



Reporting for Foreign Trusts, Entities And Accounts: A Case Study

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Biography and Contact Information

Ms. Ugent functions as the accounting and tax director for all areas of the firm's practice. She provides counsel to firm attorneys on income and transfer tax considerations with regard to proposed business transactions, choice of entity structure, and investment in pass-through entities. In her role as tax director for the firm, Ms. Ugent regularly researches and analyzes complex domestic and international tax issues, facilitates tax reporting and compliance for foreign trusts and domestic entities, and assists in the preparation of estate and gift tax returns. Ms. Ugent has extensive experience in the preparation and examination of all types of federal and state income tax returns, and her previous experience as a partner in a public accounting firm provides a strong background for dealing with the income and transfer tax issues encountered by the firm's clients. Ms. Ugent is a member of the American Institute of Certified Public Accountants Trust, Estate and Gift Tax Technical Resource Panel, and also serves on the AICPA's Foreign Trust Task Force.

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Case Study, Part 1

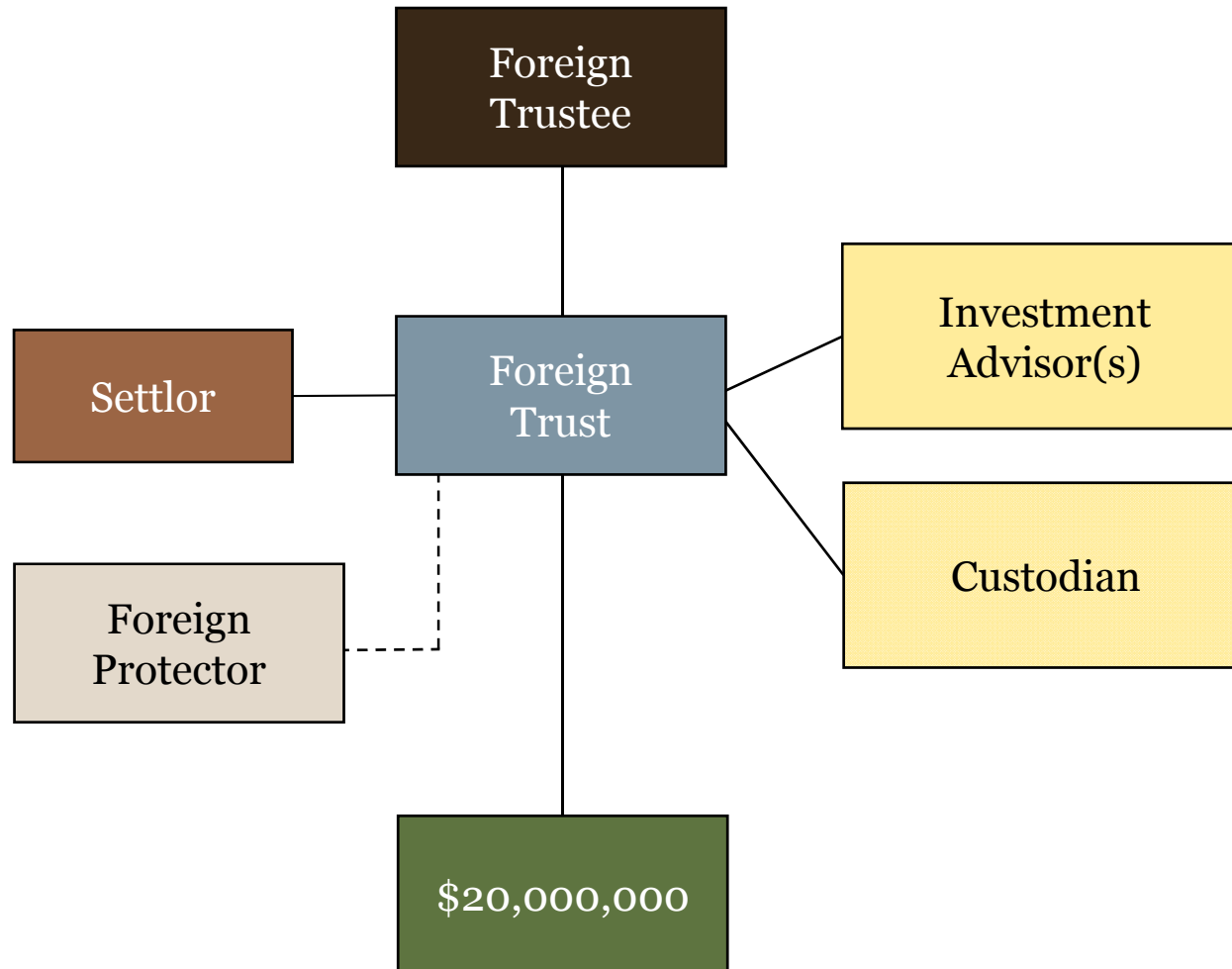


Case Study, Part 1

- ◆ On February 1, 2011, Bill and Frances Smith create “The Smith Trust,” a foreign grantor trust and transfer the following assets to The Trust.
 - cash of \$10,000,000
 - securities valued at \$10,000,000 (basis of \$7,000,000)
- ◆ The Trustee is an Isle of Man trust company.
- ◆ The assets are managed and custodied in a Swiss account.



Case Study, Part 1



Case Study, Part 1

- ◆ What forms are the Smiths required to file with the federal authorities?

Form #	Description	Due
3520	Annual Return to Report Transactions With Foreign Trusts and Receipt of Certain Foreign Gifts	4/15*
709	United States Gift (and Generation-Skipping Transfer) Tax Return	4/15*
1040, Schedule B	Complete Part III	4/15*
8938	Statement of Specified Foreign Financial Assets	4/15*
FinCEN Report 114 (fka TD F 90-22.1)	Report of Foreign Bank and Financial Accounts ("FBAR")	6/30**



*Extended automatically if individual return extended

**Electronic filing will be required for 2013 reports

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

▶ See separate instructions.

Note. All information must be in English. Show all amounts in U.S. dollars. File a separate Form 3520 for each foreign trust.

For calendar year 2011, or tax year beginning **February 1**, 2011, ending **December 31**, 2011

A Check appropriate boxes: Initial return Final return Amended return

B Check box that applies to person filing return: Individual Partnership Corporation Trust Executor

Check all applicable boxes:

(a) You are a U.S. transferor who, directly or indirectly, transferred money or other property during the current tax year to a foreign trust, (b) You held an outstanding obligation of a related foreign trust (or a person related to the trust) issued during the current tax year, that you reported as a "qualified obligation" (defined in the instructions) during the current tax year, or (c) You are the executor of the estate of a U.S. decedent and (1) the decedent made a transfer to a foreign trust by reason of death, (2) the decedent was treated as the owner of any portion of a foreign trust immediately prior to death, or (3) the decedent's estate included any portion of the assets of a foreign trust. **Complete all applicable identifying information requested below and Part I of the form and see the instructions for Part I.**

You are a U.S. owner of all or any portion of a foreign trust at any time during the tax year. **Complete all applicable identifying information requested below and Part II of the form and see the instructions for Part II.**

(a) You are a U.S. person who, during the current tax year, received a distribution from a foreign trust, or (b) You are a U.S. person who is also a grantor or beneficiary of a foreign trust (1) that has made a loan of cash or marketable securities, directly or indirectly, to you or a U.S. person related to you during the current tax year, or (2) from which you or a U.S. person related to you received the uncompensated use of trust property. **Complete all applicable identifying information requested below and Part III of the form and see the instructions for Part III.**

You are a U.S. person who, during the current tax year, received certain gifts or bequests from a foreign person. **Complete all applicable identifying information requested below and Part IV of the form and see the instructions for Part IV.**

Service Center where U.S. person's income tax return is filed ▶ **Fresno, California**

1a Name of person(s) filing return (see instructions)
William J. and Frances K. Smith

b Identification number
123-45-6789

c Number, street, and room or suite no. (if a P.O. box, see instructions)
123 Scenic Drive

d Spouse's identification number
234-56-7890

e City or town
San Diego

f State or province
CA

g ZIP or postal code
92100

h Country
USA

2a Name of foreign trust (if applicable)
The Smith Trust

b Employer identification number (if any)
99-1111111

c Number, street, and room or suite no. (if a P.O. box, see instructions)
c/o Prosperity Trust Company, 123 Main Street

d City or town
Douglas

e State or province

f ZIP or postal code
IM2 4RB

g Country
Isle of Man

3 Did the foreign trust appoint a U.S. agent (defined in the instructions) who can provide the IRS with all relevant trust information? Yes No
 If "Yes," complete lines 3a through 3g. If "No," be sure to complete Part I, lines 15 through 18.

3a Name of U.S. agent
George Jones

b Identification number (if any)
345-67-8901

c Number, street, and room or suite no. (if a P.O. box, see instructions)
567 First Street

d City or town
San Diego

e State or province
CA

f ZIP or postal code
92100

g Country
USA

4a Name of U.S. decedent (see instr.)

b Address

c TIN of decedent

d Date of death

e EIN of estate

f Check applicable box:
 U.S. decedent made transfer to a foreign trust by reason of death.
 U.S. decedent treated as owner of foreign trust immediately prior to death.
 Assets of foreign trust were included in estate of U.S. decedent.

Under penalties of perjury, I declare that I have examined this return, including any accompanying reports, schedules, or statements, and to the best of my knowledge and belief, it is true, correct, and complete.

Sign Here
 Signature _____ Title _____ Date _____

Paid Preparer Use Only
 Print/Type preparer's name Preparer's signature Date Check if self-employed PTIN

Firm's name ▶ Firm's EIN ▶ Firm's address ▶ Phone no. ▶



Part I Transfers by U.S. Persons to a Foreign Trust During the Current Tax Year (see instructions)

5a Name of trust creator		b Address		c Identification number (if any)	
6a Country code of country where trust was created IM		b Country code of country whose law governs the trust IM		c Date trust was created 2/1/2011	
7a Will any person (other than the U.S. transferor or the foreign trust) be treated as the owner of the transferred assets after the transfer? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No					
b (i) Name of other foreign trust owners, if any		(ii) Address		(iii) Country of residence	(iv) Identification number, if any
8 Was the transfer a completed gift or bequest? If "Yes," see instructions <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No					
9a Now or in the future, can any part of the income or corpus of the trust benefit any U.S. beneficiary? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No					
b If "No," could the trust be revised or amended to benefit a U.S. beneficiary? <input type="checkbox"/> Yes <input type="checkbox"/> No					
10 Will you continue to be treated as the owner of the transferred asset(s) after the transfer? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No					

Schedule A—Obligations of a Related Trust (see instructions)

11a During the current tax year, did you transfer property (including cash) to a related foreign trust in exchange for an obligation of the trust or an obligation of a person related to the trust (see instructions)? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No			
If "Yes," complete the rest of Schedule A, as applicable. If "No," go to Schedule B.			
b Were any of the obligations you received (with respect to a transfer described in 11a above) qualified obligations? <input type="checkbox"/> Yes <input type="checkbox"/> No			
If "Yes," complete the rest of Schedule A with respect to each qualified obligation.			
If "No," go to Schedule B and, when completing columns (a) through (i) of line 13 with respect to each nonqualified obligation, enter "-0-" in column (h).			
(i) Date of transfer giving rise to obligation	(ii) Maximum term	(iii) Yield to maturity	(iv) FMV of obligation
12 With respect to each qualified obligation you reported on line 11b: Do 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? <input type="checkbox"/> Yes <input type="checkbox"/> No			
Note. Generally, you must answer "Yes," if you checked "Yes" to the question on line 11b.			

Schedule B—Gratuitous Transfers (see instructions)

13 During the current tax year, did you make any transfers (directly or indirectly) to the trust and receive less than FMV, or no consideration at all, for the property transferred? Yes No

If "Yes," complete columns (a) through (i) below and the rest of Schedule B, as applicable.

If "No," go to Schedule C.

(a) Date of transfer	(b) Description of property transferred	(c) FMV of property transferred	(d) U.S. adjusted basis of property transferred	(e) Gain recognized at time of transfer	(f) Excess, if any, of column (c) over the sum of columns (d) and (e)	(g) Description of property received, if any	(h) FMV of property received	(i) Excess of column (c) over column (h)
2/1/11	Cash	10,000,000	10,000,000	0	0	N/A	N/A	10,000,000
2/1/11	Securities	10,000,000	7,000,000	0	3,000,000	N/A	N/A	10,000,000
Totals ▶					\$ 3,000,000			\$ 20,000,000

14 You are required to attach a copy of each sale or loan document entered into in connection with a transfer reported on line 13. If these documents have been attached to a Form 3520 filed within the previous 3 years, attach only relevant updates.

	Yes	No	Attached Previously	Year Attached
Are you attaching a copy of:				
a Sale document?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
b Loan document?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
c Subsequent variances to original sale or loan documents?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____



Part I Schedule B—Gratuitous Transfers (Continued)

Note. Complete lines 15 through 18 only if you answered "No" to line 3.

15	(a) Name of beneficiary	(b) Address of beneficiary	(c) U.S. beneficiary?		(d) Identification number, if any
			Yes	No	
16	(a) Name of trustee	(b) Address of trustee	(c) Identification number, if any		
17	(a) Name of other persons with trust powers	(b) Address of other persons with trust powers	(c) Description of powers	(d) Identification number, if any	

18 If you checked "No" on line 3 (or did not complete lines 3a through 3g), you are required to attach a copy of all trust documents as indicated below. If these documents have been attached to a Form 3520-A filed within the previous 3 years, attach only relevant updates.

Are you attaching a copy of:	Yes	No	Attached Previously	Year Attached
a Summary of all written and oral agreements and understandings relating to the trust?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
b The trust instrument?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
c Memoranda or letters of wishes?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
d Subsequent variances to original trust documents?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
e Trust financial statements?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
f Other trust documents?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____

Schedule C—Qualified Obligations Outstanding in the Current Tax Year (see instructions)

19 Did you, at any time during the tax year, hold an outstanding obligation of a related foreign trust (or a person related to the trust) that you reported as a "qualified obligation" in the current tax year? Yes No
 If "Yes," complete columns (a) through (e) below.

(a) Date of original obligation	(b) Tax year qualified obligation first reported	(c) Amount of principal payments made during the tax year	(d) Amount of interest payments made during the tax year	(e) Does the obligation still meet the criteria for a qualified obligation?	
				Yes	No



Part II U.S. Owner of a Foreign Trust (see instructions)

Table with 5 columns: (a) Name of other foreign trust owners, if any; (b) Address; (c) Country of residence; (d) Identification number, if any; (e) Relevant Code section. Row 1: N/A

Table with 3 columns: (a) Country code of country where foreign trust was created; (b) Country code of country whose law governs the foreign trust; (c) Date foreign trust was created. Row 1: IM, IM, 2/1/11

22 Did the foreign trust file Form 3520-A for the current year? [X] Yes [] No
If "Yes," attach the Foreign Grantor Trust Owner Statement you received from the foreign trust.
If "No," to the best of your ability, complete and attach a substitute Form 3520-A for the foreign trust.
See instructions for information on penalties.

