

# Form 3520 A Instructions

2020



Department of the Treasury  
Internal Revenue Service

## Instructions for 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](https://www.irs.gov/Form3520).

#### What's New

**Exemption from information reporting under section 6048.** Rev. Proc. 2020-17 exempts from foreign trust information reporting certain eligible individuals' transactions. See [Exemptions To Filing](#), later.

#### General Instructions

##### Purpose of Form

U.S. persons (and executors of estates of U.S. decedents) file Form 3520 with the Internal Revenue Service (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 applies.

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 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 \$16,649 from foreign corporations or foreign partnerships (including foreign persons related to such foreign corporations or foreign partnerships) that you treated as gifts.

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

**Note.** 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](https://www.irs.gov/FBAR).

##### Exceptions To Filing

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

- Transfers to foreign trusts described in section 402(b), 404(a)(4), or 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-irb/97-25.pdf](https://www.irs.gov/pub/irs-irb/97-25.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).

- 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/ar10.html](https://www.irs.gov/irb/2014-44_IRB/ar10.html).

- 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

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**Form 3520-A instructions** are crucial for U.S. taxpayers who are beneficiaries of foreign trusts or who have foreign trusts that are required to file certain forms with the IRS. Understanding how to accurately complete Form 3520-A can help prevent unnecessary penalties and ensure compliance with the Internal Revenue Service. This article will provide a comprehensive guide on Form 3520-A instructions, covering what it is, who needs to file it, and detailed steps on how to complete the form correctly.

## What is Form 3520-A?

Form 3520-A, "Annual Information Return of Foreign Trust With a U.S. Owner," is an IRS form required for foreign trusts that have U.S. owners. This form

provides the IRS with information about the trust, its beneficiaries, and any income generated by the trust. The filing of Form 3520-A is essential for maintaining transparency and ensuring that U.S. tax obligations are met.

## **Who Needs to File Form 3520-A?**

The following individuals and entities are generally required to file Form 3520-A:

- U.S. persons who are treated as owners of a foreign trust.
- Trustees of a foreign trust with U.S. owners.
- U.S. beneficiaries of foreign trusts that have distributions during the tax year.

It is vital for these individuals to understand their responsibilities regarding Form 3520-A to avoid penalties that can arise from non-compliance.

## **When is Form 3520-A Due?**

Form 3520-A has specific due dates that depend on the entity required to file the form:

- If you are a U.S. owner of a foreign trust, Form 3520-A is due on the 15th day of the 3rd month following the end of the trust's tax year.
- For foreign trusts, if the trust's tax year ends on December 31, Form 3520-A is due by March 15 of the following year.
- Extensions may be available, but they must be requested through Form 7004.

Missing the deadline can lead to significant penalties, so it is crucial to be aware of these dates.

## **Steps to Complete Form 3520-A**

Filling out Form 3520-A may seem daunting, but breaking it down into

manageable steps can simplify the process. Below are detailed instructions on how to complete the form correctly.

## **1. Gather Necessary Information**

Before you start filling out Form 3520-A, ensure you have all the necessary information at hand, including:

- The trust's name, address, and taxpayer identification number (if applicable).
- The name, address, and taxpayer identification number of the U.S. owner(s).
- A list of all beneficiaries of the trust.
- Details of any distributions made to U.S. beneficiaries during the tax year.
- Financial statements and records of the trust's income and expenses.

## **2. Complete Part I - General Information**

In Part I of Form 3520-A, you will provide general information about the trust, including:

- Box 1: Trust name.
- Box 2: Address of the trust.
- Box 3: The trust's employer identification number (EIN).
- Box 4: The name and address of the U.S. owner.
- Box 5: The tax year of the trust.

Make sure to double-check all entries for accuracy.

## **3. Complete Part II - U.S. Owner Information**

This section requires detailed information about the U.S. owner(s) of the trust, including:

- The owner's name, address, and taxpayer identification number.
- Ownership percentage and any changes throughout the year.

Ensure that each U.S. owner is reported correctly, as this information is critical for IRS records.

## **4. Complete Part III - Beneficiaries**

In Part III, you will outline information regarding the beneficiaries of the trust, including:

- Names and addresses of all U.S. beneficiaries.
- Details of any distributions made to these beneficiaries during the tax year.

This section is vital for the IRS to understand who received benefits from the trust.

## **5. Complete Part IV - Trust Income**

This part requires a breakdown of the trust's income, including:

- Sources of income (e.g., dividends, interest, rental income).
- Total income for the tax year.
- Any deductions or expenses incurred by the trust.

Providing accurate financial information is essential to avoid potential scrutiny from the IRS.

## 6. Sign and Date the Form

Once you have completed all sections of Form 3520-A, the final step is to sign and date the form. If you are filing on behalf of the trust, ensure that you are authorized to do so.

## Common Mistakes to Avoid

When completing Form 3520-A, it's easy to make mistakes that could lead to penalties. Here are some common errors to avoid:

- Failing to file on time.
- Omitting required information about beneficiaries.
- Incorrectly reporting income or deductions.
- Not signing the form.

Awareness of these pitfalls can help ensure a smoother filing process.

## Penalties for Non-Compliance

Failure to file Form 3520-A can result in severe penalties. The IRS may impose:

- A penalty of up to 35% of the gross reportable amount for failing to report distributions.
- Additional penalties for failing to file on time or failing to provide accurate information.

It is crucial to adhere to all filing requirements to avoid these costly consequences.

## Conclusion

In summary, understanding **Form 3520-A instructions** is essential for U.S.

taxpayers involved with foreign trusts. By following the outlined steps and avoiding common mistakes, you can ensure compliance with IRS regulations. If you have any doubts or require further assistance, consider consulting a tax professional with experience in international tax law to navigate the complexities of Form 3520-A effectively.

## **Frequently Asked Questions**

### **What is Form 3520-A used for?**

Form 3520-A is used to report the information required by the IRS for foreign trusts with U.S. owners, including the trust's income, distributions, and other relevant details.

### **Who is required to file Form 3520-A?**

Form 3520-A must be filed by foreign trusts that have U.S. owners or beneficiaries, as well as U.S. persons who are grantors of foreign trusts.

### **When is the due date for filing Form 3520-A?**

Form 3520-A is due on the 15th day of the 3rd month after the end of the trust's tax year. For calendar year trusts, this means March 15.

### **What happens if I miss the deadline for Form 3520-A?**

Failing to file Form 3520-A on time can result in significant penalties, typically starting at \$10,000, plus additional penalties for continued failure to report.

### **Can Form 3520-A be filed electronically?**

As of now, Form 3520-A cannot be filed electronically and must be mailed to the appropriate IRS address.

### **What information is required to complete Form 3520-A?**

You need to provide information about the trust, including its name, address, U.S. taxpayer identification number, the names and addresses of the U.S. owners, and details about the trust's income and distributions.

### **Is there a penalty for inaccurate information on Form 3520-A?**

Yes, providing inaccurate information on Form 3520-A can lead to penalties, which can also include the same \$10,000 base penalty for failure to file correctly.

## Where can I find the instructions for completing Form 3520-A?

The instructions for Form 3520-A can be found on the IRS website under the Forms and Publications section, or by searching for 'IRS Form 3520-A instructions'.

## Do I need to file Form 3520-A if the trust has no income?

Yes, even if the foreign trust has no income, Form 3520-A must still be filed to report the existence of the trust and its U.S. owners.

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Get clear and concise Form 3520-A instructions to ensure accurate filing. Discover how to navigate the process and avoid penalties. Learn more now!

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