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SUPPORTING STATEMENT  
Internal Revenue Service  
Forms 3520 and 3520-A  
Annual Return To Report Transactions With Foreign Trusts and Receipt of Certain Foreign Gifts  
and  
Annual Information Return of Foreign Trust With a U.S. Owner  
OMB Control No. 1545-0159

1. CIRCUMSTANCES NECESSITATING COLLECTION OF INFORMATION

U.S. persons file Form 3520 to report certain transactions with foreign trusts, ownership of foreign trusts as it applies under IRC sections 671 through 679, and receipt of certain large gifts or bequests from certain foreign person. A foreign trust with a U.S. owner must file Form 3520-A in order for the U.S. owner to satisfy its annual information reporting requirements under section 6048(b). The form provides information about the foreign trust, its U.S. beneficiaries, and any U.S. person who is treated as an owner of any portion of the foreign trust under the grantor trust rules.

2. USE OF DATA

The IRS uses Forms 3520 and 3520-A to establish the identity of any U.S. person who organizes a foreign trust, transfers property to (or receives a distribution from) a foreign trust or who receives large gifts from a foreign person during the tax year, owns a portion of the foreign trust or are U.S. beneficiaries to verify if they are accurately reporting their personal tax liability on their return.

3. USE OF IMPROVED INFORMATION TECHNOLOGY TO REDUCE BURDEN

There is no plan to offer electronic filing for this collection due to the low volume of filers.

4. EFFORTS TO IDENTIFY DUPLICATION

The information obtained through this collection is unique and is not already available for use or adaptation from another source.

5. METHODS TO MINIMIZE BURDEN ON SMALL BUSINESSES OR OTHER SMALL ENTITIES

The collection of information requirement will not have a significant economic impact on a substantial number of small entities.

6. CONSEQUENCES OF LESS FREQUENT COLLECTION ON FEDERAL PROGRAMS OR POLICY

## ACTIVITIES

A less frequent collection would not allow the IRS to determine accurate ownership of foreign trusts and thus prevent its ability to verify the correct tax liability for foreign trusts owners or beneficiaries.

### 7. SPECIAL CIRCUMSTANCES REQUIRING DATA COLLECTION TO BE INCONSISTENT WITH GUIDELINES IN 5 CFR 1320.5(d)(2)

There are no special circumstances requiring data collection to be inconsistent with Guidelines in 5 CFR 1320.5(d)(2).

### 8. CONSULTATION WITH INDIVIDUALS OUTSIDE OF THE AGENCY ON AVAILABILITY OF DATA, FREQUENCY OF COLLECTION, CLARITY OF INSTRUCTIONS AND FORMS, AND DATA ELEMENTS

In response to the *Federal Register* notice (84 FR 43261), dated August 20, 2019, regarding the annual return to report transactions with foreign trusts and receipt of certain foreign gifts and the annual information return of a foreign trust with a U.S. owner on Forms 3520 and 3520-A, respectively, we received one comment during the comment period.

The comment noted that Forms 3520 and 3520-A are mandated by section 6048 of the Internal Revenue Code, and agreed that such forms assist the IRS with ensuring that foreign trusts and their beneficiaries are properly complying with their income tax obligations. However, the comment requested that, in addition to the statutory exceptions for information reporting with respect to foreign trusts under section 6048, certain foreign pension trusts with trust assets that do not exceed a certain threshold (such as, \$50,000) should also be excepted from the filing requirements for Forms 3520 and 3520-A. The comment asserts that the Form 3520 and 3520-A filing requirements on participants in such foreign pension trusts are unduly burdensome.

Since the comment requests an exception from section 6048 information reporting, and does not address the collection of information requirements under the Paperwork Reduction Act of 1995, the IRS has determined that the comment is outside the scope of the request for comments in the notice. However, if the Treasury Department and the IRS issue guidance under section 6048, the IRS will consider the comment's suggestion at that time.

### 9. EXPLANATION OF DECISION TO PROVIDE ANY PAYMENT OR GIFT TO RESPONDENTS

No payment or gift has been provided to any respondents.

10. ASSURANCE OF CONFIDENTIALITY OF RESPONSES

Generally, tax returns and tax return information are confidential as required by 26 USC 6103.

11. JUSTIFICATION OF SENSITIVE QUESTIONS

A privacy impact assessment (PIA) has been conducted for information collected under this request as part of the “Business Master File (BMF)” and Privacy Act System of Records notices (SORN) has been issued for these systems under Treasury/IRS 24.046– Business Master File (BMF); Treasury/IRS 24.030-Customer Account Data Engine Master File; IRS 34.037–IRS Audit Trail and Security Records System. The Internal Revenue Service PIAs can be found at <https://www.irs.gov/uac/Privacy-Impact-Assessments-PIA>.

Title 26 USC 6109 requires inclusion of identifying numbers in returns, statements, or other documents for securing proper identification of persons required to make such returns, statements, or documents and is the authority for social security numbers (SSNs) in IRS systems.

12. ESTIMATED BURDEN OF INFORMATION COLLECTION

Any U.S. persons who receive a large gift from a foreign person, has certain transactions with a foreign trust or has ownership of foreign trusts under the IRC sections 671 through 679 must file a Form 3520.

