FSIA § 1603(b) definition; analysis is independent from OFAC’s Fifty Percent Rule cited above).

³¹⁹ 28 U.S.C. §§ 1605A, 1609–1611.

³²⁰ 578 U.S. 212 (2016).

³²¹ 583 U.S. 202, 205–06, 213–14 (2018) (rejecting freestanding § 1610(g) execution theory).

³²² 121 F.4th 983 (2d Cir. 2024).

³²³ 830 F.3d 107, 123–24, 132–35 (2d Cir. 2016).

³²⁴ 31 C.F.R. §§ 560.516, 560.550; OFAC FAQ 243; OFAC FAQ 164; U.S. Dep’t of the Treasury, Office of Foreign Assets Control, Sanctions List Search.

³²⁵ 31 C.F.R. § 501.601 (requiring full and accurate records of transactions subject to OFAC regulations to be retained and made available for examination for at least ten years after the transaction; requiring records of blocked property to be retained while the property remains blocked and for at least ten years after unblocking; recordkeeping period extended from five years effective March 12, 2025, see Reporting, Procedures and Penalties Regulations, 89 Fed. Reg. 74832, 74834 (Sept. 13, 2024)); 31 C.F.R. §§ 501.603–605 (blocked-property reporting; rejected-transaction reporting; and litigation, arbitration, or dispute-resolution proceedings affecting blocked property).

³²⁶ See Scenarios 3 and 4 (development of § 560.543 eligibility — the historical fact of pre-U.S.-person acquisition or inheritance from a person in Iran).

³²⁷ See Scenario 6 facts as to U.S.-citizen vs. non-U.S.-person Iran-resident beneficiary (consequences for Subchapter J classification and Chapter 3 withholding); see Notes 138–139, *supra*.

³²⁸ See Notes 93, 95, 186 (FBAR and Form 8938), and 86 (Form 3520 receipt-reporting in inbound matters), *supra*. The cumulative lifetime taxable-gift record is keyed to applicable exclusion

analysis under Section 2010(c); annual-exclusion planning is a current-year exercise driven by donee-by-donee transfer information and gift-splitting history.

³²⁹ OFAC, Sanctions List Search; OFAC FAQs 246, 369, 467. Screening should run against current OFAC list data — both the SDN List and the Consolidated Sanctions List — at intake and again before each operative event; OFAC's Sanctions List Search reflects current list versions but does not return historical data.

³³⁰ See Note 138, *supra* (defined-term scope: keyed to accounts on the books of a U.S. depository institution or U.S. registered broker-dealer for a person in Iran or the Government of Iran, not to accounts physically located in Iran).

³³¹ See Note 314, *supra*.

³³² 31 C.F.R. §§ 560.516, 560.525, 560.543, 560.550, 560.553; OFAC FAQs 842, 843 (General License L extends ITSR authorizations to

certain transactions involving Iranian financial institutions blocked under E.O. 13902 only where the transaction is already authorized, exempt, or otherwise not prohibited under the ITSR; GL L does not authorize transactions otherwise prohibited under the ITSR, E.O. 13902, or any other Chapter V authority); see Scenarios 2–6. See also Note 49, *supra*.

³³³ See Note 54, *supra* (specific-licensing framework).

³³⁴ IRC Section 6651; Treas. Reg. § 301.6651-1(c); see Scenario 4 and Scenario 6. The author has not located published authority squarely holding that Iran-related sanctions impediments alone establish reasonable cause for late filing of a federal tax return; the stronger argument is for late payment, withholding, remittance, or incomplete-information cases where the fiduciary timely filed (or made protective filings) and contemporaneously documented the impediment.

³³⁵ See Scenario 4 (development of asymmetric optionality and the lifetime-vs.-death fork).

³³⁶ See Scenario 6 (development of Subchapter J trap and the structural response of complex trust with discretionary accumulation and separate-share authority under IRC Section 663(c)).

³³⁷ See Notes 194–196, *supra*; Scenario 4 (no published authority extending § 560.543 to fiduciary-capacity post-death sales by estates, trusts, executors, or trustees); Scenario 6 (federal preemption of state fiduciary duties is strongest where federal sanctions law actually prohibits a distribution and weaker where the obstacle is bank refusal or other execution difficulty; estate/trust distribution analogy under § 560.550 and the Subchapter J / Section 663(c) zones).