23 Enter the gross value of the portion of the foreign trust that you are treated as owning \$ 18,700,000

Part III Distributions to a U.S. Person From a Foreign Trust During the Current Tax Year (see instructions) N/A

24 Cash amounts or FMV of property received, directly or indirectly, during the current tax year, from the foreign trust (exclude loans included on line 25).

Table with 6 columns: (a) Date of distribution; (b) Description of property received; (c) FMV of property received; (d) Description of property transferred; (e) FMV of property transferred; (f) Excess of column (c) over column (e). Totals: \$

25 During the current tax year, did you (or a person related to you) receive a loan from a related foreign trust (including an extension of credit upon the purchase of property from the trust)? [] Yes [X] No
If "Yes," complete columns (a) through (g) below for each such loan.

Note. You are considered to have received a loan if you (or a U.S. person related to you) were permitted the uncompensated use of trust property (as described in section 643(f)). See instructions for additional information, including how to complete columns (a) through (g) for such transactions.

Table with 7 columns: (a) FMV of loan proceeds; (b) Date of original loan transaction; (c) Maximum term of repayment of obligation; (d) Interest rate of obligation; (e) Is the obligation a "qualified obligation?" (Yes/No); (f) FMV of qualified obligation; (g) Amount treated as distribution from the trust (subtract column (f) from column (a)). Total: \$

26 With respect to each obligation you reported as a "qualified obligation" on line 25: Do you agree to extend the period of assessment of any income or transfer tax attributable to the transaction, 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? [] Yes [] No
Note. Generally, you must answer "Yes" if you checked "Yes" in column (e) of line 25.

27 Total distributions received during the current tax year. Add line 24, column (f), and line 25, column (g) \$

28 Did the trust, at any time during the tax year, hold an outstanding obligation of yours (or a person related to you) that you reported as a "qualified obligation" in the current tax year? [] Yes [] No
If "Yes," complete columns (a) through (e) below for each obligation.

Table with 5 columns: (a) Date of original loan transaction; (b) Tax year qualified obligation first reported; (c) Amount of principal payments made during the tax year; (d) Amount of interest payments made during the tax year; (e) Does the loan still meet the criteria of a qualified obligation? (Yes/No)



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

29 Did you receive a Foreign Grantor Trust Beneficiary Statement from the foreign trust with respect to a distribution? Yes No N/A

If "Yes," attach the statement and do not complete the remainder of Part III with respect to that distribution. If "No," complete Schedule A with respect to that distribution. Also complete Schedule C if you enter an amount greater than zero on line 37.

30 Did you receive a Foreign Nongrantor Trust Beneficiary Statement from the foreign trust with respect to a distribution? Yes No N/A

If "Yes," attach the statement and complete either Schedule A or Schedule B below (see instructions). Also complete Schedule C if you enter an amount greater than zero on line 37 or line 41a. If "No," complete Schedule A with respect to that distribution. Also complete Schedule C if you enter an amount greater than zero on line 37.

Schedule A—Default Calculation of Trust Distributions (see instructions)

31 Enter amount from line 27
32 Number of years the trust has been a foreign trust (see instructions)
33 Enter total distributions received from the foreign trust during the 3 preceding tax years (or during the number of years the trust has been a foreign trust, if fewer than 3)
34 Multiply line 33 by 1.25
35 Average distribution. Divide line 34 by 3 (or the number of years the trust has been a foreign trust, if fewer than 3) and enter the result
36 Amount treated as ordinary income earned in the current year. Enter the smaller of line 31 or line 35.
37 Amount treated as accumulation distribution. Subtract line 36 from line 31. If -0-, do not complete the rest of Part III
38 Applicable number of years of trust. Divide line 32 by 2 and enter the result here

Schedule B—Actual Calculation of Trust Distributions (see instructions)

39 Enter amount from line 27
40a Amount treated as ordinary income in the current tax year
b Qualified dividends
41a Amount treated as accumulation distribution. If -0-, do not complete Schedule C, Part III
b Amount of line 41a that is tax-exempt
42a Amount treated as net short-term capital gain in the current tax year
b Amount treated as net long-term capital gain in the current tax year
c 28% rate gain
d Unrecaptured section 1250 gain
43 Amount treated as distribution from trust corpus
44 Enter any other distributed amount received from the foreign trust not included on lines 40a, 41a, 42a, 42b, and 43 (attach explanation)
45 Amount of foreign trust's aggregate undistributed net income
46 Amount of foreign trust's weighted undistributed net income
47 Applicable number of years of trust. Divide line 46 by line 45 and enter the result here

Schedule C—Calculation of Interest Charge (see instructions)

48 Enter accumulation distribution from line 37 or 41a, as applicable
49 Enter tax on total accumulation distribution from line 28 of Form 4970 (attach Form 4970—see instructions)
50 Enter applicable number of years of foreign trust from line 38 or 47, as applicable (round to nearest half-year)
51 Combined interest rate imposed on the total accumulation distribution (see instructions)
52 Interest charge. Multiply the amount on line 49 by the combined interest rate on line 51
53 Tax attributable to accumulation distributions. Add lines 49 and 52. Enter here and as "additional tax" on your income tax return



Part IV U.S. Recipients of Gifts or Bequests Received During the Current Tax Year From Foreign Persons
(see instructions) **N/A**

54 During the current tax year, did you receive more than \$100,000 that you treated as gifts or bequests from a nonresident alien or a foreign estate? See instructions for special rules regarding related donors **Yes** **No**

If "Yes," complete columns (a) through (c) with respect to each such gift or bequest in excess of \$5,000. If more space is needed, attach schedule.

(a) Date of gift or bequest	(b) Description of property received	(c) FMV of property received

Total ▶ \$

55 During the current tax year, did you receive more than \$14,375 that you treated as gifts from a foreign corporation or a foreign partnership? See instructions regarding related donors **Yes** **No**

If "Yes," complete columns (a) through (g) with respect to each such gift. If more space is needed, attach schedule.

(a) Date of gift	(b) Name of foreign donor	(c) Address of foreign donor	(d) Identification number, if any

(e) Check the box that applies to the foreign donor		(f) Description of property received	(g) FMV of property received
Corporation	Partnership		

56 Do 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 "Yes," see instructions **Yes** **No**



William J. Smith
SSN: 123-45-6789

Schedule 1 to Part 3 of Schedule A

Disclosure Under Reg. Sec. 25.6019-3(a)
Regarding Incomplete Gift

Taxpayer made transfers to a trust in 2011 that are considered incomplete gifts due to the power of appointment retained by the grantor under the trust instrument of settlement. Therefore, the transfers listed below are not completed gifts and are not subject to gift tax for the year 2011 (Regulation Section 25.2511-2). The incomplete gifts shown below were transfers to a foreign trust, and therefore, will be reported on Form 3520 and filed with the appropriate Internal Revenue Service office. Attached to this Form 709 is a copy of the trust instrument of settlement for the trust indicated below.

As required under Regulation Section 25.6019-3(a), the taxpayer is disclosing the incomplete gifts made during 2011 as follows:

<u>Gift/Donee</u>	<u>Basis</u>	<u>Date</u>	<u>FMV</u>
1. Cash and Securities			
The Smith Trust Prosperity Trust Company Limited, Trustee 123 Main Street Douglas Isle of Man IM2 4RB			
99-1111111	\$8,500,000	2/1/2011	\$10,000,000



SCHEDULE B
(Form 1040A or 1040)

Department of the Treasury
Internal Revenue Service (99)

Interest and Ordinary Dividends

▶ Attach to Form 1040A or 1040.

▶ See instructions on back.

OMB No. 1545-0074

2011

Attachment
Sequence No. 08

Name(s) shown on return

William J. and Frances K. Smith

Your social security number

123-45-6789

Part I

Interest

(See instructions on back and the instructions for Form 1040A, or Form 1040, line 8a.)

Note. If you received a Form 1099-INT, Form 1099-OID, or substitute statement from a brokerage firm, list the firm's name as the payer and enter the total interest shown on that form.

		Amount
1	List name of payer. If any interest is from a seller-financed mortgage and the buyer used the property as a personal residence, see instructions on back and list this interest first. Also, show that buyer's social security number and address ▶ Wells Fargo Bank Charles Schwab The Smith Trust	25,000 18,000 300,000
2	Add the amounts on line 1	343,000.00
3	Excludable interest on series EE and I U.S. savings bonds issued after 1989. Attach Form 8815	
4	Subtract line 3 from line 2. Enter the result here and on Form 1040A, or Form 1040, line 8a	343,000.00

Note. If line 4 is over \$1,500, you must complete Part III.

Part II

Ordinary Dividends

(See instructions on back and the instructions for Form 1040A, or Form 1040, line 9a.)

Note. If you received a Form 1099-DIV or substitute statement from a brokerage firm, list the firm's name as the payer and enter the ordinary dividends shown on that form.

		Amount
5	List name of payer ▶ Charles Schwab The Smith Trust	80,000 150,000
6	Add the amounts on line 5. Enter the total here and on Form 1040A, or Form 1040, line 9a	230,000.00

Note. If line 6 is over \$1,500, you must complete Part III.

Part III
Foreign Accounts and Trusts

(See instructions on back.)

	Yes	No
7a At any time during 2011, did you have a financial interest in or signature authority over a financial account (such as a bank account, securities account, or brokerage account) located in a foreign country? See instructions	<input checked="" type="checkbox"/>	<input type="checkbox"/>
If "Yes," are you required to file Form TD F 90-22.1 to report that financial interest or signature authority? See Form TD F 90-22.1 and its instructions for filing requirements and exceptions to those requirements	<input checked="" type="checkbox"/>	<input type="checkbox"/>
b If you are required to file Form TD F 90-22.1, enter the name of the foreign country where the financial account is located ▶ Switzerland	<input type="checkbox"/>	<input type="checkbox"/>
8 During 2011, did you receive a distribution from, or were you the grantor of, or transferor to, a foreign trust? If "Yes," you may have to file Form 3520. See instructions on back	<input checked="" type="checkbox"/>	<input type="checkbox"/>



Statement of Specified Foreign Financial Assets

OMB No. 1545-2195

▶ See separate instructions ▶ Attach to your tax return

Attachment
Sequence No. 175

If you have attached additional sheets, check here

Name(s) shown on return **William J. and Frances K. Smith** Identifying number **123-45-6789**

Number, street, and room or suite no. (if a P.O. box, see instructions)

123 Scenic Drive

City or town, province or state, and country (including postal code)

San Diego, CA 92100

For tax year beginning **January**, 20**11**, and ending **December**, 20**11**

Note. All information must be in English. Show all amounts in U.S. dollars. Show currency conversion rates in Part I, line 6(2), or Part II, line 6(2).

Type of filer

- a Specified individual (1) Married filing a joint return (2) Other individual
b Specified domestic entity (1) Partnership (2) Corporation (3) Trust (4) Estate

Check this box if this is an original, amended, or supplemental Form 8938 for attachment to a previously filed return

Part I Foreign Deposit and Custodial Accounts (see instructions)

If you have more than one account to report, attach a continuation sheet with the same information for each additional account (see instructions).

1 Type of account <input type="checkbox"/> Deposit <input type="checkbox"/> Custodial		2 Account number or other designation
3 Check all that apply a <input type="checkbox"/> Account opened during tax year b <input type="checkbox"/> Account closed during tax year c <input type="checkbox"/> Account jointly owned with spouse d <input type="checkbox"/> No tax item reported in Part III with respect to this asset		
4 Maximum value of account during tax year \$		
5 Did you use a foreign currency exchange rate to convert the value of the account into U.S. dollars? <input type="checkbox"/> Yes <input type="checkbox"/> No		
6 If you answered "Yes" to line 5, complete all that apply.		
(1) Foreign currency in which account is maintained	(2) Foreign currency exchange rate used to convert to U.S. dollars	(3) Source of exchange rate used if not from U.S. Treasury Financial Management Service
7 Name of financial institution in which account is maintained		
8 Mailing address of financial institution in which account is maintained. Number, street, and room or suite no.		
9 City or town, province or state, and country (including postal code)		

Part II Other Foreign Assets (see instructions)

Note. If you reported specified foreign financial assets on Forms 3520, 3520-A, 5471, 8621, or 8865, you do not have to include the assets on Form 8938. You must complete Part IV. See instructions.

If you have more than one asset to report, attach a continuation sheet with the same information for each additional asset (see instructions).

1 Description of asset	2 Identifying number or other designation
3 Complete all that apply	
a Date asset acquired during tax year, if applicable	
b Date asset disposed of during tax year, if applicable	
c <input type="checkbox"/> Check if asset jointly owned with spouse d <input type="checkbox"/> Check if no tax item reported in Part III with respect to this asset	
4 Maximum value of asset during tax year (check box that applies)	
a <input type="checkbox"/> \$0 - \$50,000 b <input type="checkbox"/> \$50,001 - \$100,000 c <input type="checkbox"/> \$100,001 - \$150,000 d <input type="checkbox"/> \$150,001 - \$200,000	
e If more than \$200,000, list value \$	
5 Did you use a foreign currency exchange rate to convert the value of the asset into U.S. dollars? <input type="checkbox"/> Yes <input type="checkbox"/> No	

For Paperwork Reduction Act Notice, see the separate instructions.

Form **8938** (11-2011)



Part II Other Foreign Assets (continued)

6 If you answered "Yes" to line 5, complete all that apply.

(1) Foreign currency in which asset is denominated	(2) Foreign currency exchange rate used to convert to U.S. dollars	(3) Source of exchange rate used if not from U.S. Treasury Financial Management Service
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7 If asset reported in Part II, line 1, is stock of a foreign entity or an interest in a foreign entity, report the following information.

a Name of foreign entity _____

b Type of foreign entity (1) Partnership (2) Corporation (3) Trust (4) Estate

c Check if foreign entity is a PFIC

d Mailing address of foreign entity. Number, street, and room or suite no. _____

e City or town, province or state, and country (including postal code) _____

8 If asset reported in Part II, line 1, is not stock of a foreign entity or an interest in a foreign entity, enter the following information for the asset.

