Instructions for Form 3520

(Rev. December 2025)

(Use with December 2023 revision of Form 3520.)

Annual Return To Report Transactions With Foreign Trusts and Receipt of Certain Foreign Gifts

Section references are to the Internal Revenue Code unless otherwise noted.

Future Developments

For the latest information about developments related to Form 3520 and its instructions, such as legislation enacted after they were published, go to *IRS.gov/Form3520*.

What's New

New guidance regarding the section 2801 tax. Section 2801 imposes a tax on U.S. citizens and residents who receive gifts or bequests from covered expatriates. For more information, see *IRS.gov/Businesses/Gifts-From-Foreign-Person*.

Reminders

Due dates. Form 3520 is due by the 15th day of the 4th month following the end of the taxpayer's tax year. However, taxpayers who live and work outside the United States have until the 15th day of the 6th month to file the form. If an extension has been requested, check box 1k and include the form number of the tax return for which the extension applies. See *When and Where To File*, later.

Form 3520-A is due by the 15th day of the 3rd month after the end of the foreign trust's tax year. However, a substitute Form 3520-A attached to a U.S. owner's Form 3520 is due the same day as Form 3520. The U.S. owner must check the "Substitute Form 3520-A" checkbox on the top of Form 3520-A that is attached to Form 3520. See *Instructions for Form 3520-A*.

Assessment period. If a complete Form 3520 is not filed by the due date, including extensions, the time for assessment of any tax imposed with respect to any event or period to which the information required to be reported in Parts I through III of such Form 3520 relates will not expire before the date that is 3 years after the date on which the required information is reported. See section 6501(c)(8).

Continuous-use revision. Use these instructions for tax year 2025 and subsequent years until a superseding revision is issued.

General Instructions

Purpose of Form

U.S. persons (and executors of estates of U.S. decedents) file Form 3520 with the IRS to report:

- Certain transactions with foreign trusts,
- Ownership of foreign trusts under the rules of sections 671 through 679, and
- Receipt of certain large gifts or bequests from certain foreign persons.

A separate Form 3520 must be filed for transactions with **each** foreign trust.

Who Must File

File Form 3520 if any one or more of the following apply.

1. You are the responsible party for reporting a reportable event that occurred during the current tax year, or you are a U.S. person who transferred property (including cash) to a related foreign trust (or a person related to the trust) in exchange for an obligation or you hold a qualified obligation from that trust that is currently outstanding. For definitions, see *Responsible Party*, *Reportable Event*, *Qualified Obligation*, and *Person related to a foreign trust*, later.

Complete the identifying information on page 1 of the form and the relevant portions of Part I. See the instructions for *Part I*.

2. You are a U.S. person who, during the current tax year, is treated as the owner of any part of the assets of a foreign trust under the rules of sections 671 through 679. U.S. person and owner are defined later.

Complete the identifying information on page 1 of the form and Part II. See the instructions for *Part II*.

Note: You are required to complete Part II even if there have been no transactions involving the trust during the tax year. You may also be required to complete a substitute Form 3520-A, Annual Information Return of Foreign Trust With a U.S. Owner, and attach it to your Form 3520. See *Penalties*, later.

3. You are a U.S. person (including a U.S. owner) or an executor of the estate of a U.S. person who received, directly or indirectly, a distribution from a foreign trust during the current tax year; or you are a U.S. person who is a U.S. owner or beneficiary of a foreign trust and in the current tax year you or a U.S. person related to you received (1) a loan of cash or marketable securities (including an extension of credit) directly or indirectly from such foreign trust, or (2) the uncompensated use of trust property; or you are a U.S. person who is a U.S. owner or beneficiary of a foreign trust and in the current tax year such foreign trust holds an outstanding qualified obligation of yours or a U.S. person related to you. For definitions, see *U.S. Person*, *Owner*, *Distribution*, *U.S. Beneficiary*, and *Related Person*, later.

Complete the identifying information on page 1 of the form and Part III. In the case of a U.S. person that is an estate, check "Executor" on line B on page 1. See the instructions for *Part III*.

4. You are a U.S. person who, during the current tax year, received either:

a. More than $100,000 from a nonresident alien individual or a foreign estate (including foreign persons related to that nonresident alien individual or foreign estate) that you treated as gifts or bequests; or

b. More than the section 6039F threshold amount from foreign corporations or foreign partnerships (including foreign persons related to such foreign corporations or foreign partnerships) that you treated as gifts. The threshold amount is available at *IRS.gov/InflationAdjustment*. Select the applicable tax year news release, then click on the Rev. Proc. link and search for section 6039F to see the threshold amount under Notice of Large Gifts Received from Foreign Persons.

Complete the identifying information on page 1 of the form and Part IV. See the instructions for *Part IV*.

Exceptions To Filing

Form 3520 does not have to be filed to report the following transactions.

- Transfers to funded nonqualified deferred compensation arrangements described in section 402(b); stock bonuses, pensions, or profit-sharing trusts that would qualify for exemption under section 501(a) except for the fact that it is a trust created or organized outside the United States described in section 404(a)(4); and amounts paid or accrued by an employer under a qualified foreign plan described in section 404A.
- Most fair market value (FMV) transfers by a U.S. person to a foreign trust. However, some FMV transfers must nevertheless be reported on Form 3520 (for example, transfers in exchange for obligations that are treated as qualified obligations, transfers of appreciated property to a foreign trust for which the U.S. transferor does not immediately recognize all of the gain on the property transferred, and transfers involving a U.S. transferor that is related to the foreign trust). See section III of Notice 97-34, 1997-25 I.R.B. 22, available at *IRS.gov/pub/irs-irbs/irb97-25.pdf*.
- Transfers to foreign trusts that have a current determination letter from the IRS recognizing their status as exempt from income taxation under section 501(c)(3).
- Deemed transfers from domestic trusts that become foreign trusts to the extent the trust is treated as owned by a foreign person, after application of section 672(f).
- Distributions from foreign trusts that are taxable as compensation for services rendered (within the meaning of section 672(f)(2)(B) and its regulations), so long as the recipient reports the distribution as compensation income on its applicable federal income tax return.
- Distributions from foreign trusts to domestic trusts that have a current determination letter from the IRS recognizing their status as exempt from income taxation under section 501(c)(3).
- Transfers to, ownership of, and distributions from a Canadian registered retirement savings plan (RRSP), a Canadian registered retirement income fund (RRIF), or any other Canadian retirement plan that is within the meaning of section 3 of Rev. Proc. 2014-55. See Rev. Proc. 2014-55, 2014-44 I.R.B. 753, available at *IRS.gov/IRB/2014-44_IRB#RP-2014-55*.
- Certain eligible individuals' transfers to, ownership of, and distributions from certain tax-favored foreign retirement trusts and certain tax-favored foreign nonretirement savings trusts, as described in section 5 of Rev. Proc. 2020-17. For more information about whether you are an eligible individual and whether your foreign trust qualifies for an exemption from foreign trust information reporting, see Rev. Proc. 2020-17, 2020-12 I.R.B. 539, available at *IRS.gov/IRB/2020-12_IRB#REV-PROC-2020-17*.
- Certain eligible individuals' transactions with, and ownership of, certain tax-favored foreign trusts that are established and operated exclusively or almost exclusively to provide pension or retirement benefits, or to provide medical, disability, or educational benefits, as described in proposed regulations under section 6048. You may rely on these proposed regulations for any tax year ending after May 8, 2024, and beginning on or before the date that final regulations are published in the Federal Register, provided you and all related persons (within the meaning of sections 267(b) and 707(b)(1)) apply the proposed regulations in their entirety and in a consistent manner for all tax years beginning with the first tax year of reliance until the applicability date of the final regulations. For more information on whether you are an eligible individual and whether your foreign trust qualifies for an exemption from foreign trust information reporting, see Proposed Regulations section 1.6048-5 as published in the Federal Register at *govinfo.gov/content/pkg/FR-2024-05-08/pdf/2024-09434.pdf*.

The exemptions from foreign trust information reporting described in Rev. Proc. 2014-55, Rev. Proc. 2020-17, and the proposed regulations under section 6048 do not affect any other reporting obligations.

Joint Returns

If you and your spouse are filing a joint income tax return for the current tax year, and you are both transferors, grantors, or beneficiaries of the same foreign trust, then you may file a joint Form 3520 for the same tax year. If you and your spouse are filing a joint Form 3520, check the box on line 1i on page 1.

