

Part III - Administrative, Procedural, and Miscellaneous

Canadian Retirement Plan Trust Reporting

Notice 2003-25

Internal Revenue Code section 6048 requires information reporting with respect to certain foreign trusts. Persons subject to these information reporting rules must file Form 3520 (Annual Return to Report Transactions with Foreign Trusts and Receipt of Certain Foreign Gifts) or Form 3520-A (Annual Information Return of Foreign Trust with a U.S. Owner), as applicable.

Form 3520 is generally filed on an annual basis on or before the due date for the U.S. owner's or U.S. beneficiary's income tax return. A person may obtain an extension of time to file Form 3520 by obtaining an extension of time to file the applicable income tax return. Form 3520-A is generally due by the fifteenth day of the third month after the end of the trust's tax year. A person may seek an extension of time to file Form 3520-A by filing Form 2758 (Application for Extension of time to File Certain Excise, Income, Information, and Other Returns). Specific penalties under Internal Revenue Code section 6677 apply if a Form 3520 or Form 3520-A is not timely filed or if the required information is incomplete or incorrect.

Treasury and the Internal Revenue Service have become aware that many taxpayers with interests in Canadian registered retirement savings plans (RRSPs), as well as the custodians of such plans, are unfamiliar with the requirements for filing Forms 3520 and 3520-A. Under the circumstances, the IRS has determined that it will enforce neither filing requirements, nor penalties under section 6677, for Forms 3520 and 3520-A with respect to such plans for tax years before 2002, and will grant additional time to file these forms for 2002. Any person who is required to file a 2002 Form 3520 or Form 3520-A with respect to an RRSP or other eligible plan within the meaning of section 3 of Revenue Procedure 2002-23, 2002-1 C.B. 744, is granted an automatic extension of time to file until August 15, 2003. If a person obtains an extension of time to file a Form 3520 or Form 3520-A for a date later than August 15, 2003, then such later extension date applies. Penalties for failure to file will not apply to a person who files by the relevant extension date.

In addition, if the beneficiary of an eligible plan has made an election in accordance with section 4 of Rev. Proc. 2002-23 and the beneficiary complies with the annual reporting requirements of Rev. Proc. 2002-23, the plan is relieved of any obligation to file Form 3520-A for any year for which such requirements are met.

Treasury and the IRS are interested in establishing for future taxable years a simplified reporting regime for RRSPs and persons with interests in RRSPs. In addition to streamlining the reporting requirements, Treasury and the IRS are considering coordinating them with the election described in Rev. Proc. 2002-23. Treasury and the IRS also will consider whether there are other pension plans similar to RRSPs for which similar simplified reporting is appropriate.

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