Note. If this asset has more than one issuer or counterparty, attach a continuation sheet with the same information for each additional issuer or counterparty (see instructions).

a Name of issuer or counterparty _____
Check if information is for Issuer Counterparty

b Type of issuer or counterparty (1) Individual (2) Partnership (3) Corporation (4) Trust (5) Estate

c Check if issuer or counterparty is a U.S. person Foreign person

d Mailing address of issuer or counterparty. Number, street, and room or suite no. _____

e City or town, province or state, and country (including postal code) _____

Part III Summary of Tax Items Attributable to Specified Foreign Financial Assets (see instructions)

Asset Category	Tax item	Amount reported on form or schedule	Where reported	
			Form and line	Schedule and line
I. Foreign Deposit and Custodial Accounts	a Interest	\$		
	b Dividends	\$		
	c Royalties	\$		
	d Other income	\$		
	e Gains (losses)	\$		
	f Deductions	\$		
	g Credits	\$		
II. Other Foreign Assets	a Interest	\$		
	b Dividends	\$		
	c Royalties	\$		
	d Other income	\$		
	e Gains (losses)	\$		
	f Deductions	\$		
	g Credits	\$		

Part IV Excepted Specified Foreign Financial Assets (see instructions)

If you reported specified foreign financial assets on the following forms, check the appropriate box(es). Indicate number of forms filed. You do not need to include these assets on Form 8938 for the tax year.

3520 Number of forms 1 3520-A Number of forms 1 5471 Number of forms _____

8621 Number of forms _____ 8865 Number of forms _____



TD F 90-22.1(Rev. January 2012)
Department of the TreasuryDo not use previous editions of
this form**REPORT OF FOREIGN BANK
AND FINANCIAL ACCOUNTS**

Do NOT file with your Federal Tax Return

OMB No. 1545-2038

1 This Report is for Calendar
Year Ended 12/31**2011**Amended **Part I Filer Information**

2 Type of Filer			
a <input checked="" type="checkbox"/> Individual b <input type="checkbox"/> Partnership c <input type="checkbox"/> Corporation d <input type="checkbox"/> Consolidated e <input type="checkbox"/> Fiduciary or Other—Enter type _____			
3 U.S. Taxpayer Identification Number 123-45-6789		4 Foreign identification (Complete only if item 3 is not applicable.)	
If filer has no U.S. Identification Number complete Item 4.		a Type: <input type="checkbox"/> Passport <input type="checkbox"/> Other _____	
		b Number _____ c Country of Issue _____	
5 Individual's Date of Birth MM/DD/YYYY		03/05/1929	
6 Last Name or Organization Name Smith		7 First Name William	8 Middle Initial J.
9 Address (Number, Street, and Apt. or Suite No.) 123 Scenic Drive			

123 Scenic Drive

10 City San Diego	11 State CA	12 Zip/Postal Code 92100	13 Country USA
------------------------------------	------------------------------	---	---------------------------------

14 Does the filer have a financial interest in 25 or more financial accounts?
 Yes If "Yes" enter total number of accounts _____
 (If "Yes" is checked, do not complete Part II or Part III, but retain records of this information)
 No

Part II Information on Financial Account(s) Owned Separately

15 Maximum value of account during calendar year reported		16 Type of account a <input type="checkbox"/> Bank b <input type="checkbox"/> Securities c <input type="checkbox"/> Other—Enter type below	
17 Name of Financial Institution in which account is held			
18 Account number or other designation		19 Mailing Address (Number, Street, Suite Number) of financial institution in which account is held	
20 City	21 State, if known	22 Zip/Postal Code, if known	23 Country
Signature			
44 Filer Signature		45 Filer Title, if not reporting a personal account	46 Date (MM/DD/YYYY)

File this form with: U.S. Department of the Treasury, P.O. Box 32621, Detroit, MI 48232-0621

This form should be used to report a financial interest in, signature authority, or other authority over one or more financial accounts in foreign countries, as required by the Department of the Treasury Regulations 31 CFR 1010.350 (formerly 31 CFR 103.24). No report is required if the aggregate value of the accounts did not exceed \$10,000. See Instructions For Definitions.

PRIVACY ACT AND PAPERWORK REDUCTION ACT NOTICE

Pursuant to the requirements of Public Law 93-579 (Privacy Act of 1974), notice is hereby given that the authority to collect information on TD F 90-22.1 in accordance with 5 USC 552a (e) is Public Law 91-508; 31 USC 5314; 5 USC 301; 31 CFR 1010.350 (formerly 31 CFR 103.24).

The principal purpose for collecting the information is to assure maintenance of reports where such reports or records have a high degree of usefulness in criminal, tax, or regulatory investigations or proceedings. The information collected may be provided to those officers and employees of any constituent unit of the Department of the Treasury who have a need for the records in the performance of their duties. The records may be referred to any other department or agency of the United States upon the request of the head of such department or agency for use in a criminal, tax, or regulatory investigation or proceeding. The information collected may also be provided to appropriate state, local, and foreign law enforcement and regulatory personnel in the performance of their official duties. Disclosure of this information is mandatory. Civil and criminal penalties, including in certain circumstances a fine of not more than \$500,000 and imprisonment of not more than five years, are provided for failure to file a report, supply information, and for filing a false or fraudulent report. Disclosure of the Social Security number is mandatory. The authority to collect is 31 CFR 1010.350 (formerly 31 CFR 103.24). The Social Security number will be used as a means to identify the individual who files the report.

The estimated average burden associated with this collection of information is 75 minutes per respondent or record keeper, depending on individual circumstances. Comments regarding the accuracy of this burden estimate, and suggestions for reducing the burden should be directed to the Internal Revenue Service, Bank Secrecy Act Policy, 5000 Ellin Road C-3-242, Lanham MD 20706.

Form **TD F 90-22.1** (Rev. 1-2012)

Part III Information on Financial Account(s) Owned Jointly

Form TD F 90-22.1

Page Number

2 of 2

Complete a Separate Block for Each Account Owned Jointly

This side can be copied as many times as necessary in order to provide information on all accounts.

1 Filing for calendar year 2011	3-4 Check appropriate Identification Number <input checked="" type="checkbox"/> Taxpayer Identification Number <input type="checkbox"/> Foreign Identification Number Enter identification number here: 123-45-6789	6 Last Name or Organization Name Smith
--	---	---

15 Maximum value of account during calendar year reported 20,000,000	16 Type of account a <input type="checkbox"/> Bank b <input checked="" type="checkbox"/> Securities c <input type="checkbox"/> Other—Enter type below
---	--

17 Name of Financial Institution in which account is held Swiss Bank

18 Account number or other designation 555666777888	19 Mailing Address (Number, Street, Suite Number) of financial institution in which account is held 25 Rue Prosperite
--	--

20 City Geneva	21 State, if known	22 Zip/Postal Code, if known	23 Country Switzerland
---------------------------------	---------------------------	-------------------------------------	---

24 Number of joint owners for this account 1	25 Taxpayer Identification Number of principal joint owner, if known. See instructions. 234-56-7890
---	--

26 Last Name or Organization Name of principal joint owner Smith	27 First Name of principal joint owner, if known Frances	28 Middle initial, if known K.
---	---	---

29 Address (Number, Street, Suite or Apartment) of principal joint owner, if known 123 Scenic Drive
--

30 City, if known San Diego	31 State, if known CA	32 Zip/Postal Code, if known 92100	33 Country, if known USA
--	--	---	---

15 Maximum value of account during calendar year reported	16 Type of account a <input type="checkbox"/> Bank b <input type="checkbox"/> Securities c <input type="checkbox"/> Other—Enter type below
--	---

17 Name of Financial Institution in which account is held
--

18 Account number or other designation	19 Mailing Address (Number, Street, Suite Number) of financial institution in which account is held
---	--

20 City	21 State, if known	22 Zip/Postal Code, if known	23 Country
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24 Number of joint owners for this account	25 Taxpayer Identification Number of principal joint owner, if known. See instructions.
---	--

26 Last Name or Organization Name of principal joint owner	27 First Name of principal joint owner, if known	28 Middle initial, if known
---	---	------------------------------------

29 Address (Number, Street, Suite or Apartment) of principal joint owner, if known

30 City, if known	31 State, if known	32 Zip/Postal Code, if known	33 Country, if known
--------------------------	---------------------------	-------------------------------------	-----------------------------

15 Maximum value of account during calendar year reported	16 Type of account a <input type="checkbox"/> Bank b <input type="checkbox"/> Securities c <input type="checkbox"/> Other—Enter type below
--	---

17 Name of Financial Institution in which account is held
--

18 Account number or other designation	19 Mailing Address (Number, Street, Suite Number) of financial institution in which account is held
---	--

20 City	21 State, if known	22 Zip/Postal Code, if known	23 Country
----------------	---------------------------	-------------------------------------	-------------------

24 Number of joint owners for this account	25 Taxpayer Identification Number of principal joint owner, if known. See instructions.
---	--

26 Last Name or Organization Name of principal joint owner	27 First Name of principal joint owner, if known	28 Middle initial, if known
---	---	------------------------------------

29 Address (Number, Street, Suite or Apartment) of principal joint owner, if known

30 City, if known	31 State, if known	32 Zip/Postal Code, if known	33 Country, if known
--------------------------	---------------------------	-------------------------------------	-----------------------------

Form TD F 90-22.1 (Rev. 1-2012)



TD F 90-22.1(Rev. January 2012)
Department of the TreasuryDo not use previous editions of
this form**REPORT OF FOREIGN BANK
AND FINANCIAL ACCOUNTS**

Do NOT file with your Federal Tax Return

OMB No. 1545-2038

1 This Report is for Calendar
Year Ended 12/31**2011**Amended **Part I Filer Information**2 Type of Filer
a Individual b Partnership c Corporation d Consolidated e Fiduciary or Other—Enter type _____3 U.S. Taxpayer Identification Number
234-56-7890
If filer has no U.S. Identification
Number complete Item 4.
4 Foreign identification (Complete only if item 3 is not applicable.)
a Type: Passport Other _____
b Number _____ c Country of Issue _____
5 Individual's Date of Birth
MM/DD/YYYY
06/22/19306 Last Name or Organization Name
Smith
7 First Name
Frances
8 Middle Initial
K.

9 Address (Number, Street, and Apt. or Suite No.)

123 Scenic Drive10 City
San Diego
11 State
CA
12 Zip/Postal Code
92100
13 Country
USA14 Does the filer have a financial interest in 25 or more financial accounts?
 Yes If "Yes" enter total number of accounts _____
(If "Yes" is checked, do not complete Part II or Part III, but retain records of this information)
 No**Part II Information on Financial Account(s) Owned Separately**15 Maximum value of account during calendar year reported
16 Type of account a Bank b Securities c Other—Enter type below _____

17 Name of Financial Institution in which account is held _____

18 Account number or other designation
19 Mailing Address (Number, Street, Suite Number) of financial institution in which account is held _____20 City
21 State, if known
22 Zip/Postal Code, if known
23 Country**Signature**44 Filer Signature
45 Filer Title, if not reporting a personal account
46 Date (MM/DD/YYYY)

File this form with: U.S. Department of the Treasury, P.O. Box 32621, Detroit, MI 48232-0621

This form should be used to report a financial interest in, signature authority, or other authority over one or more financial accounts in foreign countries, as required by the Department of the Treasury Regulations 31 CFR 1010.350 (formerly 31 CFR 103.24). No report is required if the aggregate value of the accounts did not exceed \$10,000. See Instructions For Definitions.

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The principal purpose for collecting the information is to assure maintenance of reports where such reports or records have a high degree of usefulness in criminal, tax, or regulatory investigations or proceedings. The information collected may be provided to those officers and employees of any constituent unit of the Department of the Treasury who have a need for the records in the performance of their duties. The records may be referred to any other department or agency of the United States upon the request of the head of such department or agency for use in a criminal, tax, or regulatory investigation or proceeding. The information collected may also be provided to appropriate state, local, and foreign law enforcement and regulatory personnel in the performance of their official duties. Disclosure of this information is mandatory. Civil and criminal penalties, including in certain circumstances a fine of not more than \$500,000 and imprisonment of not more than five years, are provided for failure to file a report, supply information, and for filing a false or fraudulent report. Disclosure of the Social Security number is mandatory. The authority to collect is 31 CFR 1010.350 (formerly 31 CFR 103.24). The Social Security number will be used as a means to identify the individual who files the report.

The estimated average burden associated with this collection of information is 75 minutes per respondent or record keeper, depending on individual circumstances. Comments regarding the accuracy of this burden estimate, and suggestions for reducing the burden should be directed to the Internal Revenue Service, Bank Secrecy Act Policy, 5000 Ellin Road C-3-242, Lanham MD 20706.

Form TD F 90-22.1 (Rev. 1-2012)



Part III Information on Financial Account(s) Owned Jointly				Form TD F 90-22.1 Page Number 2 of 2	
Complete a Separate Block for Each Account Owned Jointly					
This side can be copied as many times as necessary in order to provide information on all accounts.					
1 Filing for calendar year 2011	3-4 Check appropriate Identification Number <input checked="" type="checkbox"/> Taxpayer Identification Number <input type="checkbox"/> Foreign Identification Number Enter identification number here: 234-56-7890		6 Last Name or Organization Name Smith		
15 Maximum value of account during calendar year reported 20,000,000			16 Type of account a <input type="checkbox"/> Bank b <input checked="" type="checkbox"/> Securities c <input type="checkbox"/> Other—Enter type below		
17 Name of Financial Institution in which account is held Swiss Bank					
18 Account number or other designation 555666777888		19 Mailing Address (Number, Street, Suite Number) of financial institution in which account is held 25 Rue Prosperite			
20 City Geneva	21 State, if known	22 Zip/Postal Code, if known	23 Country Switzerland		
24 Number of joint owners for this account 1	25 Taxpayer Identification Number of principal joint owner, if known. See instructions. 123-45-6789				
26 Last Name or Organization Name of principal joint owner Smith		27 First Name of principal joint owner, if known William		28 Middle initial, if known J.	
29 Address (Number, Street, Suite or Apartment) of principal joint owner, if known 123 Scenic Drive					
30 City, if known San Diego	31 State, if known CA	32 Zip/Postal Code, if known 92100	33 Country, if known USA		
15 Maximum value of account during calendar year reported			16 Type of account a <input type="checkbox"/> Bank b <input type="checkbox"/> Securities c <input type="checkbox"/> Other—Enter type below		
17 Name of Financial Institution in which account is held					
18 Account number or other designation		19 Mailing Address (Number, Street, Suite Number) of financial institution in which account is held			
20 City	21 State, if known	22 Zip/Postal Code, if known	23 Country		
24 Number of joint owners for this account	25 Taxpayer Identification Number of principal joint owner, if known. See instructions.				
26 Last Name or Organization Name of principal joint owner		27 First Name of principal joint owner, if known		28 Middle initial, if known	
29 Address (Number, Street, Suite or Apartment) of principal joint owner, if known					
30 City, if known	31 State, if known	32 Zip/Postal Code, if known	33 Country, if known		
15 Maximum value of account during calendar year reported			16 Type of account a <input type="checkbox"/> Bank b <input type="checkbox"/> Securities c <input type="checkbox"/> Other—Enter type below		
17 Name of Financial Institution in which account is held					
18 Account number or other designation		19 Mailing Address (Number, Street, Suite Number) of financial institution in which account is held			
20 City	21 State, if known	22 Zip/Postal Code, if known	23 Country		
24 Number of joint owners for this account	25 Taxpayer Identification Number of principal joint owner, if known. See instructions.				
26 Last Name or Organization Name of principal joint owner		27 First Name of principal joint owner, if known		28 Middle initial, if known	
29 Address (Number, Street, Suite or Apartment) of principal joint owner, if known					
30 City, if known	31 State, if known	32 Zip/Postal Code, if known	33 Country, if known		



Case Study, Part 1

- ◆ What forms is the trustee required to file?