Additional Reporting and Tax Information

For more information on large gifts or bequests from foreign persons, go to *IRS.gov/Businesses/Gifts-From-Foreign-Person*. For more information on foreign trust reporting requirements and tax consequences, go to *IRS.gov/ForeignTrust*.

You may be required to file Financial Crimes Enforcement Network (FinCEN) Form 114, Report of Foreign Bank and Financial Accounts (FBAR). In addition, you may be required to file Form 8938, Statement of Specified Foreign Financial Assets. For more information, go to *IRS.gov/FBAR*.

When and Where To File

In general, a U.S person's Form 3520 is due on the 15th day of the 4th month following the end of such person's tax year for income tax purposes. For a calendar-year individual, this is generally the same day as the filer's income tax return due date. If a U.S. person is granted an extension of time to file an income tax return, Form 3520 is due no later than the 15th day of the 10th month following the end of the U.S. person's tax year.

Note: This may differ from and is not tied to the due date of the U.S. person's income tax return.

If you are an individual who is a U.S. citizen or resident who satisfies one of the following conditions on the due date of your income tax return, then the due date for filing Form 3520 is extended from the 15th day of the 4th month (April 15) to the 15th day of the 6th month (June 15) following the end of your tax year. You must include a statement with Form 3520 showing that you are a U.S. citizen or resident who meets one of these conditions.

- You live outside of the United States and Puerto Rico and your place of business or post of duty is outside the United States and Puerto Rico.
- You are in the military or naval service on duty outside the United States and Puerto Rico.

If you are an individual who is a U.S. citizen or resident and are granted an extension of time to file your income tax return, the due date for filing Form 3520 is no later than the 15th day of the 10th month (October 15) following the end of your tax year.

If you are filing a Form 3520 for a U.S. decedent, the due date is the 15th day of the 4th month (April 15) following the end of the decedent's last tax year for income tax purposes. If the U.S. decedent is granted an extension of time to file their income tax return, then the due date for filing Form 3520 is no later than the 15th day of the 10th month (October 15) following the end of decedent's last tax year.

If you are filing a Form 3520 for a U.S. decedent's estate, the due date is the 15th day of the 4th month following the end of the estate's tax year for income tax purposes. If the U.S. decedent's estate is granted an extension of time to file its income tax return, then the due date for filing Form 3520 is no later than the 15th day of the 10th month following the end of the estate's tax year.

If you are the U.S. owner of a foreign trust, the due date for filing a substitute Form 3520-A is the due date of your Form 3520. You must attach the substitute Form 3520-A, including the Foreign Grantor Trust Owner Statement and the Foreign Grantor Trust Beneficiary Statement, to your Form 3520. You must also provide copies of the Foreign Grantor Trust Owner Statement and the Foreign Grantor Trust Beneficiary Statement to the U.S. owners and U.S. beneficiaries by the due date of your Form 3520. See the *Instructions for Form 3520-A*.

If the due date falls on a Saturday, Sunday, or legal holiday, file by the next day that is not a Saturday, Sunday, or legal holiday.

Send Form 3520 to the following address.

Internal Revenue Service Center
P.O. Box 409101
Ogden, UT 84409

Only a complete Form 3520 is considered timely filed. Form 3520 is considered complete only if all required attachments are included.

Caution: If a complete Form 3520 is not filed by the due date, including extensions, the time for assessment of any tax imposed with respect to any event or period to which the information required to be reported in Parts I through III as it relates to Form 3520 will not expire before the date that is 3 years after the date on which the required information is reported. See section 6501(c)(8).

Who Must Sign

If Form 3520 is filed by:

- An individual or a fiduciary, it must be signed and dated by that individual or fiduciary;
- A partnership, it must be signed and dated by a partner or limited liability company member;
- A corporation, it must be signed and dated by the president, vice president, treasurer, assistant treasurer, chief accounting officer, or any other corporate officer who is authorized to sign; or
- A receiver, trustee, or assignee filing on behalf of a partnership or corporation, it must be signed and dated by the fiduciary. A Form 3520 signed by a receiver or trustee in bankruptcy on behalf of a partnership or corporation must be accompanied by a copy of the order or instructions of the court authorizing signing of Form 3520.

A substitute Form 3520-A attached to the U.S. owner's Form 3520 must be signed and dated by the U.S. owner. The U.S. owner's name and taxpayer identification number (TIN) must be provided on the "Title" line of the signature box. See the *Instructions for Form 3520-A*.

Note: E-signatures are accepted.

When using a paid preparer, the paid preparer must do the following.

- Complete the required preparer information at the bottom of page 6, including their name, Preparer Tax Identification Number (PTIN), and other identifying details.
- Sign the return in the space provided for the preparer's signature.
- Provide a copy of the return to the filer.

Inconsistent Treatment of Items

The U.S. beneficiary's and U.S. owner's tax returns must be consistent with the Form 3520-A filed by the foreign trust unless you report the inconsistency to the IRS. If you are treating items on your tax return differently from the way the foreign trust treated them on its return, file Form 8082, Notice of Inconsistent Treatment or Administrative Adjustment Request (AAR). See *Form 8082* for more details.

Penalties

Section 6677. A penalty applies if Form 3520 is not timely filed or if the information is incomplete or incorrect. For exceptions, see *Reasonable cause*, later. Generally,

the initial penalty is equal to the greater of $10,000 or the following (as applicable).

- 35% of the gross value of any property transferred to a foreign trust for failure by a U.S. transferor to report the creation of or transfer to a foreign trust in Part I.
- 35% of the gross value of the distributions received from a foreign trust for failure by a U.S. person to report receipt of the distribution in Part III.
- 5% of the gross value of the portion of the foreign trust's assets treated as owned by a U.S. person under the grantor trust rules (sections 671 through 679), if the foreign trust (a) fails to file a timely Form 3520-A and furnish the required annual statements to its U.S. owners and U.S. beneficiaries; or (b) does not furnish all of the information required by section 6048(b) or includes incorrect information. See section 6677(a) through (c) and the instructions for *Part II* of this form and Form 3520-A.

If a foreign trust fails to file Form 3520-A, the U.S. owner must complete and attach a substitute Form 3520-A to the U.S. owner's Form 3520 by the due date of the U.S. owner's Form 3520 (and not the due date for the Form 3520-A, which is otherwise due by the 15th day of the 3rd month after the end of the trust's tax year) in order to avoid being subject to the penalty for the foreign trust's failure to timely file Form 3520-A. For example, a substitute Form 3520-A that, to the best of the U.S. owner's ability, is completed and attached to the U.S. owner's Form 3520 by the due date for the Form 3520 (such as April 15 for U.S. owners who are individuals), is considered to be timely filed.

Additional penalties will be imposed if the noncompliance continues for more than 90 days after the IRS mails a notice of failure to comply with the required reporting. If the IRS can determine the gross reportable amount (defined later), then the penalties will be reduced as necessary to assure that the aggregate amount of such penalties does not exceed the gross reportable amount. For more information, see section 6677.

Reasonable cause. No penalties will be imposed if the taxpayer can demonstrate that the failure to comply was due to reasonable cause and not willful neglect.

Note: The fact that a foreign country would impose penalties for disclosing the required information is not reasonable cause. See section 6677(d). Similarly, reluctance on the part of a foreign fiduciary or provisions in the trust instrument that prevent the disclosure of required information is not reasonable cause.

Section 6039F. In the case of a failure to timely report foreign gifts described in section 6039F, the IRS may determine the income tax consequences of the receipt of such gift, and a penalty equal to 5% of the amount of such foreign gifts applies for each month for which the failure to report continues (not to exceed a total of 25%). See section 6039F for additional information.

Reasonable cause. No penalty will be imposed if the taxpayer can demonstrate that the failure to comply was due to reasonable cause and not willful neglect.

Section 6662(j). If a U.S. owner of a foreign trust is subject to a 20% penalty imposed under section 6662 for an underpayment of tax required to be shown on a return, then such penalty may be increased to 40% under section 6662(j) for any portion of an underpayment that is attributable to any transaction involving any asset with respect to which information was required to be provided on Form 3520-A. For more information about undisclosed foreign financial asset understatements, see section 6662(j).

