

Part IV. Items of General Interest

Penalty Relief for Failure to Timely File the 1997 Form 3520-A

Announcement 98-30

Because the 1997 Form 3520-A, Annual Information Return of Foreign Trust With a U.S. Owner, was not available in time for foreign trusts to meet their filing requirements, no penalties will be imposed under section 6677 of the Internal Revenue Code on the U.S. owner of a foreign trust for failure to timely file if a foreign trust files its 1997 Form 3520-A with the Philadelphia Service Center and furnishes the required statements to the U.S. owners and U.S. beneficiaries by the later of the--

- Fifteenth day of the seventh month following the end of its taxable year beginning in 1997, **or**
- Extension date granted under Form 2758, Application for Extension of Time To File Certain Excise, Income, Information, and Other Returns.

In section VIII of Notice 97-34, 1997-1 C.B. 422, the Service provided that no penalties would be imposed under section 6677 on U.S. owners of foreign trusts under certain circumstances if the foreign trust filed Form 3520-A for its taxable year that included August 20, 1996 ("1996 Form 3520-A") by the due date for filing the trust's 1997 Form 3520-A. The relief discussed in this announcement (98-30) also applies to the filing of the 1996 Form 3520-A by these trusts. If such a trust has not yet filed Form 3520-A pursuant to Section IV of Notice 97-34 for its 1996 taxable year, the trust should file a 1997 Form 3520-A to report information for that year and strike out "1997" at the top right-hand corner and replace it with "1996". If a trust has already filed Form 3520-A pursuant to Section IV of Notice 97-34 for its 1996 and 1997 taxable years, the trust is not required to refile the revised forms.

The relief discussed in this announcement does not extend the time for (1) payment of any income taxes due for the owner's 1996 and 1997 taxable years or (2) filing the 1996 Form 3520 and the 1997 Form 3520, Annual Return To Report Transactions With Foreign Trusts and Receipt of Certain Foreign Gifts. Because Form 3520 is filed on an annual basis with the U.S. owner's or U.S. beneficiary's income tax return, an extension of time to file Form 3520 may be obtained by getting an extension of time to file the applicable income tax return.