Form #	Description	Due
56	Notice Regarding Fiduciary Relationship	various
3520-A	Annual Information Return of Foreign Trust with U.S. Owner	3/15*
Form 1041	U.S. Income Tax Return for Estates and Trusts	4/15*

* Can be extended until September 15



Case Study, Part 2



Annual Information Return of Foreign Trust With a U.S. Owner
(Under section 6048(b))
▶ See separate instructions.

2011

Department of the Treasury
Internal Revenue Service

Note: All information must be in English. Show all amounts in U.S. dollars.

For calendar year 2011, or tax year beginning **February 1**, 2011, ending **December 31**, 20**11**.

Check appropriate boxes. Initial return Final return Amended return

Part I General Information (see instructions)

1a Name of foreign trust The Smith Trust	b Employer identification number 99-1111111
c Number, street, and room or suite no. (if a P.O. box, see instructions)	

c/o Prosperity Trust Company, 123 Main Street

d City or town Douglas	e State or province	f ZIP or postal code IM2 4RB	g Country Isle of Man
----------------------------------	---------------------	--	---------------------------------

2 Did the foreign trust appoint a U.S. agent (defined in the instructions) who can provide the IRS with all relevant trust information? Yes No

If "Yes," skip lines 2a through 2e and go to line 3.

If "No," you are required to attach a copy of all trust documents as indicated below. If these documents have been attached to a Form 3520-A filed within the previous 3 years, attach only relevant updates.

Have you attached a copy of:	Yes	No	Attached Previously	Year Attached
a Summary of all written and oral agreements and understandings relating to the trust?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
b The trust instrument?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
c Memoranda or letters of wishes?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
d Subsequent variances to original trust documents?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
e Other trust documents?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____

3a Name of U.S. agent George Jones	b Identification number 345-67-8901
c Number, street, and room or suite no. (if a P.O. box, see instructions)	

567 First Street

d City or town San Diego	e State or province CA	f ZIP or postal code 92100	g Country USA
------------------------------------	----------------------------------	--------------------------------------	-------------------------

4a Name of trustee Prosperity Trust Company	b Identification number, if any N/A
c Number, street, and room or suite no. (if a P.O. box, see instructions)	

123 Main Street

d City or town Douglas	e State or province	f ZIP or postal code IM2 4RB	g Country Isle of Man
----------------------------------	---------------------	--	---------------------------------

5 Did the trust transfer any property (including cash) to another person (see instructions for definition) during the tax year? If "Yes," attach statement (see instructions). Yes No

6 Enter the number of **Foreign Grantor Trust Owner Statements** (page 3) included with this Form 3520-A. ▶ **2**

Under penalties of perjury, I declare that I have examined this return, including any accompanying reports, schedules, or statements, and to the best of my knowledge and belief, it is true, correct, and complete.

Sign Here

▶ _____ Trustee's Signature	▶ _____ Title	▶ _____ Date
--------------------------------	------------------	-----------------

Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
Paid Preparer Use Only				
Firm's name ▶	Firm's EIN ▶			
Firm's address ▶	Phone no.			



Part II Foreign Trust Income Statement

Enter totals from books and records of foreign trust (see instructions).

Income	1	Interest		300,000
	2	Dividends		150,000
	3	Gross rents and royalties		
	4	Income (loss) from partnerships and fiduciaries		
	5	Capital gains:		
	a	Net short-term capital gain (loss)		
	b	Net long-term capital gain (loss)		
	6	Ordinary gains (losses)		
7	Other income (attach schedule)			
8	Total income (add lines 1 through 7)			450,000
Expenses	9	Interest expense		
	10a	Foreign taxes (attach schedule)		
	b	State and local taxes		
	11	Amortization and depreciation (depletion)		
	12	Trustee and advisor fees		250,000
	13	Charitable contributions		
	14	Other expenses (attach schedule)		
	15	Total expenses (add lines 9 through 14)		
16	Net income (loss) (subtract line 15 from line 8)			200,000
17a	Enter the fair market value (FMV) of total distributions from the trust to all persons, whether U.S. or foreign			N/A
b	Distributions to U.S. owners:			
	(i) Name of owner	(ii) Identification number	(iii) Date of distribution	(iv) FMV
c	Distributions to U.S. beneficiaries:			
	(i) Name of beneficiary	(ii) Identification number	(iii) Date of distribution	(iv) FMV

Part III Foreign Trust Balance Sheet

	Beginning of Tax Year		End of Tax Year	
	(a)	(b)	(c)	(d)
Assets				
1	Cash			10,200,000
2	Accounts receivable			
3	Mortgages and notes receivable			
4	Inventories			
5	Government obligations			
6	Other marketable securities			8,500,000
7	Other nonmarketable securities			
8a	Depreciable (depletable) assets			
b	Less: accumulated depreciation (depletion)	0		0
9	Real property			
10	Other assets (attach schedule)			
11	Total assets		0	18,700,000
Liabilities				
12	Accounts payable			
13	Contributions, gifts, grants, etc., payable			
14	Mortgages and notes payable			
15	Other liabilities (attach schedule)			
16	Total liabilities		0	0
Net Worth				
17	Contributions to trust corpus			20,000,000
18	Accumulated trust income			200,000
19	Other (attach schedule)			(1,500,000)
20	Total net worth (add lines 17 through 19)		0	18,700,000
21	Total liabilities and net worth (add lines 16 and 20)		0	18,700,000



2011 Foreign Grantor Trust Owner Statement (see instructions)

Important: Trustee must prepare a separate statement for each U.S. owner and include a copy of each statement with Form 3520-A. Trustee is also required to send to each U.S. owner a copy of the owner's statement. U.S. owner must attach a copy of its statement to Form 3520.

1a Name of foreign trust The Smith Trust		b Employer identification number 99-1111111	
c Number, street, and room or suite no. (if a P.O. box, see instructions) c/o Prosperity Trust Company, 123 Main Street			
d City or town Douglas	e State or province	f ZIP or postal code IM2 4RB	g Country Isle of Man

2 Did the foreign trust appoint a U.S. agent (defined in the instructions) who can provide the IRS with all relevant trust information? Yes No
If "Yes," complete lines 3a through 3g.

3a Name of U.S. agent George Jones		b Identification number 345-67-8901	
c Number, street, and room or suite no. (if a P.O. box, see instructions) 567 First Street			
d City or town San Diego	e State or province CA	f ZIP or postal code 92100	g Country USA

4a Name of trustee Prosperity Trust Company		b Identification number (if any) N/A	
c Number, street, and room or suite no. (if a P.O. box, see instructions) 123 Main Street			
d City or town Douglas	e State or province	f ZIP or postal code IM2 4RB	g Country Isle of Man

5 The tax year of the owner of the foreign trust to which this statement relates **▶ 2011**

6a Name of U.S. owner William J. Smith		b Identification number 123-45-6789	
c Number, street, and room or suite no. (if a P.O. box, see instructions) 123 Scenic Drive			
d City or town San Diego	e State or province CA	f ZIP or postal code 92100	g Country USA

h Service Center where U.S. owner files its income tax returns **▶**
Fresno, CA

7 Attach an explanation of the facts and law (including the section of the Internal Revenue Code) that establishes that the foreign trust (or portion of the foreign trust) is treated for U.S. tax principles as owned by the U.S. person. **See Statement 1**

8 If the trust did not appoint a U.S. agent, list the trust documents attached to Form 3520-A (see instructions).
N/A

9 Gross value of the portion of the trust treated as owned by the U.S. owner **\$ 9,350,000**

2011 Statement of Foreign Trust Income Attributable to U.S. Owner (see instructions)

Report each item on the proper form or schedule of your tax return.

Income	1a Taxable interest	150,000
	b Tax-exempt interest ▶	
	2a Total ordinary dividends	75,000
	b Qualified dividends ▶	60,000
	3 Gross rents and royalties	
	4 Income from partnerships and fiduciaries	
	5 Capital gains (losses)	
6 Ordinary gains (losses)		
7 Other income (attach schedule)		
Expenses	8 Interest expense	
	9a Foreign taxes (attach schedule)	
	b State and local taxes	
	10 Amortization and depreciation (depletion)	
	11 Trustee and advisor fees	125,000
	12 Charitable contributions	
13 Other expenses (attach schedule)		

Under penalties of perjury, I declare that I have examined this return, including any accompanying reports, schedules, or statements, and to the best of my knowledge and belief, it is true, correct, and complete.

Trustee Signature ▶ Title ▶ Date ▶



2011 Foreign Grantor Trust Beneficiary Statement Not Applicable

Important: *Trustee must prepare a separate statement for each U.S. beneficiary that received a distribution from the trust during the tax year and include a copy of each statement with Form 3520-A. Trustee is also required to send to each such beneficiary a copy of the beneficiary's statement. U.S. beneficiary must attach a copy of its statement to Form 3520.*

1a Name of foreign trust			b Employer identification number	
c Number, street, and room or suite no. (if a P.O. box, see instructions)				
d City or town	e State or province	f ZIP or postal code	g Country	
2 Did the foreign trust appoint a U.S. agent (defined in the instructions) who can provide the IRS with all relevant trust information? <input type="checkbox"/> Yes <input type="checkbox"/> No				
If "Yes," complete lines 3a through 3g.				
If "No," do you agree that either the IRS or the U.S. beneficiary can 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? <input type="checkbox"/> Yes <input type="checkbox"/> No				
3a Name of U.S. agent			b Identification number	
c Number, street, and room or suite no. (if a P.O. box, see instructions)				
d City or town	e State or province	f ZIP or postal code	g Country	
4a Name of trustee			b Identification number (if any)	
c Number, street, and room or suite no. (if a P.O. box, see instructions)				
d City or town	e State or province	f ZIP or postal code	g Country	
5 The first and last day of the tax year of the foreign trust to which Form 3520-A applies ▶				
6a Name of U.S. beneficiary			b Identification number	
c Number, street, and room or suite no. (if a P.O. box, see instructions)				
d City or town	e State or province	f ZIP or postal code	g Country	
7 Description of trust property (including cash) that was either (1) distributed, or treated as distributed, directly or indirectly to the U.S. person or a U.S. person related to that U.S. person during the tax year or (2) used by the U.S. person or a U.S. person related to that U.S. person without compensating the trust for the FMV of the use of the property within a reasonable period of time. (See the instructions for Part III of Form 3520 for U.S. tax treatment of these amounts.)				
(a) Description of property			(b) FMV	
8 Attach an explanation of the facts and law (including the section of the Internal Revenue Code) that establishes that the foreign trust (or portion of the foreign trust) is treated for U.S. tax principles as owned by another person.				
9 Owner of the foreign trust is (check one):				
<input type="checkbox"/> Individual <input type="checkbox"/> Partnership <input type="checkbox"/> Corporation				
Under penalties of perjury, I declare that I have examined this return, including any accompanying reports, schedules, or statements, and to the best of my knowledge and belief, it is true, correct, and complete.				
Trustee Signature ▶			Title ▶	Date ▶



**The Smith Trust
99-1111111
Attachment to Form 3520-A**

Statement 1

The trust is a foreign trust with U.S. grantors and U.S. beneficiaries; therefore, the U.S. grantors are treated as the owners of the entire trust under Internal Revenue Code Section 679.

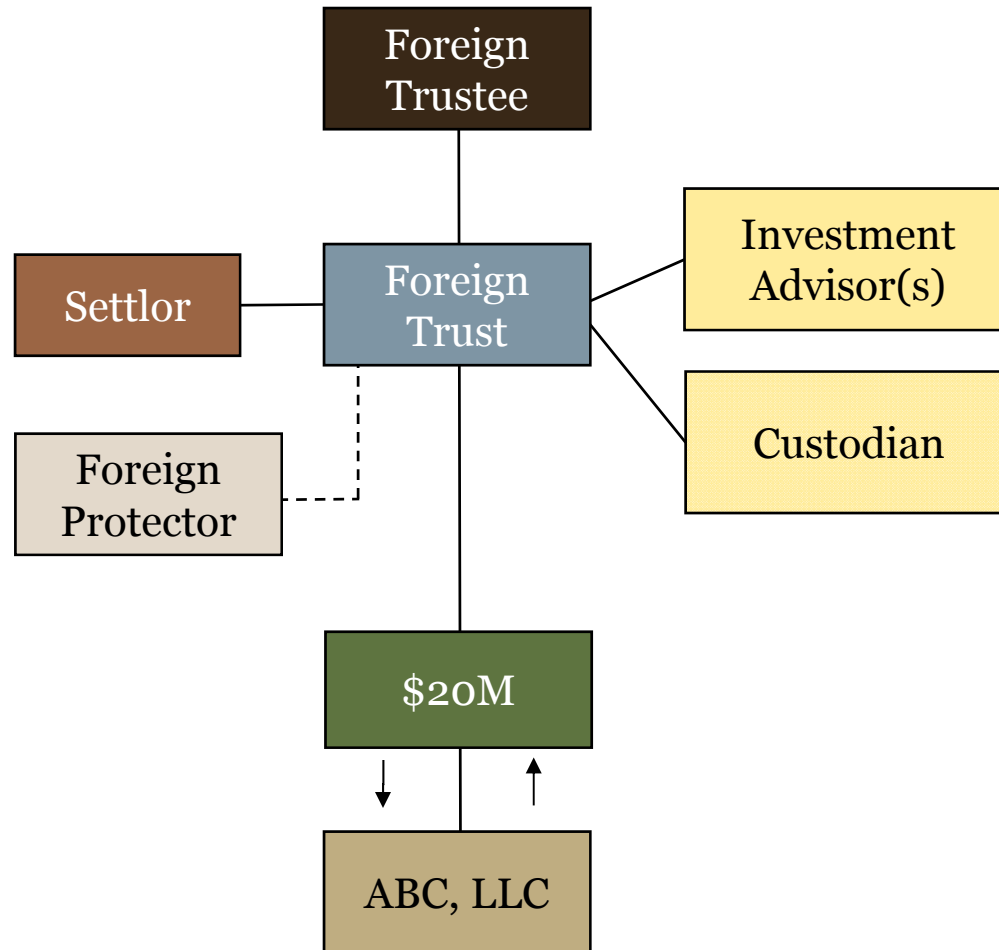


Case Study, Part 2

- ◆ On February 1, 2012, the Trustee advises that the Trust create a Nevis limited liability company, and transfer the assets to the LLC for asset protection purposes.
- ◆ What additional forms are required to be filed as a result of the new structure?