Reasonable cause. No penalty will be imposed with respect to any portion of an underpayment if the taxpayer can demonstrate that the failure to comply was due to reasonable cause with respect to such portion of the underpayment and the taxpayer acted in good faith with respect to such portion of the underpayment. See section 6664(c) for additional information.

Definitions

Distribution

A distribution received directly or indirectly from a foreign trust for section 6048(c) reporting purposes is any gratuitous transfer of money or other property from a foreign trust, whether or not a portion of such trust is treated as a grantor trust under the grantor trust rules of sections 671 through 679, and without regard to whether the recipient is designated as a beneficiary by the terms of the trust. A distribution includes the receipt of a trust corpus and the receipt of a gift or bequest described in section 663(a).

A distribution also includes constructive transfers from a foreign trust. For example, if charges you make on a credit card are paid by a foreign trust or guaranteed or secured by the assets of a foreign trust, the amount charged will be treated as a distribution to you by the foreign trust. Similarly, if you write checks on a foreign trust's bank account, the amount will be treated as a distribution. Also, if you receive a payment from a foreign trust in exchange for property transferred to the trust or services rendered to the trust, and the FMV of the payment you received exceeds the FMV of the property transferred or services rendered, the excess will be treated as a distribution to you. See section V of *Notice 97-34*.

Examples.

1. If you sell stock with an FMV of $100 to a foreign trust and receive $150 in exchange, you have received a distribution of $50.

2. If you receive $100 from a foreign trust for performing services for the trust, and the services have an FMV of $20, you have received a distribution of $80.

If you are a grantor or beneficiary of a foreign trust and you (or a U.S. person related to you) directly or indirectly received a loan of cash or marketable securities from a foreign trust, or you (or a U.S. person related to you) used any property owned by a foreign trust without paying FMV within a reasonable amount of time, the amount of such loan or the FMV of the use of trust property will be treated as a distribution for reporting purposes. For this purpose, a loan by an unrelated third party that is guaranteed by a foreign trust is generally treated as a loan from the trust. See section V.A of *Notice 97-34*.

Foreign Trust and Domestic Trust

A foreign trust is any trust other than a domestic trust.

A domestic trust is any trust if:

1. A court within the United States is able to exercise primary supervision over the administration of the trust, and

2. One or more U.S. persons have the authority to control all substantial decisions of the trust.

Grantor

A grantor includes any person who creates a trust or directly or indirectly makes a gratuitous transfer of cash or other property to a trust. A grantor includes any person treated as the owner of any part of a foreign trust's assets under sections 671 through 679, excluding section 678.

Note: If a partnership or corporation makes a gratuitous transfer to a trust, the partners or shareholders are generally treated as the grantors of the trust, unless the partnership or corporation made the transfer for a business purpose of the partnership or corporation.

If a trust makes a gratuitous transfer to another trust, the grantor of the transferor trust is treated as the grantor of the transferee trust, except that if a person with a general power of appointment over the transferor trust exercises that power in favor of another trust, such person is treated as the grantor of the transferee trust, even if the grantor of the transferor trust is treated as the owner of the transferor trust.

Grantor Trust

A grantor trust is any trust to the extent that the assets of the trust are treated as owned by a person other than the trust. See the grantor trust rules in sections 671 through 679. A part of the trust may be treated as a grantor trust to the extent that only a portion of the trust assets are owned by a person other than the trust.

Note: Under the HIRE Act, effective after March 18, 2010, if a foreign trust directly or indirectly loans cash or marketable securities to a U.S. person who does not repay the loan at a market rate of interest, or allows a U.S. person to use trust property without paying FMV within a reasonable period of time, the trust will be treated as having a U.S. beneficiary and therefore is treated as a grantor trust under the grantor trust rules. See section 679.

Reporting by U.S. owners receiving distributions from foreign grantor trust. If a U.S. owner (defined later) of a foreign trust receives, directly or indirectly, a distribution from the foreign trust, the U.S. owner must only complete lines 24 and 27 in Part III.

Gratuitous Transfer

A gratuitous transfer to a foreign trust is any transfer to the trust other than (a) a transfer for FMV; or (b) a distribution to the trust with respect to an interest held by the trust (i) in an entity other than a trust (for example, a corporation or a partnership), or (ii) in an investment trust described in Regulations section 301.7701-4(c), a liquidating trust described in Regulations section 301.7701-4(d), or an environmental remediation trust described in Regulations section 301.7701-4(e). A gratuitous transfer includes any indirect transfer that is structured with a principal purpose of avoiding the application of section 679 or 6048.

A transfer of property to a trust may be considered a gratuitous transfer without regard to whether the transfer is a gift for gift tax purposes. See chapter 12 of subtitle B of the Code (that is, sections 2501 through 2524).

For purposes of this determination, if a U.S. person contributes property to a trust in exchange for any type of interest in the trust, such interest in the trust will be disregarded in determining whether FMV has been received. In addition, a U.S. person will not be treated as making a transfer for FMV merely because the transferor is deemed to recognize gain on the transaction.

If you transfer property to a related foreign trust in exchange for an obligation of the trust (or an obligation of a person related to the trust), it will be a gratuitous transfer unless the obligation is a qualified obligation. Any transfer in exchange for an obligation (whether or not a qualified obligation) must be reported under section 6048(a). For definitions, see *Obligation* and *Qualified Obligation*, later. See section III.B of *Notice 97-34*, and the regulations under sections 679 and 684 for additional information.

Gross Reportable Amount

Gross reportable amount is:

- The gross value of property involved in the creation of a foreign trust or the transfer of property to a foreign trust (including a transfer by reason of death);
- The gross value of any portion of a foreign trust treated as owned by a U.S. person under the rules of sections 671 through 679 or any part of a foreign trust that is included in the gross estate of a U.S. citizen or resident;
- The gross value of the assets in a trust at the time the trust becomes a foreign trust, if the trust was a domestic trust to which a U.S. citizen or resident had previously transferred property, and provided that such U.S. citizen or resident is alive at the time the trust becomes a foreign trust (see section 679(a)(5)); or
- The gross amount of distributions received from a foreign trust.

Gross Value or Amount

For purposes of determining the gross reportable amount, the gross value or gross amount of property is the value of property as determined under section 2512 and its regulations, without regard to any prohibitions or restrictions on a person's interest in the property. Although formal appraisals are not generally required, you should keep contemporaneous records of how you arrived at your good faith estimate.

Guarantee

A guarantee:

- Includes any arrangement under which a person, directly or indirectly, assures, on a conditional or unconditional basis, the payment of another's obligation;
- Encompasses any form of credit support, and includes a commitment to make a capital contribution to the debtor or otherwise maintain its financial viability; or
- Includes an arrangement reflected in a "comfort letter," regardless of whether the arrangement gives rise to a legally enforceable obligation. If an arrangement is

contingent upon the occurrence of an event, in determining whether the arrangement is a guarantee, you must assume that the event has occurred.

Nongrantor Trust

A nongrantor trust is any trust to the extent that the assets of the trust are not treated as owned by a person other than the trust under the grantor trust rules in sections 671 through 679. Thus, a nongrantor trust is treated as a taxable entity. A trust may be treated as a nongrantor trust with respect to only a portion of the trust assets. See *Grantor Trust*, earlier.

Obligation

An obligation includes any bond, note, debenture, certificate, bill receivable, account receivable, note receivable, open account, or other evidence of indebtedness, and, to the extent not previously described, any annuity contract.

Owner

An owner of a foreign trust is the person that is treated as owning any of the assets of a foreign trust under the rules of sections 671 through 679.

Property

Property means any property, whether tangible or intangible, including cash.

Qualified Obligation

A qualified obligation, for purposes of this form, is any obligation only if:

1. The obligation is reduced to writing by an express written agreement;
2. The term of the obligation does not exceed 5 years (including options to renew and rollovers);
3. All payments on the obligation are denominated in U.S. dollars;
4. The yield to maturity of the obligation is not less than 100% of the applicable federal rate under section 1274(d) for the day on which the obligation is issued and not greater than 130% of the applicable federal rate;
5. The U.S. person agrees to extend the period for assessment of any income or transfer tax attributable to the transfer and any consequential income tax changes for each year that the obligation is outstanding to a date not earlier than 3 years after the maturity date of the obligation, unless the maturity date of the obligation does not extend beyond the end of the U.S. person's tax year and is paid within such period (this is done on Part I, Schedule A, line 12, and Part III, line 26, as applicable); and
6. The U.S. person reports the status of the obligation, including principal and interest payments, on Part I, Schedule C, line 19, and Part III, line 28, as applicable, for each year that the obligation is outstanding.