Section 6048(b) requires that foreign trusts with at least one U.S. beneficiary must file an annual information return on Form 3520-A.

The burden estimate is as follows:

Authority	Description	# of Respondents	# Responses per Respondent	Annual Responses	Hours per Response	Total Burden
IRC § 671-679	Form 3520	2,000	.66	1,320	54.35	71,742
IRC § 6048(b)	Form 3520-A	500	1	500	45.59	22,795
<b>Totals</b>		2,500		1,820		94,537

13. ESTIMATED TOTAL ANNUAL COST BURDEN TO RESPONDENTS

To ensure more accuracy and consistency across its information collections, IRS is

currently in the process of revising the methodology it uses to estimate burden and costs. Once this methodology is complete, IRS will update this information collection to reflect a more precise estimate of burden and costs.

#### 14. ESTIMATED ANNUALIZED COST TO THE FEDERAL GOVERNMENT

After consultation with various functions within the Service, we have determined that the cost of developing, printing, processing, distribution, and overhead for Forms 3520 and 3520-A with instruction is \$111, 953.

The Federal government cost estimate is based on a model that considers the following three cost factors for each information product: aggregate labor costs for development, including annualized start up expenses, operating and maintenance expenses, and distribution of the product that collects the information.

The government computes cost using a multi-step process. First, the government creates a weighted factor for the level of effort to create each information collection product based on variables such as; complexity, number of pages, type of product and frequency of revision. Second, the total costs associated with developing the product such as labor cost, and operating expenses associated with the downstream impact such as support functions, are added together to obtain the aggregated total cost. Then, the aggregated total cost and factor are multiplied together to obtain the aggregated cost per product. Lastly, the aggregated cost per product is added to the cost of shipping and printing each product to IRS offices, National Distribution Center, libraries and other outlets. The result is the Government cost estimate per product.

The government cost estimate for this collection is summarized in the table below.

<b>Product</b>	<b>Aggregate Cost per Product (factor applied)</b>	<b>Printing and Distribution</b>	<b>Government Cost Estimate per Product</b>
Form 3520	\$43,742	\$0	\$43,742
Instructions for 3520	\$23,101	\$0	\$23,101
Form 3520-A	\$38,275	\$0	\$38,275
Instructions for 3520-A	\$6,835	\$0	\$6,835
<b>Total</b>	<b>\$111,953</b>	<b>\$0</b>	<b>\$111,953</b>
Table costs are based on 2018 actuals obtained from IRS Chief Financial Office and Media and Publications			
* New product costs will be included in the next collection update.			

#### 15. REASONS FOR CHANGE IN BURDEN

There is a change in the burden previously approved by OMB due to agency discretion. The Form 3520-A is being added to the collection and results in an increase in burden of

22,795 hours. This increase in burden is offset elsewhere through the discontinuation of OMB Control Number 1545-0160, which previously covered the 3520-A.

IC Title	Status	Responses	Hours	Dollars	Document Type	Form No.	Form Name
Annual Return To Report Transactions With Foreign Trusts and Receipts of Certain Foreign Gifts	Modified	1320	71742	0	Form	3520	Annual Return To Report Transactions With Foreign Trusts and Receipt of Certain Foreign Gifts
					Instruction		
Annual Information Return of Foreign Trust With a U.S. Owner	New	500	22795	0	Form	3520-A	Annual Return of Foreign Trust With a U.S. Owner
					Instruction		
		1820	94537	0			

#### 3520-A Change in Burden

	Total Approved	Previously Approved	Change Due to New Statute	Change Due to Agency Discretion	Change Due to Adjustment in Estimate	Change Due to Potential Violation of the PRA
Annual Number of Responses	500	0	0	500	0	0
Annual Time Burden (Hr.)	22795	0	0	22795	0	0

#### 3520 Change in Burden

	Total Approved	Previously Approved	Change Due to New Statute	Change Due to Agency Discretion	Change Due to Adjustment in Estimate	Change Due to Potential Violation of the PRA
Annual Number of Responses	1320	1320	0	0	0	0
Annual Time Burden (Hr.)	71742	71742	0	0	0	0

#### 16. PLANS FOR TABULATION, STATISTICAL ANALYSIS AND PUBLICATION

There are no plans for tabulation, statistical analysis and publication.

#### 17. REASONS WHY DISPLAYING THE OMB EXPIRATION DATE IS INAPPROPRIATE

IRS believes that displaying the OMB expiration date is inappropriate because it could cause confusion by leading taxpayers to believe that the forms sunset as of the expiration date. Taxpayers are not likely to be aware that the Service intends to request renewal of the OMB approval and obtain a new expiration date before the old one expires.

#### 18. EXCEPTIONS TO THE CERTIFICATION STATEMENT

There are no exceptions to the certification statement.

**Note:** The following paragraph applies to all of the collections of information in this submission:

An agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection of information displays a valid OMB control number. Books or records relating to a collection of information must be retained as long as their contents may become material in the administration of any internal revenue law. Generally, tax returns and tax return information are confidential, as required by 26 U.S.C. 6103.