Case Study, Part 2



Case Study, Part 2

Form #	Description	Due
SS-4	Application for Employer Identification Number	ASAP
8832	Entity Classification Election	Upon Formation
8858	Information Return of U.S. Persons with Respect To Foreign Disregarded Entities	4/15*

* Filed with 1040, therefore Form 8858 extended if 1040 extended



Entity Classification Election

Type or Print	Name of eligible entity making election ABC, LLC	Employer identification number 88-1111111
	Number, street, and room or suite no. If a P.O. box, see instructions. c/o Prosperity Trust Company, 123 Main Street	
	City or town, state, and ZIP code. If a foreign address, enter city, province or state, postal code and country. Follow the country's practice for entering the postal code. Douglas, Isle of Man IM2 4RB	
	▶ Check if: <input type="checkbox"/> Address change <input type="checkbox"/> Late classification relief sought under Revenue Procedure 2009-41	
Part I Election Information		

- 1 **Type of election** (see instructions):
- a Initial classification by a newly-formed entity. Skip lines 2a and 2b and go to line 3.
 b Change in current classification. Go to line 2a.
- 2a Has the eligible entity previously filed an entity election that had an effective date within the last 60 months?
- Yes. Go to line 2b.
 No. Skip line 2b and go to line 3.
- 2b Was the eligible entity's prior election an initial classification election by a newly formed entity that was effective on the date of formation?
- Yes. Go to line 3.
 No. Stop here. You generally are not currently eligible to make the election (see instructions).
- 3 Does the eligible entity have more than one owner?
- Yes. You can elect to be classified as a partnership or an association taxable as a corporation. Skip line 4 and go to line 5.
 No. You can elect to be classified as an association taxable as a corporation or to be disregarded as a separate entity. Go to line 4.
- 4 If the eligible entity has only one owner, provide the following information:
- a Name of owner ▶ **The Smith Trust**
 b Identifying number of owner ▶ **99-1111111**
- 5 If the eligible entity is owned by one or more affiliated corporations that file a consolidated return, provide the name and employer identification number of the parent corporation:
- a Name of parent corporation ▶ **N/A**
 b Employer identification number ▶ **N/A**



Form **8858**

Information Return of U.S. Persons With Respect To Foreign Disregarded Entities

OMB No. 1545-1910

(Rev. December 2008)

▶ See separate instructions.

Department of the Treasury
Internal Revenue Service

Information furnished for the foreign disregarded entity's annual accounting period (see instructions) beginning **February 1, 2012**, and ending **December 31, 2012**

Attachment
Sequence No. **140**

Name of person filing this return

Smith, William J. and Frances K.

Filer's identifying number

123-45-6789/234-56-7890

Number, street, and room or suite no. (or P.O. box number if mail is not delivered to street address)

123 Scenic Drive

City or town, state, and ZIP code

San Diego, CA 92100

Filer's tax year beginning **January 1, 2012**, and ending **December 31, 2012**

Important: Fill in all applicable lines and schedules. All information **must** be in English. All amounts **must** be stated in U.S. dollars unless otherwise indicated.

1a Name and address of foreign disregarded entity ABC, LLC c/o Prosperity Trust Company, 123 Main Street, Douglas, Isle of Man IM2 4RB		b U.S. identifying number, if any 88-1111111	
c Country(ies) under whose laws organized and entity type under local tax law Nevis		d Date(s) of organization	e Effective date as foreign disregarded entity
f If benefits under a U.S. tax treaty were claimed with respect to income of the foreign disregarded entity, enter the treaty and article number N/A	g Country in which principal business activity is conducted Switzerland	h Principal business activity Investments	i Functional currency U.S. Dollars

2 Provide the following information for the foreign disregarded entity's accounting period stated above.

a Name, address, and identifying number of branch office or agent (if any) in the United States N/A	b Name and address (including corporate department, if applicable) of person(s) with custody of the books and records of the foreign disregarded entity, and the location of such books and records, if different Prosperity Trust Company 123 Main Street Douglas, Isle of Man IM2 4RB
---	---

3 For the tax owner of the foreign disregarded entity (if different from the filer) provide the following:

a Name and address Same	b Annual accounting period covered by the return (see instructions) Same	c U.S. identifying number, if any Same
	d Country under whose laws organized N/A	e Functional currency U.S. Dollars

4 For the direct owner of the foreign disregarded entity (if different from the tax owner) provide the following:

a Name and address Prosperity Trust Company 123 Main Street Douglas, Isle of Man IM2 4RB	b Country under whose laws organized British Virgin Islands	c U.S. identifying number, if any 99-1111111
		d Functional currency U.S. Dollars

5 Attach an organizational chart that identifies the name, placement, percentage of ownership, tax classification, and country of organization of all entities in the chain of ownership between the tax owner and the foreign disregarded entity, and the chain of ownership between the foreign disregarded entity and each entity in which the foreign disregarded entity has a 10% or more direct or indirect interest. See instructions.

Schedule C Income Statement (see instructions)

Important: Report all information in functional currency in accordance with U.S. GAAP. Also, report each amount in U.S. dollars translated from functional currency (using GAAP translation rules or the average exchange rate determined under section 989(b)). If the functional currency is the U.S. dollar, complete only the U.S. Dollars column. See instructions for special rules for foreign disregarded entities that use DASTM.

If you are using the average exchange rate (determined under section 989(b)), check the following box

	Functional Currency	U.S. Dollars
1 Gross receipts or sales (net of returns and allowances)	1	
2 Cost of goods sold	2	
3 Gross profit (subtract line 2 from line 1)	3	0
4 Other income	4	250,000
5 Total income (add lines 3 and 4)	5	0
6 Total deductions	6	100,000
7 Other adjustments	7	
8 Net income (loss) per books	8	150,000

For Paperwork Reduction Act Notice, see the separate instructions.

Form **8858** (Rev. 12-2008)



ISA

Schedule C-1 Section 987 Gain or Loss Information N/A

		(a)	(b)	
		Amount stated in functional currency of foreign disregarded entity	Amount stated in functional currency of recipient	
1	Remittances from the foreign disregarded entity	1		
2	Section 987 gain (loss) of recipient	2		
3	Were all remittances from the foreign disregarded entity treated as made to the direct owner?		Yes	No
4	Did the tax owner change its method of accounting for section 987 gain or loss with respect to remittances from the foreign disregarded entity during the tax year?			

Schedule F Balance Sheet

Important: Report all amounts in U.S. dollars computed in functional currency and translated into U.S. dollars in accordance with U.S. GAAP. See instructions for an exception for foreign disregarded entities that use DASTM.

		(a)		(b)	
		Beginning of annual accounting period	End of annual accounting period		
Assets					
1	Cash and other current assets	1	0	10,450,000	
2	Other assets	2	0	8,500,000	
3	Total assets	3	0	18,950,000	
Liabilities and Owner's Equity					
4	Liabilities,	4	0		
5	Owner's equity	5	0	18,950,000	
6	Total liabilities and owner's equity	6	0	18,950,000	

Schedule G Other Information

	Yes	No
1 During the tax year, did the foreign disregarded entity own an interest in any trust?		X
2 During the tax year, did the foreign disregarded entity own at least a 10% interest, directly or indirectly, in any foreign partnership?		X
3 Answer the following question only if the foreign disregarded entity made its election to be treated as disregarded from its owner during the tax year: Did the tax owner claim a loss with respect to stock or debt of the foreign disregarded entity as a result of the election?		X
4 Answer the following question only if the foreign disregarded entity is owned directly or indirectly by a domestic corporation and the foreign disregarded entity incurred a net operating loss for the tax year: Is the foreign disregarded entity a separate unit as defined in Regulations section 1.1503(d)-1(b)(4)? (If "Yes," see the instructions)		X
5 Answer the following question only if the tax owner of the foreign disregarded entity is a controlled foreign corporation (CFC): Were there any intracompany transactions between the foreign disregarded entity and the CFC or any other branch of the CFC during the tax year, in which the foreign disregarded entity acted as a manufacturing, selling, or purchasing branch?		X

Schedule H Current Earnings and Profits or Taxable Income (see instructions)

Important: Enter the amounts on lines 1 through 6 in functional currency.

1	Current year net income or (loss) per foreign books of account	1	150,000
2	Total net additions	2	
3	Total net subtractions	3	
4	Current earnings and profits (or taxable income—see instructions) (line 1 plus line 2 minus line 3)	4	150,000
5	DASTM gain or loss (if applicable)	5	
6	Combine lines 4 and 5	6	150,000
7	Current earnings and profits (or taxable income) in U.S. dollars (line 6 translated at the average exchange rate determined under section 989(b) and the related regulations (see instructions))	7	150,000
Enter exchange rate used for line 7 ► N/A			



Case Study, Part 3

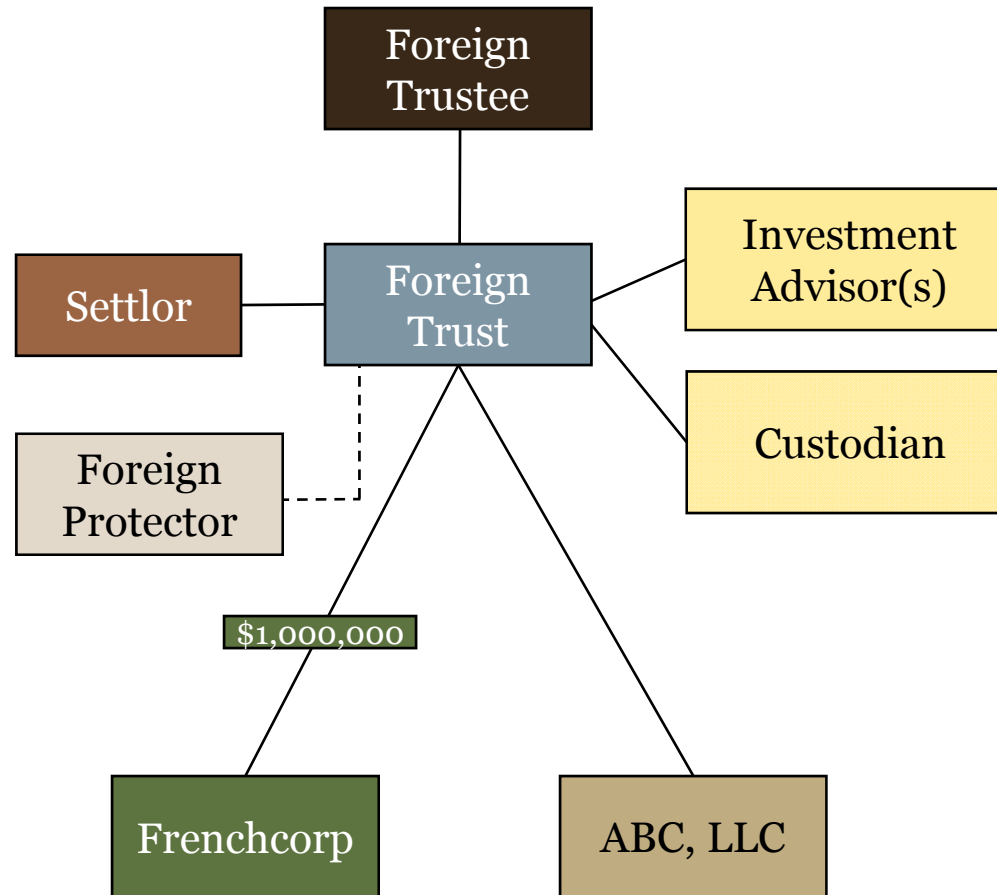


Case Study, Part 3

- ◆ In 2013, Advisors identify an investment opportunity in France, and recommend that The Trust acquire a controlling interest in a French corporation. The Trust transfers \$1,000,000 to the corporation in exchange for 60% of the corporation's stock.
- ◆ Now what?



Case Study, Part 3



Case Study, Part 3

Form #	Description	Due
926	Return by a U.S. Transferor of Property to a Foreign Corporation	4/15*
5471	Information Return of U.S. Persons with Respect to Certain Foreign Corporations	4/15*

(If the French company is a *partnership*, rather than a *corporation*, the U.S. owner must file Form 8865 rather than 5471).

* Attached to U.S. transferor's income tax return for year of transfer, therefore extended if income tax return extended



**Return by a U.S. Transferor of Property
 to a Foreign Corporation**

▶ Attach to your income tax return for the year of the transfer or distribution.

Part I U.S. Transferor Information (see instructions)

Name of transferor William J. and Frances K. Smith	Identifying number (see instructions) 123-45-6789
--	---

- 1 If the transferor was a corporation, complete questions 1a through 1d.
- a If the transfer was a section 361(a) or (b) transfer, was the transferor controlled (under section 368(c)) by 5 or fewer domestic corporations? Yes No
- b Did the transferor remain in existence after the transfer? Yes No
- If not, list the controlling shareholder(s) and their identifying number(s):

Controlling shareholder	Identifying number

- c If the transferor was a member of an affiliated group filing a consolidated return, was it the parent corporation? Yes No
- If not, list the name and employer identification number (EIN) of the parent corporation:

Name of parent corporation	EIN of parent corporation

- d Have basis adjustments under section 367(a)(5) been made? Yes No

- 2 If the transferor was a partner in a partnership that was the actual transferor (but is not treated as such under section 367), complete questions 2a through 2d.

- a List the name and EIN of the transferor's partnership:

Name of partnership	EIN of partnership

- b Did the partner pick up its pro rata share of gain on the transfer of partnership assets? Yes No
- c Is the partner disposing of its **entire** interest in the partnership? Yes No
- d Is the partner disposing of an interest in a limited partnership that is regularly traded on an established securities market? Yes No

Part II Transferee Foreign Corporation Information (see instructions)

3 Name of transferee (foreign corporation) Frenchcorp	4 Identifying number, if any N/A
---	--

5 Address (including country)
6 Rue de Berri, 75008 Paris, France

6 Country code of country of incorporation or organization (see instructions)
FR

7 Foreign law characterization (see instructions)
Corporation

- 8 Is the transferee foreign corporation a controlled foreign corporation? Yes No

For Paperwork Reduction Act Notice, see separate instructions.