Related Person

A related person generally includes any person who is related to you for purposes of sections 267 and 707(b). This includes, but is not limited to:

- A member of your family—your brothers and sisters, half-brothers and half-sisters, spouse, ancestors (parents, grandparents, etc.), lineal descendants (children, grandchildren, etc.), and the spouses of any of these persons; or
- A corporation in which you, directly or indirectly, own more than 50% in value of the outstanding stock.

See section 643(i)(2)(B) and the regulations under sections 267 and 707(b).

Person related to a foreign trust. A person is related to a foreign trust if such person, without regard to the transfer at issue, is a grantor of the trust, a beneficiary of the trust, or is related to any grantor or beneficiary of the trust. See the definition of *Related Person* above.

Reportable Event

A reportable event includes the following.

1. The creation of a foreign trust by a U.S. person.
2. The transfer of any money or property, directly or indirectly, to a foreign trust by a U.S. person, including a transfer by reason of death. This includes transfers that are deemed to have occurred under sections 679(a)(4) and (5).
3. The death of a U.S. citizen or resident if:

- The decedent was treated as the owner of any portion of a foreign trust under the rules of sections 671 through 679, or
- Any portion of a foreign trust was included in the gross estate of the decedent.

Responsible Party

Responsible party means:

- The grantor in the case of the creation of an inter vivos trust;
- The transferor, in the case of a reportable event (defined above) other than a transfer by reason of death; or
- The executor of the decedent's estate in any other case (whether or not the executor is a U.S. person).

U.S. Agent

A U.S. agent is a U.S. person (defined later) that has a binding contract with a foreign trust that allows the U.S. person to act as the trust's authorized U.S. agent in applying sections 7602, 7603, and 7604 with respect to:

- Any request by the IRS to examine records or produce testimony related to the proper U.S. tax treatment of amounts distributed, or required to be taken into account under the grantor trust rules, with respect to a foreign trust; or
- Any summons by the IRS for such records or testimony.

A U.S. grantor, a U.S. beneficiary, or a domestic corporation controlled by the grantor or beneficiary may act as a U.S. agent. However, a foreign trust will not be treated as having a U.S. agent unless the U.S. agent's name, address, and TIN are entered on lines 3a through 3g on page 1 of Form 3520. See *Taxpayer identification numbers (TINs)*, later.

If a foreign trust with a U.S. owner does not have a U.S. agent, the IRS may redetermine the amounts required to be taken into account with respect to the foreign trust by

the U.S. owner. See section 6048(b)(2). In order to avoid this, a U.S. owner of a foreign trust should ensure that the foreign trust appoints a U.S. person to act as the foreign trust's limited agent for purposes of applying sections 7602, 7603, and 7604. The agency relationship must be established by the time Form 3520 is filed for the relevant tax year and must continue as long as the statute of limitations remains open for the relevant tax year.

In order to authorize a U.S. person to act as a U.S. agent under section 6048(b)(2) or for purposes of section 6048(c)(2)(A), the foreign trust and the U.S. person must enter into a binding agreement substantially in the format of the *AUTHORIZATION OF AGENT* form in the *Instructions for Form 3520-A*, amended as required.

If the U.S. person's responsibility as an agent of the foreign trust is terminated for any reason (for example, resignation, liquidation, or death), the U.S. owner of the foreign trust must make sure the foreign trust files an amended Form 3520-A with the IRS within 90 days. See section IV.B of *Notice 97-34*.

U.S. Beneficiary

A U.S. beneficiary generally includes any U.S. person that could possibly benefit, directly or indirectly, from the trust (including an amended trust) at any time, whether or not the person is designated in the trust instrument as a beneficiary and whether or not the person can receive a distribution from the trust in the current year. In addition, a U.S. beneficiary includes:

- A foreign corporation that is a controlled foreign corporation (as defined in section 957(a)),
- A foreign partnership if a U.S. person is a partner of the partnership, and
- A foreign estate or trust if the estate or trust has a U.S. beneficiary. See section II of *Notice 97-34* and the regulations under section 679 for additional information.

Foreign trust treated as having a U.S. beneficiary. In general, if a U.S. person, directly or indirectly, transfers property to a foreign trust (other than a deferred compensation or charitable trust described in section 6048(a)(3)(B)(ii)), the foreign trust will be treated as having a U.S. beneficiary unless the terms of the trust instrument specifically prohibit any distribution of income or corpus to a U.S. person at any time, even after the death of the U.S. transferor or any event terminating the trust, and the trust cannot be amended or revised to allow such a distribution. For these purposes, an amount will be treated as accumulated for the benefit of a U.S. person even if the U.S. person's interest in the trust is contingent on a future event and regardless of whether anything is actually distributed to a U.S. person during that tax year.

Special rule in case of discretion to identify beneficiaries. For purposes of the general rule described earlier, if any person has the discretion of making a distribution from the trust to, or for the benefit of, any person, the trust will be treated as having a beneficiary who is a U.S. person unless the terms of the trust specifically identify the class of persons to whom such distributions may be made, and none of those persons are U.S. persons during the tax year.

Certain agreements and understandings treated as terms of the trust. For purposes of the general rule described earlier, if any U.S. person who directly or indirectly transfers property to the trust is directly or indirectly involved in any agreement or understanding (whether written, oral, or otherwise) that may result in the income or corpus of the trust being paid or accumulated to, or for the benefit of, a U.S. person, such agreement or understanding will be treated as a term of the trust.

Certain loans or uncompensated use of trust property. If a foreign trust is not already treated as having a U.S. beneficiary under the rules described earlier, the trust will be treated as having a U.S. beneficiary if, after March 18, 2010, either:

- The foreign trust loans cash or marketable securities, directly or indirectly, to a U.S. person, and the U.S. person does not repay the loan at a market rate of interest within a reasonable period of time; or
- A U.S. person, directly or indirectly, uses property that is owned by the foreign trust and does not pay FMV of the use of such property within a reasonable period of time.

Presumption that foreign trust has U.S. beneficiary. If a U.S. person, directly or indirectly, transfers property to a foreign trust (other than a deferred compensation or charitable trust described in section 6048(a)(3)(B)(ii)), the IRS may treat such trust as having a U.S. beneficiary for purposes of applying section 679(d) to such transfer if the IRS requests information with respect to the transfer and the U.S. person fails to demonstrate to the satisfaction of the IRS that no portion of the income or corpus of the trust may ever be paid to or accumulated for the benefit of a U.S. person.

U.S. Person

A U.S. person is:

- A citizen or resident of the United States, including dual residents who claim the benefits under an income tax treaty;
- A domestic partnership;
- A domestic corporation;
- Any estate (other than a foreign estate, within the meaning of section 7701(a)(31)(A)); and
- Any domestic trust (defined earlier).

For guidance on determining resident alien status, go to *Pub. 519, U.S. Tax Guide for Aliens*.

U.S. Transferor

A U.S. transferor is any U.S. person who:

1. Creates or settles a foreign trust;

2. Directly or indirectly transfers money or property to a foreign trust (this includes deemed transfers under section 679(a)(4) or section 679(a)(5));

3. Makes a sale to a foreign trust if the sale was at other than arm's-length terms or was to a related foreign trust, or makes (or guarantees) a loan to a related foreign trust; or

4. Is the executor of the estate of a U.S. person and:

a. The decedent made a testamentary transfer (a transfer by reason of death) to a foreign trust;

b. Immediately prior to death, the decedent was treated as the owner of any portion of a foreign trust under the rules of sections 671 through 679; or

c. Any portion of a foreign trust's assets were included in the estate of the decedent.

Generally, the person defined as the transferor is the responsible party (defined earlier) who must ensure that required information be provided or pay appropriate penalties.

Specific Instructions

Period Covered

For calendar-year filers, fill in the "calendar year" space at the top of the form. For fiscal-year filers, fill in the "tax year beginning" and "ending" spaces at the top of the form.

Item A—Initial Return, Final Return, Amended Return

Initial return. If this is the foreign trust's first return, check the "Initial return" box.

Final return. If the foreign trust ceases to exist, check the "Final return" box.

