



TaxNewsFlash

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Rev. Proc. 2020-17: U.S. reporting relief concerning certain tax-favored foreign trusts

The IRS today released an advance version of Rev. Proc. 2020-17 to provide an exemption from the information reporting requirements under section 6048 for certain U.S. citizens and resident individuals with respect to their transactions with, and ownership of, certain tax-favored foreign trusts—specifically, tax-favored retirement trusts and tax-favored foreign nonretirement savings trusts that are established and operated exclusively or almost exclusively to provide pension or retirement benefits, or to provide medical, disability, or educational benefits.

[Rev. Proc. 2020-17](#) [PDF 94 KB] states that the U.S. Treasury Department and IRS intend to issue proposed regulations that would modify the information reporting requirements under section 6048 to exclude eligible individuals' transactions with or ownership of these tax-favored foreign trusts. Comments are requested about these and other similar types of foreign trusts for which an exemption for reporting would be provided.

The revenue procedure also includes procedures for requesting an abatement or refund of penalties imposed under section 6677 for failures to comply with section 6048 reporting requirements concerning an applicable tax-favored foreign trust.

Rev. Proc. 2020-17

According to today's revenue procedure, it has been determined that, because applicable tax-favored foreign trusts generally are subject to written restrictions—such as contribution limitations, conditions for withdrawal, and information reporting, all of which are imposed under the laws of the country in which the trust is established—and because U.S. individuals with an interest in these trusts may be required under section 6038D to separately report information about their interests in accounts held by, or through, these trusts, it would be appropriate to exempt U.S. individuals from the requirement to provide information about these trusts under section 6048.

Therefore, Rev. Proc. 2020-17 exempts from the section 6048 information reporting an eligible individual's transactions with, or ownership of, an applicable tax-favored foreign trust. As a result, the penalties under section 6677 do not apply to eligible individuals who fail to report transactions with, or ownership of, these trusts under section 6048. An eligible individual is a person who is or was a U.S.

citizen or resident and who is compliant (or comes into compliance) with all requirements for filing U.S. federal income tax returns and has reported any contributions to, earnings of, or distributions from, an applicable tax-favored foreign trust.

The revenue procedure, however, explains that this relief does not affect any reporting obligations under section 6038D or under any other provision of U.S. law, including the requirement to file FinCEN Form 114, *Report of Foreign Bank and Financial Accounts (FBAR)*.

Moreover, Rev. Proc. 2020-17 does not affect previously issued guidance providing an exception from section 6048 reporting with respect to distributions from certain foreign compensatory trusts under Notice 97-34, and an exception from all information reporting requirements under section 6048 with respect to certain Canadian retirement plans under Rev. Proc. 2014-55.

Rev. Proc. 2020-17 will be effective as of the date when it is published in the Internal Revenue Bulletin, scheduled March 16, 2020 (according to an [IRS transmittal message](#)). The revenue procedure will apply to all open tax years, subject to the limitations of section 6511.

KPMG observation

Prior to this revenue procedure, there has been very little guidance from the IRS on the filing requirements for most foreign retirement and education trusts. Today's guidance appears to provide relief by removing the information return filing requirements for some taxpayers in the United States who hold assets in foreign pensions and other retirement plan foreign trusts. However, taxpayers will have to review each account or arrangement to determine it meets the requirements to be classified as a "tax-favored foreign trust."

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