Part III Information Regarding Transfer of Property (see instructions)

Type of property	(a) Date of transfer	(b) Description of property	(c) Fair market value on date of transfer	(d) Cost or other basis	(e) Gain recognized on transfer
Cash	2/1/2013		1,000,000		
Stock and securities					
Installment obligations, account receivables or similar property					
Foreign currency or other property denominated in foreign currency					
Inventory					
Assets subject to depreciation recapture (see Temp. Regs. sec. 1.367(a)-4T(b))					
Tangible property used in trade or business not listed under another category					
Intangible property					
Property to be leased (as described in final and temp. Regs. sec. 1.367(e)-4(c))					
Property to be sold (as described in Temp. Regs. sec. 1.367(a)-4T(d))					
Transfers of oil and gas working interests (as described in Temp. Regs. sec. 1.367(a)-4T(e))					
Other property					

Supplemental Information Required To Be Reported (see instructions):



Part IV Additional Information Regarding Transfer of Property (see instructions)

9 Enter the transferor's interest in the foreign transferee corporation before and after the transfer:

(a) Before 0 % (b) After 60 %

10 Type of nonrecognition transaction (see instructions) ▶ N/A

11 Indicate whether any transfer reported in Part III is subject to any of the following:

- a Gain recognition under section 904(f)(3) Yes No
- b Gain recognition under section 904(f)(5)(F) Yes No
- c Recapture under section 1503(d) Yes No
- d Exchange gain under section 987 Yes No

12 Did this transfer result from a change in the classification of the transferee to that of a foreign corporation? Yes No

13 Indicate whether the transferor was required to recognize income under final and temporary Regulations sections 1.367(a)-4 through 1.367(a)-6 for any of the following:

- a Tainted property Yes No
- b Depreciation recapture Yes No
- c Branch loss recapture Yes No
- d Any other income recognition provision contained in the above-referenced regulations Yes No

14 Did the transferor transfer assets which qualify for the trade or business exception under section 367(a)(3)? Yes No

15a Did the transferor transfer foreign goodwill or going concern value as defined in Temporary Regulations section 1.367(a)-1T(d)(5)(ii)? Yes No

b If the answer to line 15a is "Yes," enter the amount of foreign goodwill or going concern value transferred ▶ \$ N/A

16 Was cash the only property transferred? Yes No

17a Was intangible property (within the meaning of section 936(h)(3)(B)) transferred as a result of the transaction? Yes No

b If "Yes," describe the nature of the rights to the intangible property that was transferred as a result of the transaction:



Form **5471**

(Rev. December 2011)

Information Return of U.S. Persons With Respect To Certain Foreign Corporations

OMB No. 1545-0704

▶ See separate instructions.

Department of the Treasury
Internal Revenue Service

Information furnished for the foreign corporation's annual accounting period (tax year required by section 898) (see instructions) beginning **2/1**, 20**13**, and ending **12/31**, 20**13**

Attachment
Sequence No. **121**

Name of person filing this return William J. and Frances K. Smith	A Identifying number 123-45-6789/234-56-7890
Number, street, and room or suite no. (or P.O. box number if mail is not delivered to street address) 123 Scenic Drive	B Category of filer (See instructions. Check applicable box(es)): 1 (repealed) 2 <input type="checkbox"/> 3 <input checked="" type="checkbox"/> 4 <input checked="" type="checkbox"/> 5 <input checked="" type="checkbox"/>
City or town, state, and ZIP code San Diego, CA 92100	C Enter the total percentage of the foreign corporation's voting stock you owned at the end of its annual accounting period 60 %
Filer's tax year beginning January 1 , 20 13 , and ending December 31 , 20 13	

D Person(s) on whose behalf this information return is filed:

(1) Name	(2) Address	(3) Identifying number	(4) Check applicable box(es)		
			Shareholder	Officer	Director
N/A					

Important: Fill in all applicable lines and schedules. All information **must** be in English. All amounts **must** be stated in U.S. dollars unless otherwise indicated.

1a Name and address of foreign corporation Frenchcorp 6 Rue de Berri 75008 Paris, France		b(1) Employer identification number, if any N/A
		b(2) Reference ID number (see instructions)
		c Country under whose laws incorporated France
d Date of incorporation 2/1/2012	e Principal place of business France	f Principal business activity code number 541511
		g Principal business activity Software Development
		h Functional currency Euro

2 Provide the following information for the foreign corporation's accounting period stated above.

a Name, address, and identifying number of branch office or agent (if any) in the United States N/A	b If a U.S. income tax return was filed, enter:	
	(i) Taxable income or (loss) N/A	(ii) U.S. income tax paid (after all credits) N/A
c Name and address of foreign corporation's statutory or resident agent in country of incorporation Marie Antoinette 6 Rue de Berri 75008 Paris, France	d Name and address (including corporate department, if applicable) of person (or persons) with custody of the books and records of the foreign corporation, and the location of such books and records, if different Same	

Schedule A Stock of the Foreign Corporation

(a) Description of each class of stock	(b) Number of shares issued and outstanding	
	(i) Beginning of annual accounting period	(ii) End of annual accounting period
Common	500	1,250

For Paperwork Reduction Act Notice, see instructions.

Form **5471** (Rev. 12-2011)



Schedule B U.S. Shareholders of Foreign Corporation (see instructions)

(a) Name, address, and identifying number of shareholder	(b) Description of each class of stock held by shareholder. <i>Note: This description should match the corresponding description entered in Schedule A, column (a).</i>	(c) Number of shares held at beginning of annual accounting period	(d) Number of shares held at end of annual accounting period	(e) Pro rata share of subpart F income (enter as a percentage)
William J. & Frances K. Smith 123 Scenic Drive San Diego, CA 92100	Common	0	750	

Schedule C Income Statement (see instructions)

Important: Report all information in functional currency in accordance with U.S. GAAP. Also, report each amount in U.S. dollars translated from functional currency (using GAAP translation rules). However, if the functional currency is the U.S. dollar, complete only the U.S. Dollars column. See instructions for special rules for DASTM corporations.

		Functional Currency	U.S. Dollars
Income	1a Gross receipts or sales	1a 2,000,000	2,729,840
	b Returns and allowances	1b	
	c Subtract line 1b from line 1a	1c 2,000,000	2,729,840
	2 Cost of goods sold	2 800,000	1,091,936
	3 Gross profit (subtract line 2 from line 1c)	3 1,200,000	1,637,904
	4 Dividends	4	
	5 Interest	5	
	6a Gross rents	6a	
	b Gross royalties and license fees	6b 100,000	136,492
7 Net gain or (loss) on sale of capital assets	7		
8 Other income (attach schedule)	8		
9 Total income (add lines 3 through 8)	9 1,300,000	1,774,396	
Deductions	10 Compensation not deducted elsewhere	10 500,000	682,460
	11a Rents	11a 100,000	136,492
	b Royalties and license fees	11b	
	12 Interest	12	
	13 Depreciation not deducted elsewhere	13 50,000	68,246
	14 Depletion	14	
	15 Taxes (exclude provision for income, war profits, and excess profits taxes)	15 800,000	1,091,936
	16 Other deductions (attach schedule—exclude provision for income, war profits, and excess profits taxes)	16	
17 Total deductions (add lines 10 through 16)	17 1,450,000	1,979,134	
Net Income	18 Net income or (loss) before extraordinary items, prior period adjustments, and the provision for income, war profits, and excess profits taxes (subtract line 17 from line 9)	18 (150,000)	(204,738)
	19 Extraordinary items and prior period adjustments (see instructions)	19	
	20 Provision for income, war profits, and excess profits taxes (see instructions)	20	
	21 Current year net income or (loss) per books (combine lines 18 through 20)	21 (150,000)	(204,738)



Schedule E Income, War Profits, and Excess Profits Taxes Paid or Accrued (see instructions)

	(a) Name of country or U.S. possession	Amount of tax		
		(b) In foreign currency	(c) Conversion rate	(d) In U.S. dollars
1	U.S.			
2				
3				
4				
5				
6				
7				
8	Total			

Schedule F Balance Sheet

Important: Report all amounts in U.S. dollars prepared and translated in accordance with U.S. GAAP. See instructions for an exception for DASTM corporations.

Assets		(a) Beginning of annual accounting period	(b) End of annual accounting period
1	Cash	50,000	45,000
2a	Trade notes and accounts receivable	300,000	325,000
b	Less allowance for bad debts	()	()
3	Inventories		
4	Other current assets (attach schedule)		
5	Loans to shareholders and other related persons		
6	Investment in subsidiaries (attach schedule)		
7	Other investments (attach schedule)		
8a	Buildings and other depreciable assets	200,000	200,000
b	Less accumulated depreciation	(100,000)	(125,000)
9a	Depletable assets		
b	Less accumulated depletion	()	()
10	Land (net of any amortization)		
11	Intangible assets:		
a	Goodwill		
b	Organization costs		
c	Patents, trademarks, and other intangible assets		
d	Less accumulated amortization for lines 11a, b, and c	()	()
12	Other assets (attach schedule)		
13	Total assets	450,000	445,000
Liabilities and Shareholders' Equity			
14	Accounts payable		
15	Other current liabilities (attach schedule)		
16	Loans from shareholders and other related persons		
17	Other liabilities (attach schedule)	949,000	148,738
18	Capital stock:		
a	Preferred stock		
b	Common stock	1,000	1,001,000
19	Paid-in or capital surplus (attach reconciliation)		
20	Retained earnings	(500,000)	(704,738)
21	Less cost of treasury stock	()	()
22	Total liabilities and shareholders' equity	450,000	445,000



Schedule G Other Information

- | | | |
|---|--------------------------|-------------------------------------|
| | Yes | No |
| 1 During the tax year, did the foreign corporation own at least a 10% interest, directly or indirectly, in any foreign partnership? | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| If "Yes," see the instructions for required attachment. | | |
| 2 During the tax year, did the foreign corporation own an interest in any trust? | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| 3 During the tax year, did the foreign corporation own any foreign entities that were disregarded as entities separate from their owners under Regulations sections 301.7701-2 and 301.7701-3 (see instructions)? | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| If "Yes," you are generally required to attach Form 8858 for each entity (see instructions). | | |
| 4 During the tax year, was the foreign corporation a participant in any cost sharing arrangement? | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| 5 During the course of the tax year, did the foreign corporation become a participant in any cost sharing arrangement? | <input type="checkbox"/> | <input checked="" type="checkbox"/> |

Schedule H Current Earnings and Profits (see instructions)

Important: Enter the amounts on lines 1 through 5c in **functional** currency.

1	Current year net income or (loss) per foreign books of account		(150,000)
2	Net adjustments made to line 1 to determine current earnings and profits according to U.S. financial and tax accounting standards (see instructions):	Net Additions	Net Subtractions
a	Capital gains or losses		
b	Depreciation and amortization		
c	Depletion		
d	Investment or incentive allowance		
e	Charges to statutory reserves		
f	Inventory adjustments		
g	Taxes		
h	Other (attach schedule)		
3	Total net additions	0	
4	Total net subtractions		0
5a	Current earnings and profits (line 1 plus line 3 minus line 4)		(150,000)
5b	DASTM gain or (loss) for foreign corporations that use DASTM (see instructions)		
5c	Combine lines 5a and 5b		(150,000)
5d	Current earnings and profits in U.S. dollars (line 5c translated at the appropriate exchange rate as defined in section 989(b) and the related regulations (see instructions)) Enter exchange rate used for line 5d ► 0.732645		(204,738)

Schedule I Summary of Shareholder's Income From Foreign Corporation (see instructions)

1	Subpart F income (line 38b, Worksheet A in the instructions)	1	0
2	Earnings invested in U.S. property (line 17, Worksheet B in the instructions)	2	0
3	Previously excluded subpart F income withdrawn from qualified investments (line 6b, Worksheet C in the instructions)	3	0
4	Previously excluded export trade income withdrawn from investment in export trade assets (line 7b, Worksheet D in the instructions)	4	0
5	Factoring income	5	0
6	Total of lines 1 through 5. Enter here and on your income tax return. See instructions	6	0
7	Dividends received (translated at spot rate on payment date under section 989(b)(1))	7	0
8	Exchange gain or (loss) on a distribution of previously taxed income	8	0

- | | | |
|--|--------------------------|-------------------------------------|
| | Yes | No |
| • Was any income of the foreign corporation blocked? | <input type="checkbox"/> | <input checked="" type="checkbox"/> |
| • Did any such income become unblocked during the tax year (see section 964(b))? | <input type="checkbox"/> | <input checked="" type="checkbox"/> |

If the answer to either question is "Yes," attach an explanation.



**SCHEDULE J
(Form 5471)**

(Rev. December 2005)
Department of the Treasury
Internal Revenue Service

**Accumulated Earnings and Profits (E&P)
of Controlled Foreign Corporation**

OMB No. 1545-0704

▶ Attach to Form 5471. See Instructions for Form 5471.

Name of person filing Form 5471

William J. and Frances K. Smith

Identifying number

123-45-6789

Name of foreign corporation

Frenchcorp

Important: Enter amounts in functional currency.	(a) Post-1986 Undistributed Earnings (post-86 section 959(c)(3) balance)	(b) Pre-1987 E&P Not Previously Taxed (pre-87 section 959(c)(3) balance)	(c) Previously Taxed E&P (see instructions) (sections 959(c)(1) and (2) balances)			(d) Total Section 964(a) E&P (combine columns (a), (b), and (c))
			(i) Earnings Invested in U.S. Property	(ii) Earnings Invested in Excess Passive Assets	(iii) Subpart F Income	
1 Balance at beginning of year	(366,322)					(366,322)
2a Current year E&P						
b Current year deficit in E&P	150,000					
3 Total current and accumulated E&P not previously taxed (line 1 plus line 2a or line 1 minus line 2b)	(516,322)					
4 Amounts included under section 951(a) or reclassified under section 959(c) in current year						
5a Actual distributions or reclassifications of previously taxed E&P						
b Actual distributions of nonpreviously taxed E&P						
6a Balance of previously taxed E&P at end of year (line 1 plus line 4, minus line 5a)			0	0	0	
b Balance of E&P not previously taxed at end of year (line 3 minus line 4, minus line 5b)	(516,322)	0				
7 Balance at end of year. (Enter amount from line 6a or line 6b, whichever is applicable.)	(516,322)	0	0	0	0	(516,322)

For Paperwork Reduction Act Notice, see the Instructions for Form 5471.

Schedule J (Form 5471) (Rev. 12-2005)

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STF.XKCG-1002



**SCHEDULE M
(Form 5471)**

(Rev. December 2010)

Department of the Treasury
Internal Revenue Service

**Transactions Between Controlled Foreign Corporation
and Shareholders or Other Related Persons**

OMB No. 1545-0704

▶ Attach to Form 5471. See Instructions for Form 5471.