Example. If you filed Form 3520 concerning transactions with a foreign trust and that trust terminated within the tax year, then the Form 3520 for the year in which the trust terminated would be a final return.

Amended return. If this Form 3520 is filed to amend a previously filed Form 3520, check the "Amended return" box.

Item C—Excepted Specified Foreign Financial Assets Reported

Check the box in item C only if the Form 3520 filer also files Form 8938 for the same tax year and includes this form in the total number of Forms 3520 reported on line 15 of Part IV, Excepted Specified Foreign Financial Assets, of Form 8938. For more information, see the *Instructions for Form 8938*, generally, and in particular, *Duplicative reporting* and the specific instructions for Part IV.

Identifying Information

Taxpayer identification numbers (TINs). Use social security numbers (SSNs) or individual taxpayer identification numbers (ITINs) to identify individuals. Use employer identification numbers (EINs) to identify estates, trusts, partnerships, and corporations. Don't use an SSN in place of an EIN.

Applying for an EIN. If the foreign trust does not have an EIN, the foreign trust or the U.S. owner may apply for one online at *IRS.gov/EIN*. If the foreign trust's principal place of business is outside the United States or its territories, the foreign trust can apply for an EIN by phone at 267-941-1099. See International EIN applicants under Other ways to apply for an EIN at *IRS.gov/EIN*.

Caution: Do not enter a PTIN in any entry space on Form 3520 other than the entry space for "PTIN" at the bottom of page 6 of the form.

Address. Include the room, suite, or other unit number after the street address. If the post office does not deliver mail to the street address and the U.S. person has a P.O. box, show the box number instead.

Foreign address. Do **not** abbreviate the country name.

Lines 1a and 1i. Line 1a identifies the person that is filing Form 3520. If you and your spouse are filing a joint Form 3520, put your names and TINs in the same order as they appear on your Form 1040, U.S. Individual Income Tax Return, or Form 1040-SR, U.S. Tax Return for Seniors, and check the box on line 1i.

Line 1j. If an automatic 2-month extension applies for your tax return, check the box and attach a statement to the Form 3520 showing that you are a U.S. citizen or resident who meets one of the following conditions.

- You live outside of the United States and Puerto Rico and your place of business or post of duty is outside the United States and Puerto Rico.
- You are in the military or naval service on duty outside the United States and Puerto Rico.

Line 1k. If you filed for an extension of time to file your income tax return, check the box and enter the number of the tax return that you will be filing with the IRS.

Example. You file Form 4868, Application for Automatic Extension of Time To File U.S. Individual Income Tax Return, to extend the time to file your individual income tax return (Form 1040). Enter "1040" on the entry line.

Line 2b. Enter the EIN of the foreign trust. Do not enter an SSN or ITIN. Only an EIN should be used to identify the foreign trust.

Line 3. Check "No" if the foreign trust did not appoint a U.S. agent who can provide the IRS with all relevant trust information, and if you are required to complete Part I, complete lines 15 through 18.

Lines 4a through 4f. If you are filing Form 3520 for a U.S. decedent, you must provide information about the U.S. decedent on lines 4a through 4e. You must also check the applicable box on line 4f.

Part I—Transfers by U.S. Persons to a Foreign Trust During the Current Tax Year

Complete Part I if you are responsible for reporting a reportable event that occurred during the current tax year, you transferred property to a related trust in exchange for a loan, or you hold a valid loan. See *Who Must File*, earlier.

For information on what is a reportable event, see *Reportable Event*, earlier.

Note: Although the basic reporting requirements for Part I of Form 3520 are contained in section 6048 (and are clarified by *Notice 97-34*), the reporting requirements have been further clarified by the regulations under sections 679 and 684. Accordingly, the regulations under sections 679 and 684 should be referred to for additional clarification for transfers that are required to be reported in Part I of Form 3520.

Line 5a. Enter the name of the trust creator. If you are the trust creator, enter "Same as line 1a" on line 5a. If you are not the trust creator, enter the name of the person who created or originally settled the foreign trust.

Lines 5b and 5c. Enter the address and TIN, if any, of the trust creator. See *Identifying Information*, earlier, for specific information regarding the entering of addresses and TINs.

If you are the trust creator, enter "Same as lines 1c, 1e, 1f, 1g, and 1h" on line 5b, and enter "Same as line 1b" on line 5c.

Lines 6a and 6b. Enter the applicable two-letter country code from the list at *IRS.gov/CountryCodes*.

Lines 7 and 8. If you are reporting multiple transfers to a single foreign trust and the answers to line 7 or 8 are different for various transfers, complete a separate line for each transfer on duplicate copies of the relevant pages of the form.

Lines 7a and 7b. Check "Yes" if you are treated as a U.S. owner of any portion of the foreign trust under the grantor trust rules (sections 671 through 679). You must also complete line 7b and Part II of this form. Additionally, if another person is treated as an owner of the transferred assets, you must comply with the reporting requirements that would apply to a direct transfer to that other person. For example, if that other person is a foreign partnership, you must comply with the reporting requirements for transfers to foreign partnerships. See *Form 8865*, Return of U.S. Persons With Respect to Certain Foreign Partnerships.

Line 8. If the transfer was a completed gift (see Regulations section 25.2511-2), you may have to file Form 709, United States Gift (and Generation-Skipping Transfer) Tax Return. If the transfer was a bequest, you may have to file Form 706, United States Estate (and Generation-Skipping Transfer) Tax Return.

Line 9. See *U.S. Beneficiary*, earlier.

Schedule A—Obligations of a Related Trust

Complete the applicable portions of Schedule A with respect to all transfers to a related foreign trust in exchange for an obligation of the trust or a person related to the trust that took place during the current tax year.

Line 11. For additional information, see *Obligation*, *Qualified Obligation*, and *Person related to a foreign trust*, earlier.

Line 12. If you answered "Yes" to the question on line 11b with respect to any obligation, you must generally answer "Yes" to the question on line 12. By so doing, you agree to extend the period of assessment of any income or transfer tax attributable to the transfer and any consequential income tax changes for each year that the obligation is outstanding to a date 3 years after the maturity date of the obligation. When executed and filed, this form will be deemed to be agreed upon and executed by the IRS for purposes of Regulations section 301.6501(c)-1(d).

You have the right to refuse to extend the period of assessment. *Pub. 1035, Extending the Tax Assessment Period*, provides a detailed explanation of your rights and the consequences of the choices you may make.

Note: If you answer "No" to the question on line 12, you generally may not treat an obligation as a qualified obligation on line 11b. The one exception to this is if the maturity date of the obligation does not extend beyond the end of your tax year for which you are reporting and such obligation is paid within that tax year.

Schedule B—Gratuitous Transfers

Complete the applicable portions of Schedule B with respect to all reportable events (defined earlier) that took place during the current tax year.

Line 13.

- In your column (b) description, indicate whether the property is tangible or intangible.
- You may aggregate transfers of cash during the year on a single line of line 13.
- If there is not enough space on the form, attach a statement.
- For transfers reported on statements attached to the form, you must enter "Statement" on one of the lines in column (b) and enter the total amount of transfers reported on the statement in columns (c), (d), (e), (f), (h), and (i) of line 13.

Note: Penalties may be imposed for failure to report all required information. See *Penalties*, earlier.

Line 13, column (d). Enter the U.S. adjusted basis of the property transferred.

Line 13, column (e). Only include gain that is immediately recognized at the time of the transfer.

Note: Any transfer of appreciated assets by a U.S. person to a foreign nongrantor trust is treated as a sale or exchange, and the transferor must recognize as gain the excess of the FMV of the transferred property over its adjusted basis. This rule applies to a domestic trust that becomes a foreign trust, provided that the foreign trust is not a grantor trust. The domestic trust is treated as having transferred all of its assets to the foreign trust immediately prior to becoming a foreign trust. Although the gain is not recognized on Form 3520, it must be reported on the appropriate form or schedule of the transferor's income tax return. See section 684. The transfer of assets, however, is reported on Part I of this Form 3520.

Line 13, column (f). Generally, if the reported transaction is a sale, you should report the gain on the appropriate form or schedule of your income tax return.

Lines 15 through 18. If you checked "No" on line 3 and you are required to complete Part I, acknowledging that the foreign trust did not appoint a U.S. agent who can provide the IRS with all relevant trust information, complete lines 15 through 18.

