Form 3520 — preparation workpapers

Priya Sample | Tax year 2025 | Version 1

Preparation record — retain with your files; do not mail

Reviewer: Jordan Sample, CPA
Rules: form3520-2026.10.30.1
Template SHA-256: 031f9840607c14ba56f016a74e285025f479eaf1753d2cbde3082fcee2448db2
Source: https://www.irs.gov/instructions/i3520
Page 1 boxes: Part III
Return type: original
Filer: individual

Foreign trust (page 1, lines 2–3)

Sample Family Trust; EIN none entered; created 05/01/2014
10 Example Esplanade, St. Helier JE2 3QA, Jersey
Initial return: No; final return: No
U.S. agent: None appointed

Part III — distributions (USD as entered by preparer)

Line	Detail	Amount
24 (03/10/2025)	Cash distribution	60,000.00
27	Total distributions	60,000.00

Part III — Schedule C and Form 4970 worksheet

Schedule C line 48: 10000.00
Schedule C line 50: 5.5
Schedule C line 49: 5200.00
Schedule C line 51: 0.3529
Schedule C line 52: 1835.08
Schedule C line 53: 7035.08
Line 51 source: calculated (calculated rate 0.3529)
Section 668(b) limitation: does not apply (line 49 plus line 52 is within Form 4970 line 3).
Form 4970 line 1: 10000.00
Form 4970 line 2: 0.00
Form 4970 line 3: 10000.00
Form 4970 line 4: 0.00
Form 4970 line 5: 10000.00
Form 4970 line 6: 0.00
Form 4970 line 7: 10000.00
Form 4970 line 8: 5
Form 4970 line 11: 5
Form 4970 line 9: 2000.00
Form 4970 line 10: 500.00
Form 4970 line 12: 2000.00

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Sample return from Agena Software. All names and numbers are fictional.

Form 4970 line 24: 3120.00
Form 4970 line 25: 1040.00
Form 4970 line 26: 5200.00
Form 4970 line 27: 0.00
Form 4970 line 28: 5200.00
Taxable income 2024: 90000.00
Taxable income 2023: 50000.00
Taxable income 2022: 70000.00
Taxable income 2021: 120000.00
Taxable income 2020: 60000.00
Computation year 2024: line 14 90000.00, line 15 2000.00, line 16 92000.00, line 17 12220.00, line 18 11100.00, line 20 0.00, line 22 0.00, line 19 1120.00, line 21 1120.00, line 23 1120.00
Computation year 2022: line 14 70000.00, line 15 2000.00, line 16 72000.00, line 17 8620.00, line 18 7620.00, line 20 0.00, line 22 0.00, line 19 1000.00, line 21 1000.00, line 23 1000.00
Computation year 2020: line 14 60000.00, line 15 2000.00, line 16 62000.00, line 17 7520.00, line 18 6520.00, line 20 0.00, line 22 0.00, line 19 1000.00, line 21 1000.00, line 23 1000.00

Part III — calculation

Lines 29/30: na/no; method: Schedule A (default)
Line 31: 60000.00
Line 32: 11
Line 33: 120000.00
Line 34: 150000.00
Line 35: 50000.00
Line 36: 50000.00
Line 37: 10000.00
Line 38: 5.5
Schedule A is used for this trust this year. In all later years the taxpayer must keep using Schedule A for this trust, even with a complete Foreign Nongrantor Trust Beneficiary Statement, except in the year the trust terminates (instructions for Schedule A).

Review issues

No blocking validation issues.

Review reminders

Confirm the filing deadline, valid extensions, and any disaster relief. The software does not determine whether this return is late.
No U.S. agent: a beneficiary statement must then include the trust’s agreement to let the IRS or the beneficiary inspect its records (instructions for lines 29–30).
Schedule A is used for this trust this year. In all later years the taxpayer must keep using Schedule A for this trust, even with a complete Foreign Nongrantor Trust Beneficiary Statement, except in the year the trust terminates (instructions for Schedule A).
Report $50,000.00 (Schedule A line 36) as ordinary income on the income tax return (for example, Schedule E, Part III).
Form 4970 lines 8 and 11 use 5 years: Schedule C line 50 (5.5) rounded down to a whole number. Form 4970 counts whole years (section 667(b)(1)(A) and (b)(3)). The half-year figure on line 50 sets the interest period for line 51 (section 668(a); for the default calculation, section 6048(c)(2)(B)), and line 51 still uses it. No IRS source says which whole number to use. Rounding down spreads the distribution over fewer years, which generally gives the higher tax. Review the count, and override lines 8 and 11 if your research or the trust's information supports another number, such as the years to which the trust's beneficiary statement allocates the accumulation distribution (Notice 97-34, Section V.B).
Report $7,035.08 (Schedule C line 53) as additional tax on the income tax return (Schedule 2 (Form 1040), “Any other taxes”).
Form 4970 is attached as a worksheet only.

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Line 51 combined interest rate 0.3529 was calculated for 5.5 years to June 30, 2025: 6% simple interest for 1977–1995, then daily compounding at the IRS quarterly underpayment rates. It rolls the IRS 2023 table forward. The IRS has not published a 2025 table, and its 2024 table does not match its own quarterly rates. Enter a rate to override, for example if you use the distribution date as the applicable date.

Preparer notes

None

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