Name of person filing Form 5471

William J. and Frances K. Smith

Identifying number

123-45-6789

Name of foreign corporation

Frenchcorp

Important: Complete a separate Schedule M for each controlled foreign corporation. Enter the totals for each type of transaction that occurred during the annual accounting period between the foreign corporation and the persons listed in columns (b) through (f). All amounts must be stated in U.S. dollars translated from functional currency at the average exchange rate for the foreign corporation's tax year. See instructions.

Enter the relevant functional currency and the exchange rate used throughout this schedule ▶ **Euro, 0.732645**

(a) Transactions of foreign corporation	(b) U.S. person filing this return	(c) Any domestic corporation or partnership controlled by U.S. person filing this return	(d) Any other foreign corporation or partnership controlled by U.S. person filing this return	(e) 10% or more U.S. shareholder of controlled foreign corporation (other than the U.S. person filing this return)	(f) 10% or more U.S. shareholder of any corporation controlling the foreign corporation
1 Sales of stock in trade (inventory)					
2 Sales of tangible property other than stock in trade					
3 Sales of property rights (patents, trademarks, etc.)					
4 Platform contribution transaction payments received					
5 Cost sharing transaction payments received					
6 Compensation received for technical, managerial, engineering, construction, or like services					
7 Commissions received					
8 Rents, royalties, and license fees received					
9 Dividends received (exclude deemed distributions under subpart F and distributions of previously taxed income)					
10 Interest received					
11 Premiums received for insurance or reinsurance					
12 Add lines 1 through 11					
13 Purchases of stock in trade (inventory)					
14 Purchases of tangible property other than stock in trade					
15 Purchases of property rights (patents, trademarks, etc.)					
16 Platform contribution transaction payments paid					
17 Cost sharing transaction payments paid					
18 Compensation paid for technical, managerial, engineering, construction, or like services					
19 Commissions paid					
20 Rents, royalties, and license fees paid					
21 Dividends paid					
22 Interest paid					
23 Premiums paid for insurance or reinsurance					
24 Add lines 13 through 23					
25 Amounts borrowed (enter the maximum loan balance during the year) — see instructions					
26 Amounts loaned (enter the maximum loan balance during the year) — see instructions					

For Paperwork Reduction Act Notice, see the Instructions for Form 5471.

Schedule M (Form 5471) (Rev. 12-2010)



**SCHEDULE O
(Form 5471)**

(Rev. December 2005)

Department of the Treasury
Internal Revenue Service

**Organization or Reorganization of Foreign
Corporation, and Acquisitions and
Dispositions of its Stock**

OMB No. 1545-0704

▶ Attach to Form 5471. See Instructions for Form 5471.

Name of person filing Form 5471 William J. and Frances K. Smith	Identifying number 123-45-6789
Name of foreign corporation Frenchcorp	

Important: Complete a *separate* Schedule O for each foreign corporation for which information must be reported.

Part I To Be Completed by U.S. Officers and Directors

(a) Name of shareholder for whom acquisition information is reported	(b) Address of shareholder	(c) Identifying number of shareholder	(d) Date of original 10% acquisition	(e) Date of additional 10% acquisition

Part II To Be Completed by U.S. Shareholders

Note: If this return is required because one or more shareholders became U.S. persons, attach a list showing the names of such persons and the date each became a U.S. person.

Section A—General Shareholder Information

(a) Name, address, and identifying number of shareholder(s) filing this schedule	(b) For shareholder's latest U.S. income tax return filed, indicate:			(c) Date (if any) shareholder last filed information return under section 6046 for the foreign corporation
	(1) Type of return (enter form number)	(2) Date return filed	(3) Internal Revenue Service Center where filed	
William J. and Frances K. Smith 123 Scenic Drive San Diego, CA 92100	1040	10/15/2012	Fresno, CA	N/A

Section B—U.S. Persons Who Are Officers or Directors of the Foreign Corporation

(a) Name of U.S. officer or director	(b) Address	(c) Social security number	(d) Check appropriate box(es)	
			Officer	Director

Section C—Acquisition of Stock

(a) Name of shareholder(s) filing this schedule	(b) Class of stock acquired	(c) Date of acquisition	(d) Method of acquisition	(e) Number of shares acquired		
				(1) Directly	(2) Indirectly	(3) Constructively
William & Frances Smith	Common	2/1/2013	Purchase	750		

For Paperwork Reduction Act Notice, see the Instructions for Form 5471.

Schedule O (Form 5471) (Rev. 12-2005)



(f) Amount paid or value given	(g) Name and address of person from whom shares were acquired
1,000,000	Frenchcorp 6 Rue de Berri, 75008 Paris, France

Section D—Disposition of Stock

(a) Name of shareholder disposing of stock	(b) Class of stock	(c) Date of disposition	(d) Method of disposition	(e) Number of shares disposed of		
				(1) Directly	(2) Indirectly	(3) Constructively

(f) Amount received	(g) Name and address of person to whom disposition of stock was made

Section E—Organization or Reorganization of Foreign Corporation

(a) Name and address of transferor	(b) Identifying number (if any)	(c) Date of transfer

(d) Assets transferred to foreign corporation			(e) Description of assets transferred by, or notes or securities issued by, foreign corporation
(1) Description of assets	(2) Fair market value	(3) Adjusted basis (if transferor was U.S. person)	

Section F—Additional Information

(a) If the foreign corporation or a predecessor U.S. corporation filed (or joined with a consolidated group in filing) a U.S. income tax return for any of the last 3 years, attach a statement indicating the year for which a return was filed (and, if applicable, the name of the corporation filing the consolidated return), the taxable income or loss, and the U.S. income tax paid (after all credits).

(b) List the date of any reorganization of the foreign corporation that occurred during the last 4 years while any U.S. person held 10% or more in value or vote (directly or indirectly) of the corporation's stock ► **N/A**

(c) If the foreign corporation is a member of a group constituting a chain of ownership, attach a chart, for each unit of which a shareholder owns 10% or more in value or voting power of the outstanding stock. The chart must indicate the corporation's position in the chain of ownership and the percentages of stock ownership (see instructions for an example).




Case Study, Part 4



Case Study, Part 4

- ◆ Meanwhile, back in the U.S., Bill and Frances request that the trustee make a distribution of \$500,000 to their daughter, Nancy, a trust beneficiary. The trustee makes the distribution on July 1, 2013
- ◆ Does Nancy now have a filing requirement because of the distribution from the foreign trust?
- ◆ Does The Trust report the distribution?





Case Study, Part 1 (alternative scenario)



Part II Foreign Trust Income Statement

Enter totals from books and records of foreign trust (see instructions).

Income	1	Interest	300,000
	2	Dividends	150,000
	3	Gross rents and royalties	
	4	Income (loss) from partnerships and fiduciaries	
	5	Capital gains:	
	a	Net short-term capital gain (loss)	
	b	Net long-term capital gain (loss)	
	6	Ordinary gains (losses)	
7	Other income (attach schedule)		
8	Total income (add lines 1 through 7)	450,000	
Expenses	9	Interest expense	
	10a	Foreign taxes (attach schedule)	
	b	State and local taxes	
	11	Amortization and depreciation (depletion)	
	12	Trustee and advisor fees	250,000
	13	Charitable contributions	
	14	Other expenses (attach schedule)	
	15	Total expenses (add lines 9 through 14)	250,000
	16	Net income (loss) (subtract line 15 from line 8)	200,000
	17a	Enter the fair market value (FMV) of total distributions from the trust to all persons, whether U.S. or foreign	N/A
b	Distributions to U.S. owners:		
	(i) Name of owner	(ii) Identification number	(iii) Date of distribution
			(iv) FMV
c	Distributions to U.S. beneficiaries:		
	(i) Name of beneficiary	(ii) Identification number	(iii) Date of distribution
			(iv) FMV

Complete Form 3520-A section if there is a trust distribution

Part III Foreign Trust Balance Sheet

	Beginning of Tax Year		End of Tax Year	
	(a)	(b)	(c)	(d)
Assets				
1	Cash			10,200,000
2	Accounts receivable			
3	Mortgages and notes receivable			
4	Inventories			
5	Government obligations			
6	Other marketable securities			8,500,000
7	Other nonmarketable securities			
8a	Depreciable (depletable) assets			
b	Less: accumulated depreciation (depletion)	0		0
9	Real property			
10	Other assets (attach schedule)			
11	Total assets	0		18,700,000
Liabilities				
12	Accounts payable			
13	Contributions, gifts, grants, etc., payable			
14	Mortgages and notes payable			
15	Other liabilities (attach schedule)			
16	Total liabilities	0		0
Net Worth				
17	Contributions to trust corpus			20,000,000
18	Accumulated trust income			200,000
19	Other (attach schedule)			(1,500,000)
20	Total net worth (add lines 17 through 19)	0		18,700,000
21	Total liabilities and net worth (add lines 16 and 20)	0		18,700,000



2011 Foreign Grantor Trust Beneficiary Statement Not Applicable

Important: Trustee must prepare a separate statement for each U.S. beneficiary that received a distribution from the trust during the tax year and include a copy of each statement with Form 3520-A. Trustee is also required to send to each such beneficiary a copy of the beneficiary's statement. U.S. beneficiary must attach a copy of its statement to Form 3520.

Complete Form 3520-A section if there is a trust distribution

1a Name of foreign trust		b Employer identification number	
c Number, street, and room or suite no. (if a P.O. box, see instructions)			
d City or town	e State or province	f ZIP or postal code	g Country
2 Did the foreign trust appoint a U.S. agent (defined in the instructions) who can provide the IRS with all relevant trust information? <input type="checkbox"/> Yes <input type="checkbox"/> No If "Yes," complete lines 3a through 3g. If "No," do you agree that either the IRS or the U.S. beneficiary can 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? <input type="checkbox"/> Yes <input type="checkbox"/> No			
3a Name of U.S. agent		b Identification number	
c Number, street, and room or suite no. (if a P.O. box, see instructions)			
d City or town	e State or province	f ZIP or postal code	g Country
4a Name of trustee		b Identification number (if any)	
c Number, street, and room or suite no. (if a P.O. box, see instructions)			
d City or town	e State or province	f ZIP or postal code	g Country
5 The first and last day of the tax year of the foreign trust to which Form 3520-A applies ▶			
6a Name of U.S. beneficiary		b Identification number	
c Number, street, and room or suite no. (if a P.O. box, see instructions)			
d City or town	e State or province	f ZIP or postal code	g Country
7 Description of trust property (including cash) that was either (1) distributed, or treated as distributed, directly or indirectly to the U.S. person or a U.S. person related to that U.S. person during the tax year or (2) used by the U.S. person or a U.S. person related to that U.S. person without compensating the trust for the FMV of the use of the property within a reasonable period of time. (See the instructions for Part III of Form 3520 for U.S. tax treatment of these amounts.)			
(a) Description of property		(b) FMV	
8 Attach an explanation of the facts and law (including the section of the Internal Revenue Code) that establishes that the foreign trust (or portion of the foreign trust) is treated for U.S. tax principles as owned by another person.			
9 Owner of the foreign trust is (check one): <input type="checkbox"/> Individual <input type="checkbox"/> Partnership <input type="checkbox"/> Corporation			

Under penalties of perjury, I declare that I have examined this return, including any accompanying reports, schedules, or statements, and to the best of my knowledge and belief, it is true, correct, and complete.

Trustee Signature ▶ Title ▶ Date ▶



Case Study, Part 4

Beneficiary

Form #	Description	Due
3520	Annual Return to Report Transactions with Foreign Trusts and Receipt of Foreign Gifts	4/15*
8938	Statement of Specified Foreign Financial Assets	4/15*

Trust

Form #	Description	Due
3520-A	Annual Information Return of Foreign Trust with U.S. Owner	3/15**

*Extended automatically if individual return extended

**Can be extended until September 15



FBAR

- ◆ A U.S. person (not limited to individuals) is required to file TD F 90-22.1 (Report of Foreign Bank and Financial Accounts or “FBAR”) if the *aggregate* value exceeds \$10,000 at any time during the year.

- ◆ Reportable Assets
 - foreign cash and brokerage accounts
 - owner (jointly- or separately-held)
 - signature authority (even if no financial interest)
 - foreign life insurance or annuity policy (*if policy has cash value*)



FBAR, cont'd

- ◆ U.S. persons may be required to report foreign accounts owned by entities
 - trusts
 - U.S. trustee of trust with a foreign account
 - U.S. grantor of a grantor trust reports foreign assets of trust
 - beneficiary with an interest of more than 50% in trust's assets or income
 - beneficiary of a discretionary trust will not have a financial interest in a foreign account simply because of his or her status as a discretionary beneficiary
 - a remainder interest in a trust is not included within the scope of the term "present beneficial interest"
 - corporation / partnership
 - U.S. person owning more than 50% (individual who holds more than 50% of stock/interest)
 - U.S. person with signature authority over disposition of assets
 - disregarded entities
 - U.S. person reports underlying foreign assets of disregarded entity
 - U.S. person with signature authority over disposition of assets



Form 8938

- ◆ U.S. persons and some domestic entities are required to file Form 8938 (Statement of Specified Foreign Financial Assets) if they own an *aggregate* fair market value of foreign assets or accounts that exceeds \$50,000 at year-end or \$75,000 at any time during the year (*doubled, if married filing jointly*).
- ◆ Reportable financial assets include:
 - foreign bank and brokerage accounts
 - foreign corporations and partnerships
 - foreign trusts and estates (see flowchart)
- ◆ Filing requirements for certain domestic entities not effective until 2012 tax year



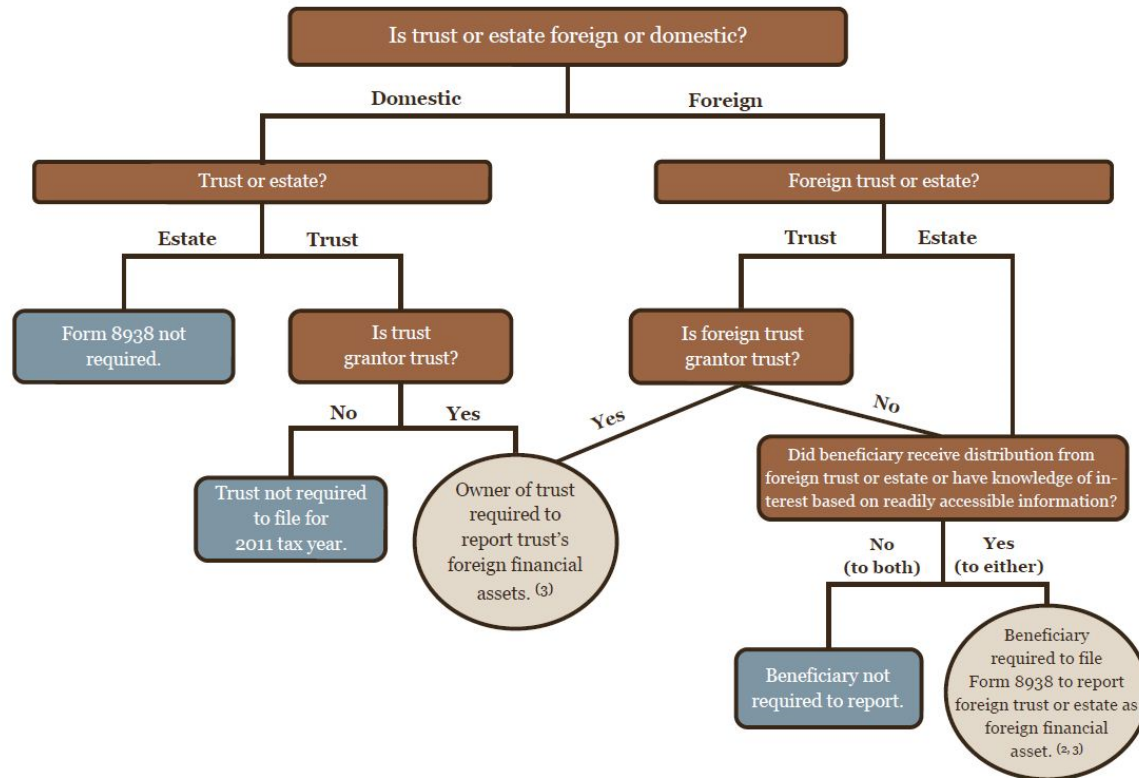
Form 8938, cont'd

- ◆ Limitations to filing requirement
 - If filer reported specified foreign financial assets on Forms 3520, 3520-A, 5471, 8621, or 8865, filer may check the appropriate box on Form 8938 reflecting such and does *not* need to disclose assets again on Form 8938.