Line 15. Enter the name, address, whether the person is a U.S. beneficiary (defined earlier), and TIN, if any, of all reportable beneficiaries. Include specified beneficiaries, classes of discretionary beneficiaries, and names or classes of any beneficiaries that could be named as

additional beneficiaries. If there is not enough space on the form, attach a statement.

Line 17. Enter the name, address, and TIN, if any, of any person, other than those listed on line 16, that has significant powers over the trust (for example, "protectors," "enforcers," any person that must approve trustee decisions or otherwise direct trustees, any person with a power of appointment, or any person with powers to remove or appoint trustees, etc.). Include a description of each person's powers. If there is not enough space, attach a statement.

Line 18. If you checked "No" on line 3, attach a copy of the following documents.

- A summary of the terms of the foreign trust that includes a summary of any oral agreements or understandings you have with the trustee, whether or not legally enforceable.
- A copy of all trust documents (and any revisions), including the trust instrument, any memoranda of wishes prepared by the trustee summarizing your wishes, any letter of wishes you've prepared summarizing your wishes, and any similar documents.
- A copy of the trust's financial statements, including a balance sheet and an income statement similar to those shown on Form 3520-A. These financial statements must reasonably reflect the trust's accumulated income under U.S. income tax principles. For example, the statements must not treat capital gains as additions to trust corpus.
- A copy of the trust's organizational chart, including ownership structure and percentage of ownership.

Note: If these documents have been previously attached to a Form 3520-A or Form 3520 filed within the previous 3 years, attach only relevant updates.

Schedule C—Qualified Obligations Outstanding in the Current Tax Year

Line 19. Provide information on the status of outstanding obligations of the related foreign trust (or an obligation of a person related to the foreign trust) that you reported as a qualified obligation in the current tax year. This information is required in order to retain the obligation's status as a qualified obligation. If relevant, attach a statement describing any changes in the terms of the qualified obligation.

If the obligation fails to retain the status of a qualified obligation, you will be treated as having made a gratuitous transfer to the foreign trust, which must be reported on Schedule B of this Part I in the year the obligation fails to meet the criteria for a qualified obligation. See section III.C.2 of *Notice 97-34*.

Part II—U.S. Owner of a Foreign Trust

Complete Part II if you are considered the owner of any assets of a foreign trust under the rules of sections 671 through 679 during the tax year. You are required to enter an EIN for such foreign trust on line 2b on page 1 of the form.

Note: You are required to complete Part II even if there have been no transactions involving the trust during the tax year. You may also need to complete Part III if you receive a distribution from the foreign trust. See the instructions for Part III.

Line 20. Enter information regarding any person, including yourself, who is considered the owner of any portion of the trust under the rules of sections 671 through 679. Also, enter in column (e) the specific Code section that causes you or any other person (as applicable) to be considered an owner for U.S. income tax purposes. See the grantor trust rules under sections 671 through 679.

Lines 21a and 21b. Enter the applicable two-letter code from the list at *IRS.gov/CountryCodes*.

Line 22. Check "Yes" if the foreign trust filed Form 3520-A for the current tax year and attach a copy of pages 3 and 4 (Foreign Grantor Trust Owner Statement) of the Form 3520-A. See section IV of *Notice 97-34*.

Check "No" if the foreign trust has not filed Form 3520-A for the current tax year and attach a substitute Form 3520-A that you have completed to the best of your ability.

Caution: You may be liable for a penalty equal to the greater of $10,000 or 5% of the gross value of the portion of trust assets that you are treated as owning. There are additional penalties for continuing failure to file after notice by the IRS. See section 6677(a) through (c). Also, see *Penalties*, earlier.

Line 23. Enter the FMV of the trust assets that you are treated as owning. Include all assets at FMV as of the end of the tax year. For this purpose, disregard all liabilities. The trust should send you this information in connection with its Form 3520-A. If you did not receive such information (line 9 of the Foreign Grantor Trust Owner Statement) from the trust, complete line 23 to the best of your ability. At a minimum, include the value of all assets that you have transferred to the trust.

Use Form 8082 to notify the IRS that you did not receive a Foreign Grantor Trust Owner Statement. However, filing Form 8082 does not relieve you of any penalties that may be imposed under section 6677. See *Penalties*, earlier.

Part III—Distributions to a U.S. Person From a Foreign Trust During the Current Tax Year

Complete Part III if you are a U.S. person who received a distribution from a foreign trust during the current tax year.

If you received an amount from a portion of a foreign trust of which you are treated as the owner, complete lines 24 and 27. If you received an amount from a foreign trust that would require a report under both Parts III and IV (gifts or bequests) of Form 3520, report the amount only in Part III.

Line 24. Report any cash or the FMV of other property that you received (actually or constructively, directly or indirectly) from a foreign trust during the current tax year, whether or not taxable, unless the amount is a loan to you from the trust or constitutes uncompensated use of trust property, both of which must be reported on line 25. For example, if you are a partner in a partnership that receives a distribution from a foreign trust, you must report your

allocable share of such payment as an indirect distribution from the trust.

Line 24, column (c). The filer is permitted to enter the basis of the property in the hands of the beneficiary (as determined under section 643(e)(1)), if lower than the FMV of the property, but only if the taxpayer is not required to complete Schedule A (lines 31 through 38) due to lack of documentation. For these purposes, lack of documentation refers to a situation in which the filer checked "No" on line 29 or 30 because (a) the beneficiary did not receive a Foreign Grantor Trust Beneficiary Statement or a Foreign Nongrantor Trust Beneficiary Statement from the trust, or (b) such statement did not contain all of the items specified under the instructions for line 29 or 30, later.

If you received a distribution from a foreign trust attributable to a gift or bequest from a covered expatriate, you may have to file Form 708, United States Return of Tax for Gifts and Bequests Received From Covered Expatriates. See sections 877A and 2801, and What's new—Estate and gift tax, available at *IRS.gov/Businesses/Small-Businesses-Self-Employed/Whats-New-Estate-and-Gift-Tax*.

Line 25. If you or a U.S. person related to you received a loan of cash or marketable securities, directly or indirectly, from a related foreign trust, or the uncompensated use of trust property (defined later), the amount of such loan or the FMV of the use of trust property will be treated as a reportable distribution, whether or not taxable. For this purpose, a loan to you by an unrelated third party that is guaranteed by a foreign trust is generally treated as a loan from the trust.

Line 25, column (e). Answer "Yes" if an obligation given in exchange for the loan is a qualified obligation (defined earlier).

Line 25, column (f). The FMV of an obligation is zero unless it is a qualified obligation. Therefore, in the case of obligations that are not qualified obligations, enter "-0-" in column (f).

Uncompensated use of trust property. If you or a U.S. person related to you, directly or indirectly, used any property of a foreign trust, the FMV of such use will be treated as a reportable distribution whether or not taxable. Report the FMV of the use of trust property in column (a) and the date of first use in column (b), skip columns (c) through (e), report the amount paid for such use in column (f), and enter the amount treated as a taxable distribution from the trust in column (g) by subtracting column (f) from column (a). See section 643(i) for more information.

Note: Under the HIRE Act, effective after March 18, 2010, if a foreign trust with a U.S. transferor is not already treated as a grantor trust under the rules of sections 671 through 679, the foreign trust will be treated as having acquired a U.S. beneficiary and will therefore be treated as a grantor trust, if it makes a loan of cash or marketable securities, directly or indirectly, to a U.S. person or allows a U.S. person, directly or indirectly, to use trust property, and the U.S. person does not repay the loan at a market rate of interest or pay the trust the FMV of the use of the property within a reasonable period of time. Accordingly, the loan or use of trust property will not be treated as a taxable distribution under section 643(i) but will remain reportable on Part III of this Form 3520.

Line 26. If you checked "Yes" in column (e) of line 25, you must generally check "Yes" on line 26. By doing so, you agree to extend the period of assessment of any income or transfer tax attributable to the transfer and any consequential income tax changes for each year that the obligation is outstanding to a date 3 years after the maturity date of the obligation. When executed and filed, this form will be deemed to be agreed upon and executed by the IRS for purposes of Regulations section 301.6501(c)-1(d).

You have a right to refuse to extend the period of assessment. See *Pub. 1035* for a detailed explanation of your rights.

Line 27. Penalties may be imposed for failure to accurately report all distributions received during the current tax year. See *Penalties*, earlier.

Line 28. Provide information on the status of any outstanding obligation to the foreign trust that you reported as a qualified obligation in the current tax year. This information is required in order to retain the obligation's status as a qualified obligation. If relevant, attach a statement describing any changes to the terms of the qualified obligation. If the obligation fails to retain the status of a qualified obligation, you will be treated as having received a taxable distribution under section 643(i) from the foreign trust. See section V.A of *Notice 97-34*.

Line 29. Check "Yes" if you received a Foreign Grantor Trust Beneficiary Statement (page 5 of Form 3520-A) from the foreign trust with respect to a distribution. Attach the Foreign Grantor Trust Beneficiary Statement from the foreign trust and do not complete the rest of Part III with respect to the distribution.

If a U.S. beneficiary receives a complete Foreign Grantor Trust Beneficiary Statement with respect to a distribution during the tax year, the beneficiary should treat the distribution for income tax purposes as if it came directly from the owner. For example, if the distribution is a gift, the beneficiary should not include the distribution in gross income.

In addition to basic identifying information (see *Identifying Information*, earlier) about the foreign trust and its trustee, this statement must contain these items.

1. The first and last day of the tax year of the foreign trust to which this statement applies.

2. An explanation of the facts necessary to establish that the foreign trust should be treated for U.S. tax purposes as owned by another person. The explanation should identify the Code section that treats the trust as owned by another person.

3. A statement identifying whether the owner of the trust is an individual, trust, corporation, or partnership.

4. A description of property (including cash) distributed or deemed distributed to the U.S. person during the tax year and the FMV of the property distributed.

5. A statement that the trust will permit either the IRS or the U.S. beneficiary to inspect and copy the trust's

permanent books of account, records, and such other documents that are necessary to establish that the trust should be treated for U.S. tax purposes as owned by another person. This statement is not necessary if the trust has appointed a U.S. agent.

6. A statement as to whether the foreign trust has appointed a U.S. agent (defined earlier). If the trust has a U.S. agent, include the name, address, and TIN of the agent.

If any of the items required for the Foreign Grantor Trust Beneficiary Statement is missing, you must check "No."

Also, if you answer "Yes" and the foreign trust or U.S. agent does not produce records or testimony when requested or summoned by the IRS, the IRS may redetermine the tax consequences of your transactions with the trust and impose appropriate penalties under section 6677. See section 6048(c)(2)(A).

Caution: If a foreign nongrantor trust or the question is not applicable, check "N/A."

Line 30. Check "Yes" if you received a Foreign Nongrantor Trust Beneficiary Statement from the foreign trust with respect to a distribution. Attach the Foreign Nongrantor Trust Beneficiary Statement from the foreign trust. A Foreign Nongrantor Trust Beneficiary Statement must include the following items.

1. An explanation of the appropriate U.S. tax treatment of any distribution or deemed distribution for U.S. tax purposes or sufficient information to enable the U.S. beneficiary to establish the appropriate treatment of any distribution or deemed distribution for U.S. tax purposes.

2. A statement identifying whether any grantor of the trust is a partnership or a foreign corporation. If so, attach an explanation of the relevant facts.

3. A statement that the trust will permit either the IRS or the U.S. beneficiary to inspect and copy the trust's permanent books of account, records, and such other documents that are necessary to establish the appropriate treatment of any distribution or deemed distribution for U.S. tax purposes. This statement is not necessary if the trust has appointed a U.S. agent.

4. The Foreign Nongrantor Trust Beneficiary Statement must also include items (1), (4), and (6), as listed in the line 29 instructions, earlier, in addition to the basic identifying information (see *Identifying Information*, earlier) about the foreign trust and its trustee.

If any of items required for the Foreign Nongrantor Trust Beneficiary Statement is missing, you must check "No."

Also, if you answer "Yes" and the foreign trust or U.S. agent does not produce records or testimony when requested or summoned by the IRS, the IRS may redetermine the tax consequences of your transactions with the trust and impose appropriate penalties under section 6677. See section 6048(c)(2)(A).

Caution: If a foreign grantor trust, or the question is not applicable, check "N/A."

Schedule A—Default Calculation of Trust Distributions

If you answered "Yes" to line 30, you may complete either Schedule A or Schedule B. Generally, if you complete Schedule A in the current year, or did so in prior years, you must continue to complete Schedule A for all future years, even if you are able to answer "Yes" to line 30 in that future year. The only exception to this consistency rule is that you may use Schedule B in the year that a trust terminates, but only if you are able to answer "Yes" to line 30 in the year of termination.

Line 32. To the best of your knowledge, state the number of years the trust has been in existence as a foreign trust and attach an explanation of your basis for this statement. Consider any portion of a year to be a complete year. If this is the first year that the trust has been a foreign trust, do not complete the rest of Part III.

Line 33. Enter the total amount of distributions that you received during the 3 preceding tax years or the number of years the trust has been a foreign trust if fewer than 3 years. For example, if a trust distributed $50 in year 1, $120 in year 2, and $150 in year 3, the amount reported on line 33 would be $320 ($50 + $120 + $150).

Line 35. Divide line 34 by 3.0 or the number of years the trust has been a foreign trust if fewer than 3 years. Consider any portion of a year to be a complete year. For example, a foreign trust created on July 1, 2021, would be treated on a 2023 calendar year return as having 2 preceding years (2021 and 2022). In this case, you would calculate the amount on line 35 by dividing line 34 by 2.0. Do not disregard tax years in which no distributions were made. The IRS will consider your proof of these prior distributions as adequate records to demonstrate that any distribution up to the amount on line 31 is not an accumulation distribution in the current tax year.

Line 36. Enter this amount as ordinary income on your income tax return. Report this amount on the appropriate schedule of your income tax return (for example, Schedule E (Form 1040), Part III).

Line 37. If there is an amount on line 37, you must also complete line 38 and *Schedule C—Calculation of Interest Charge* to determine the amount of any interest charge you may owe.

Schedule B—Actual Calculation of Trust Distributions

You may only use Schedule B if:

- You answered "Yes" to line 30,
- You attach a copy of the Foreign Nongrantor Trust Beneficiary Statement to this return, and
- You have never before used Schedule A for this foreign trust or this foreign trust terminated during the tax year.

Line 40a. Enter on line 40a the amount received by you from the foreign trust that is treated as ordinary income of the trust in the current tax year. Ordinary income is all income that is not capital gains. Report this amount on the appropriate schedule of your tax return (for example, Schedule E (Form 1040), Part III).

Lines 42a through 42d. Enter on these lines the applicable amounts received by you from the foreign trust

that are treated as capital gain income of the trust in the current tax year. Report these amounts on the appropriate schedule of your tax return (for example, Schedule D (Form 1040)).

Line 45. Enter the foreign trust's aggregate undistributed net income (UNI).

Example. A trust was created in 2018 and has made no distributions prior to 2024. Assume the trust's ordinary income was $0 in 2023, $60 in 2022, $124 in 2021, $87 in 2020, $54 in 2019, and $25 in 2018. Thus, for 2024, the trust's UNI would be $350. If the trust earned $100 and distributed $200 during 2024 (so that $100 was distributed from accumulated earnings), the trust's 2025 aggregate UNI would be $250 ($350 + $100 – $200).

Line 46. Enter the foreign trust's weighted undistributed net income (weighted UNI). The trust's weighted UNI is its accumulated income that has not been distributed, weighted by the years that it has accumulated income. To calculate weighted UNI, multiply the undistributed income from each of the trust's years by the number of years since that year, and then add each year's result. Using the example from line 45, the trust's weighted UNI in 2024 would be $1,260, calculated as follows.

Year	No. of years since that year	UNI from each year	Weighted UNI
2023	1	$ 0	$ 0
2022	2	60	120
2021	3	124	372
2020	4	87	348
2019	5	54	270
2018	6	25	150
TOTAL		$350	$1,260

To calculate the trust's weighted UNI for 2025, the trust could update this calculation, or the weighted UNI shown on line 46 of the 2024 Form 3520 could simply be updated using the following steps.

1. Begin with the 2024 weighted UNI.
2. Add UNI at the beginning of 2024.
3. Add trust earnings in 2024.
4. Subtract trust distributions in 2024.
5. Subtract weighted trust accumulation distributions in 2024. The weighted trust accumulation distributions are the trust accumulation distributions in 2024 multiplied by the applicable number of years from 2024.