Form 8938, cont'd

2012 FORM 8938 COMPLIANCE FOR INDIVIDUALS WITH INTERESTS IN TRUSTS AND ESTATES ⁽¹⁾



- (1) Under proposed regulations, some domestic entities may be required to file Form 8938 in future years.
- (2) Further analysis may be required in the case of discretionary or contingent interests.
- (3) Assuming value, when combined with taxpayer's other reportable foreign assets, meets applicable filing threshold.



Penalties for Failure to Comply

Form #	Description	Penalty	Cite
3520	Annual Return to Report Transactions With Foreign Trusts and Receipt of Certain Foreign Gifts		
	Disclosure of Transfer to Foreign Trust	35% of the gross value of the property transferred	IRC§6677(a)
	Annual Disclosure of Ownership of Foreign Trust	5% of gross value of the trust's assets treated as owned	IRC§6677(b)
	Disclosure of Distribution from a Foreign Trust	35% of the gross value of the property transferred	IRC§6677(a)
3520-A	Annual Information Return of Foreign Trust with a U.S. Owner	5% of gross value of the trust's assets treated as owned	IRC§6677(b)
FinCEN Report 114 (fka TD F 90-22.1)	Report of Foreign Bank and Financial Accounts ("FBAR")	Potential civil and criminal penalties, including a fine of not more than \$500,000 and imprisonment for up to 5 years	31 CFR 203
8858	Information Return of U.S. Persons with Respect to Foreign Disregarded Entities	\$10,000 for each accounting period	§6038(a)
926	Return by a U.S. Transferor of Property to a Foreign Corp.	10% of fair market value of property transferred, with maximum of \$100,000	§6038b(c)
5471	Information Return of U.S. Persons with Respect to Certain Foreign Corporations	\$10,000 for each accounting period	§6038(a), §6679
8938	Statement of Specified Foreign Financial Assets	\$10,000 for each unreported/misreported year; penalty for underpayment of tax increases from 20% to 40% if it is attributable to a transaction involving an undisclosed foreign financial asset	§6038D(d), §6662(j)



Mitt Romney's Foreign Tax Compliance





Mitt Romney's Foreign Tax Compliance





- ◆ Swiss bank account
 - FBAR
 - Form 8938 – Statement of Specified Foreign Financial Assets

SCHEDULE B
(Form 1040A or 1040)

Interest and Ordinary Dividends

OMB No. 1545-0074
2010
Attachment
Sequence No. 08

Department of the Treasury
Internal Revenue Service (IRS)

▶ Attach to Form 1040A or 1040. ▶ See instructions on back.

Name(s) shown on return
WILLARD M ROMNEY & ANN D ROMNEY

Your social security number
[REDACTED]

Part I
Interest

1 List name of payer. If any interest is from a seller-financed mortgage and the buyer used the property as a personal residence, see instructions on back and list this interest first. Also, show that buyer's social security number and address ▶

(See instructions on back and the instructions for Form 1040A, or Form 1040, line 8a.)

SEE STATEMENT 8

Note. If you received a Form 1099-INT, Form 1099-OID, or substitute statement from a brokerage firm, list the firm's name as the payer and enter the total interest shown on that form.

		Amount
1		3,295,727.
2	Add the amounts on line 1	3,295,727.
3	Excludable interest on series EE and I U.S. savings bonds issued after 1989. Attach Form 8815	
4	Subtract line 3 from line 2. Enter the result here and on Form 1040A, or Form 1040, line 8a	3,295,727.

Note. If line 4 is over \$1,500, you must complete Part III.

Part II
Ordinary Dividends

5 List name of payer ▶

ABBOTT LABORATORIES
METLIFE
METLIFE
W. MITT ROMNEY 1996 CRUT (R BRADFORD
THE ANN AND MITT ROMNEY 1995 FAMILY
THE W. MITT ROMNEY BLIND TRUST
THE ANN D. ROMNEY BLIND TRUST
ABT- SOLAMERE FOUNDERS FUND I LP
ABT- SOLAMERE FOUNDERS FUND I-R LP

(See instructions on back and the instructions for Form 1040A, or Form 1040, line 9a.)

Note. If you received a Form 1099-DIV or substitute statement from a brokerage firm, list the firm's name as the payer and enter the ordinary dividends shown on that form.

		Amount
5		172. 2,122. 579. 88. 1,524,581. 377,227. 3,008,710. 5,715. 4,154.
6	Add the amounts on line 5. Enter the total here and on Form 1040A, or Form 1040, line 9a	4,923,348.

Note. If line 6 is over \$1,500, you must complete Part III.

Part III
Foreign Accounts and Trusts

7a At any time during 2010, did you have an interest in or a signature or other authority over a financial account in a foreign country, such as a bank account, securities account, or other financial account? See instructions on back for exceptions and filing requirements for Form TD F 90-22.1

b If "Yes," enter the name of the foreign country ▶ SWITZERLAND

8 During 2010, did you receive a distribution from, or were you the grantor of, or transferor to, a foreign trust? If "Yes," you may have to file Form 3520. See instructions on back

	Yes	No
7a	X	
8		X

For Paperwork Reduction Act Notice, see your tax return instructions. Schedule B (Form 1040A or 1040) 2010

JSA
A1600 2.000 * INCLUDES \$889,195. OF US TREAS OBLIGATION INT. FROM SCH K-1 SOURCES

◆ Holdings in Cayman Islands, Bermuda, Ireland and other countries

- FBAR
- Form 8938 – Statement of Specified Foreign Financial Assets
- Form 8865 – Return of U.S. Persons with Respect to Certain Foreign Partnerships

Form 8865	Return of U.S. Persons With Respect to Certain Foreign Partnerships	OMB No. 1545-1068 2010
Department of the Treasury Internal Revenue Service	▶ Attach to your tax return. See separate instructions. Information furnished for the foreign partnership's tax year beginning 1/1, 2010 and ending 12/31, 2010	Attachment Sequence No. 118
Name of person filing this return THE ANN D. ROMNEY BLIND TRUST		Filer's identifying number [REDACTED]
Filer's address (if you are not filing this form with your tax return) ROPES & GRAY, PRUDENTIAL TOWER 800 BOYLSTON ST BOSTON, MA 02199		A Category of filer (see Categories of Filers in the instructions and check applicable box(es)): 1 <input type="checkbox"/> 2 <input type="checkbox"/> 3 <input checked="" type="checkbox"/> 4 <input type="checkbox"/>
C Filer's share of liabilities: Nonrecourse \$ 11,956 Qualified nonrecourse financing \$ _____ Other \$ _____		B Filer's tax year beginning 1/1, 2010, and ending 12/31, 2010
D If filer is a member of a consolidated group but not the parent, enter the following information about the parent: Name _____ EIN _____ Address _____		
E Information about certain other partners (see instructions)		
(1) Name	(2) Address	(3) Identifying number
		(4) Check applicable box(es) Category 1 Category 2 Constructive owner
F1 Name and address of foreign partnership GOLDEN GATE CAPITAL OPPORTUNITY FUND LP ONE EMBARCADERO CENTER, 39TH FLOOR SAN FRANCISCO, CA 94111		2 EIN (if any) [REDACTED] 3 Country under whose laws organized CAYMAN ISLANDS
4 Date of organization 7/23/2007	5 Principal place of business US	6 Principal business activity code number 525990
7 Principal business activity INVESTMENT	8a Functional currency USD	8b Exchange rate (see instr.)
G Provide the following information for the foreign partnership's tax year:		
1 Name, address, and identifying number of agent (if any) in the United States OGDEN, UT		2 Check if the foreign partnership must file: <input type="checkbox"/> Form 1042 <input type="checkbox"/> Form 8804 <input checked="" type="checkbox"/> Form 1065 or 1065-B Service Center where Form 1065 or 1065-B is filed.
3 Name and address of foreign partnership's agent in country of organization, if any WALKERS WALKER HOUSE, 87 MARY STREET GEORGE TOWN, GRAND CAYMAN KY1-9001, CAYMAN ISLANDS		4 Name and address of person(s) with custody of the books and records of the foreign partnership, and the location of such books and records, if different GOLDEN GATE CAPITAL OPP FUND LP ONE EMBARCADERO CENTER, 39TH FLOOR SAN FRANCISCO, CA 94111
5 Were any special allocations made by the foreign partnership? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
6 Enter the number of Forms 8868, Information Return of U.S. Persons With Respect To Foreign Disregarded Entities, attached to this return (see instructions) _____		
7 How is this partnership classified under the law of the country in which it is organized? _____		
8 Did the partnership own any separate units within the meaning of Regulations section 1.1503-2(c)(3), (4), or 1.1503(d)-1(b)(4)? <input type="checkbox"/> Yes <input type="checkbox"/> No		
9 Does this partnership meet both of the following requirements? • The partnership's total receipts for the tax year were less than \$250,000 and • The value of the partnership's total assets at the end of the tax year was less than \$1 million. If "Yes," do not complete Schedules L, M-1, and M-2. <input type="checkbox"/> Yes <input type="checkbox"/> No		
Sign Here Only if You Are Filing This Form Separately and Not With Your Tax Return.	Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than general partner or limited liability company member) is based on all information of which preparer has any knowledge.	
	Signature of general partner or limited liability company member	Date
Paid Preparer Use Only	Print/Type preparer's name	Preparer's signature
	Firm's name	Date
	Firm's address	Check <input type="checkbox"/> if self-employed PTIN
		Firm's EIN
		Phone no.



- ◆ Holdings in Cayman Islands, Bermuda, Ireland and other countries
- Form 5471 – Information Return of U.S. Persons with Respect to Certain Foreign Corporations

Form 5471 (Rev. December 2007) Department of the Treasury Internal Revenue Service	Information Return of U.S. Persons With Respect To Certain Foreign Corporations ▶ See separate instructions. Information furnished for the foreign corporation's annual accounting period (tax year required by section 898) (see instructions) beginning _____ and ending _____	OMB No. 1545-0704 Attachment Sequence No. 121
Name of person filing this return WILLARD M ROMNEY & ANN D ROMNEY		A Identifying number [REDACTED]
Number, street, and room or suite no. (or P.O. box number if mail is not delivered to street address) [REDACTED]		B Category of filer (See instructions. Check appropriate box(es): 1 (repeated) 2 <input type="checkbox"/> 3 <input type="checkbox"/> 4 <input checked="" type="checkbox"/> 5 <input checked="" type="checkbox"/>
City or town, state, and ZIP code BELMONT, MA 02478		C Enter the total percentage of the foreign corporation's voting stock you owned at the end of its annual accounting period 100.00 %
Filer's tax year beginning 01/01/2010 , and ending 12/31/2010		
D Person(s) on whose behalf this information return is filed:		
(1) Name	(2) Address	(3) Identifying number
		(4) Check applicable box(es) Shareholder Officer Director
Important: Fill in all applicable lines and schedules. All information must be in English. All amounts must be stated in U.S. dollars unless otherwise indicated.		
1a Name and address of foreign corporation SANKATY HIGH YIELD ASSET INVESTORS LTD. C/O QUORUM INTERNATIONAL LTD., 31 CHURCH ST HAMILTON, BERMUDA HM		b Employer identification number, if any N/A
c Date of incorporation 10/09/1997		c Country under whose laws incorporated BERMUDA
e Principal place of business BERMUDA	f Principal business activity code number 5511	g Principal business activity INVESTMENT HOLDING
h Functional currency USD		
2 Provide the following information for the foreign corporation's accounting period stated above.		
a Name, address, and identifying number of branch office or agent (if any) in the United States	b If a U.S. income tax return was filed, enter:	
	(i) Taxable income or (loss)	(ii) U.S. income tax paid (after all credits)
c Name and address of foreign corporation's statutory or resident agent in country of incorporation	d Name and address (including corporate department, if applicable) of person (or persons) with custody of the books and records of the foreign corporation, and the location of such books and records, if different	
Schedule A Stock of the Foreign Corporation		
(a) Description of each class of stock	(b) Number of shares issued and outstanding	
	(i) Beginning of annual accounting period	(ii) End of annual accounting period
CORPORATION	12,000.	12,000.



Mitt Romney's Tax Compliance

- ◆ Other Fun Stuff
 - charitable foundation
 - carried interests
 - offshore hedge funds by retirement account
 - avoids unrelated business income tax (UBIT)
 - foreign tax credits
 - grantor trust now worth \$100M
 - payment of tax by grantor effectively a tax-free gift to trust beneficiaries





Reporting for Foreign Trusts, Entities And Accounts: A Case Study

Maxwell Locke & Ritter, LLP
September 26, 2013

Peggy A. Ugent, CPA
Giordani, Swanger, Ripp & Phillips, LLP

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