Using the example above, the trust's 2025 weighted UNI would be $1,150, calculated as follows.

2024 weighted UNI	$1,260
UNI at beginning of 2024	+ 350
Trust earnings in 2024	+ 100
Trust distributions in 2024	– 200
Weighted trust accumulation distributions in 2024 ($100 X 3.6)	– 360
2025 weighted UNI	$1,150

Line 47. Calculate the trust's applicable number of years by dividing line 46 by line 45. This would be the weighted UNI divided by the annual UNI. Using the examples in the instructions for lines 45 and 46, the trust's applicable number of years would be 3.6 (1,260/350) in 2024 and 4.6 (1,150/250) in 2025.

Note: Include as many decimal places as there are digits in the UNI on line 45. For example, using the example in the instructions for line 45, include three decimal places.

Schedule C—Calculation of Interest Charge

Complete Schedule C if you entered an amount on line 37 or line 41a.

Line 49. Include the amount from line 48 of this form on line 1 of Form 4970, Tax on Accumulation Distribution of Trusts. Then, compute the tax on the total accumulation distribution using lines 1 through 28 of Form 4970. Enter on line 49 the tax from line 28 of Form 4970.

Note: Use Form 4970 as a worksheet and attach it to Form 3520.

Line 51. Interest accumulates on the tax (line 49) for the period beginning on the date that is the applicable number of years (as rounded on line 50) prior to the applicable date and ending on the applicable date. For purposes of making this interest calculation, the applicable date is the date that is mid-year through the tax year for which reporting is made. For example, in the case of a 2025 calendar-year taxpayer, the applicable date would be June 30, 2025.

Alternatively, if you received only a single distribution during the tax year that is treated as an accumulation distribution, you may use the date of that distribution as the applicable date.

For portions of the interest accumulation period that are prior to 1996 and after 1976, interest accumulates at a simple rate of 6% annually, without compounding. For portions of the interest accumulation period that are after 1995, interest is compounded daily at the rate imposed on underpayments of tax under section 6621(a)(2). This compounded interest for periods after 1995 is imposed not only on the tax, but also on the total simple interest attributable to pre-1996 periods.

If you are a calendar-year taxpayer and you use June 30 of the calendar year as the applicable date for calculating interest, use the table found on *IRS.gov/CombinedInterestRate* to determine the combined interest rate and enter it on line 51. If you are not a calendar-year taxpayer or you choose to use the actual date of the distribution as the applicable date, calculate the combined

interest rate using the above principles and enter it on line 51.

Line 53. Report this amount as additional tax (ADT) on the appropriate line of your income tax return. For example, Form 1040 filers include this amount as part of the total for the "Any other taxes" line on Schedule 2 (Form 1040) under Part II—Other Taxes.

Part IV—U.S. Recipients of Gifts or Bequests Received During the Current Tax Year From Foreign Persons

Complete Part IV if you are a U.S. person who has received gifts or bequests from a foreign person or estate.

A gift to a U.S. person does not include any amount paid for qualified tuition or medical payments made on behalf of the U.S. person.

If a foreign trust makes a distribution to a U.S. person, the U.S. person must report the amount as a distribution in Part III, rather than as a gift in Part IV.

Note: If you fail to timely report foreign gifts that should be reported under section 6039F, the IRS may determine the income tax consequences of the receipt of such gift, and penalties may be imposed. See *Penalties*, earlier.

Contributions of property by foreign persons to domestic or foreign trusts that have U.S. beneficiaries are not reportable by those beneficiaries in Part IV unless they are treated as receiving the contribution in the year of the transfer. For example, if the U.S. beneficiary is treated as an owner of that portion of the trust under section 678, then the contribution must be reported by such U.S. beneficiary in Part IV.

A domestic trust that is not treated as owned by another person is required to report the receipt of a contribution to the trust from a foreign person as a gift in Part IV.

A domestic trust that is treated as owned by a foreign person is not required to report the receipt of a contribution to the trust from a foreign person. However, a U.S. person should report the receipt of a distribution from a domestic trust that is treated as owned by a foreign person as a gift from a foreign person in Part IV, rather than as a distribution to a U.S. person in Part III.

Line 54. Check "Yes" if during the current tax year, you received more than $100,000 that you treated as gifts or bequests from a nonresident alien, including a distribution received from a domestic trust treated as owned by a foreign person or a foreign estate. Complete columns (a) through (c).

To calculate the threshold amount of $100,000, you must aggregate gifts from different foreign nonresident aliens and foreign estates if you know, or have reason to know, that those persons are related to each other or if one is acting as a nominee or intermediary for the other. See *Related Person*, earlier.

For example, if you receive a gift of $75,000 from Abby, a nonresident alien individual, and a gift of $40,000 from Brian, a nonresident alien individual, and you know that Abby and Brian are related, you must answer "Yes" and complete columns (a) through (c) for each gift.

However, if you answered "Yes" but none of the individual gifts or bequests received exceeds $5,000, do not complete columns (a) through (c). Instead, enter in column (b) of the first line, "No gifts or bequests exceed $5,000."

If you received a gift or bequest from a covered expatriate, you may have to file Form 708. See sections 877A and 2801, and *What's New—Estate and gift tax* for additional information.

Line 55. Check "Yes" if you received aggregate amounts in excess of the section 6039F threshold amount during the current tax year that you treated as gifts from any of the following.

- Foreign corporations.
- Foreign partnerships.
- Any foreign persons that you know or have reason to know that are related to such foreign corporations or foreign partnerships.

For example, if you, a calendar-year taxpayer during 2023, received $8,000 from Xander Corp. (a foreign corporation) that you treated as a gift, and $15,000 that you received from Allison (a nonresident alien) that you treated as a gift, and you know that Xander Corp. is wholly owned by Allison, you must complete columns (a) through (g) for each gift.

To obtain the threshold amount, go to *IRS.gov/InflationAdjustment*. Select the applicable tax year news release, then click on the Rev. Proc. link and search for section 6039F to see the threshold amount under Notice of Large Gifts Received from Foreign Persons.

Note: Gifts from foreign corporations or foreign partnerships are subject to recharacterization by the IRS under section 672(f)(4).

Line 56. Check "Yes" if you have any reason to believe that the foreign donor, in making any gift or bequest described in lines 54 and 55, was acting as a nominee or intermediary for any other person. If the ultimate donor on whose behalf the reporting donor is acting is a foreign corporation or foreign partnership, attach an explanation including the ultimate foreign donor's name, address, TIN (if any) and whether it is a corporation or partnership.

If the ultimate donor is a foreign trust, treat the amount received as a distribution from a foreign trust and complete Part III.

Privacy Act and Paperwork Reduction Act Notice. We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

Our authority to ask for information is sections 6001, 6011, and 6012(a) and their regulations, which require you to file a return or statement with us for any tax for which you are liable. Your response is mandatory under these sections. Section 6109 requires you to provide your TIN. You must fill in all parts of the tax form that apply to you.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103. However, section 6103 allows or requires the IRS to disclose or give the information shown on your tax return to others as described in the Code. For example, we may disclose your tax information to the Department of Justice to enforce the tax laws, both civil and criminal, and to cities, states, the District of Columbia, and U.S. commonwealths or territories to carry out their tax laws. We may also disclose this information to other countries under a tax treaty, to federal and state agencies to enforce federal nontax criminal laws, or to federal law enforcement and intelligence agencies to combat terrorism. Failure to provide this information, or providing false information, may subject you to fines or penalties.

Keep this notice with your records. It may help you if we ask you for other information.

The time needed to complete and file this form and related schedules will vary depending on individual circumstances. The estimated burden for individual taxpayers filing this form is approved under OMB control number 1545-0074 and is included in the estimates shown in the instructions for their individual income tax return. The estimated burden for all other taxpayers who file this form is shown below.

Recordkeeping	42 hr., 34 min.
Learning about the law or the form	4 hr., 50 min.
Preparing the form	6 hr., 40 min.
Sending the form to the IRS	16 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. You can send us comments through *IRS.gov/FormComments*. Or, you can write to the Internal Revenue Service, Tax Forms and Publications, 1111 Constitution Ave. NW, IR-6526, Washington, DC 20224. Do not send the form to this office. Instead, see *When and Where To File*, earlier.