

Foreign Trusts, 1998

by Daniel S. Holik

The Statistics of Income (SOI) study of 1998 foreign trust returns reflects both the substantial and increasing interest in foreign investment by U.S. taxpayers and the new information reporting requirements for foreign trust activity that were instituted by the Small Business Job Protection Act of 1996. For 1998, some 1,572 foreign “grantor” trusts reported \$339 million of net income, distributions of \$687 million, and total assets of \$5,513 million[1]. By comparison, for 1990, the last previous year for which extensive statistics were published, 291 foreign grantor trusts reported \$5 million of net income and total assets of \$154 million[2]. U.S. “persons” also transferred nearly \$852 million in assets to foreign trusts in 1998[3]. Transfers to the British Virgin Islands, Bermuda, the Cook Islands, and the Isle of Man accounted for over 81 percent of the total transferred assets. Finally, in transactions generally separate from foreign trust activity, U.S. persons received \$1,319 million of gifts or bequests from nonresident aliens, foreign estates, foreign corporations, and foreign partnerships during 1998.

Foreign Trust Information Returns

There are two returns—Form 3520, *Annual Return To Report Transactions With Foreign Trusts and Receipt of Certain Foreign Gifts* and Form 3520-A, *Annual Information Return of Foreign Trust With a U.S. Owner*—used to report information about foreign trusts and gifts. Form 3520 must be filed by U.S. persons to report transfers to and distributions from foreign trusts, as well as the receipt of certain foreign gifts. Form 3520-A must be filed annually by all foreign trusts with at least one U.S. owner. Each Form 3520-A represents one unique foreign grantor trust and provides beneficiary, income statement, and balance sheet information.

Recent Legislation

The Small Business Job Protection Act of 1996 (Public Law 104-188) made substantial modifications to the tax law governing foreign trusts in response to concerns of taxpayer abuse[4]. The new law expanded information reporting requirements for U.S.

persons who make transfers to foreign trusts and for U.S. owners of foreign trusts. In addition, the Act added new reporting requirements for U.S. beneficiaries of foreign trusts, extensively revised the civil penalties for failure to file information with respect to foreign trusts, and added civil penalties for failure to report certain transfers to foreign entities. The Act also created reporting requirements for U.S. persons who receive large gifts from foreign persons[5].

This SOI study of foreign trusts includes all foreign trust returns (Forms 3520 and 3520-A) filed with tax periods ending during Calendar Year 1998. It is the first SOI study of these returns since the 1996 modifications to the law[6].

Trust Taxation

In general, trusts are fiduciary arrangements created by persons (the “grantors”) who transfer their ownership of property to other persons (the “trustees”) subject to an obligation to protect and use that property for the benefit of a different group of persons (the “beneficiaries”)[7]. The property (or “corpus”) can be real or personal, tangible or intangible. The arrangement can be an “inter vivos trust” created by a living grantor, or a “testamentary trust” created as the result of the grantor’s will. A transfer to a trust may be permanent (irrevocable) or may be reversible (revocable).

A trust may be a “grantor” or “non-grantor” trust. A grantor trust is a trust in which the grantor retains certain elements of control over use of trust property or trust income. A grantor may also hold a reversionary interest in the trust, meaning that the grantor has a right to future enjoyment of trust property. The grantor is then treated as the owner of the portion of the trust to which his or her power or interest applies. Generally, the grantor trust’s income and expenses attributable to the U.S. owner must be included on the owner’s U.S. income tax return. In addition, under “grantor trust rules,” foreign trusts to which U.S. persons have transferred property are treated as grantor trusts if they have any U.S. beneficiaries [8].

A non-grantor trust is one in which the grantor does not retain any control over the trust assets or income, and the grantor is not treated as the owner by the Internal Revenue Code. Generally, in a non-grantor trust, the income from the trust is taxed to the beneficiaries as it is distributed.

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The fiduciary nature of a trust imposes substantial responsibilities on the trustee, including a duty to act solely in the interest of the beneficiary. The powers, duties, restrictions, and obligations of the trust, as well as the rights of the beneficiary, are based on the provisions of the trust agreement and the laws of the jurisdiction in which the trust was created. The beneficiary has the right to benefit from the trust's property, usually through receipt of the income produced from investments made by the trustee, or from the distribution of the trust property itself.

One person cannot be the grantor, trustee, and sole beneficiary of a trust all at the same time. For a trust to exist, there must be separation of its ownership interests, vested in the trustee, from its beneficial interests. Trusts may have multiple grantors, trustees, and beneficiaries. In general, when trusts have multiple grantors or beneficiaries, there is a separation of interests between the two parties and a valid trust arrangement exists.

A trust may be foreign or domestic. Under current law, a trust is treated as foreign unless two conditions both apply: 1) a court in the United States exercises primary supervision over the trust; and 2) one or more persons in the United States have authority to control all substantial decisions of the trust. The creation of a trust may result in U.S. income tax obligation on the grantor, the trust, and/or the beneficiary. In general, domestic trusts are taxed as U.S. citizens or residents, whereas foreign trusts are taxed as nonresident aliens.

Factors a grantor might consider in selecting a jurisdiction in which to create a trust include the political and economic stability of a country, available banking and trust facilities, applicable trust laws, and tax laws. For example, foreign trusts may be created by U.S. persons seeking to take advantage of favorable treatment of property under foreign jurisdiction in "tax haven" countries[9]. These countries generally have property, tax, and secrecy laws favorable to foreign persons. They attract foreign investment by having no income tax or by offering low income tax rates. Their courts may refuse to honor adverse judgements made in other jurisdictions. Tax havens also offer bank or commercial secrecy laws that prevent foreign governments from obtaining financial information about persons transacting business in their country.

Filing Characteristics of Forms 3520

A Form 3520 must be filed by any U.S. person who: 1) transferred money or other property to a foreign trust after August 20, 1996; or 2) held a "qualified obligation" (note) from a foreign trust which was issued after August 20, 1996; or 3) was a U.S. owner of all or part of a foreign trust at any time during the tax year; or 4) received a distribution from a foreign trust; or 5) received a loan from a foreign trust after August 20, 1996; or 6) received certain gifts or inheritances from a foreign person after August 20, 1996[10]. Since a foreign trust may have more than one U.S. owner and more than one U.S. beneficiary, multiple Forms 3520 may relate to one foreign trust (which, in turn, would file one Form 3520-A, if it had a U.S. owner).

Most U.S. persons filing Form 3520 were individuals (Figure A). Other filing entities included corporations, executors, partnerships, and domestic trusts. The majority of Forms 3520 filed reported trust transactions or trust ownership, although the percentage of Forms 3520 related to gift or bequest transactions was significant (Figure B).

Figure A

Forms 3520 by Type of Filer, 1998

Type of filer	Number of returns	Percentage of total
Total	3,282	100.0
Corporations.....	31	0.9
Executors.....	12	0.4
Individuals.....	3,009	91.7
Partnerships.....	17	0.5
Trusts.....	207	6.3
Unknown.....	6	0.2

Gratuitous Transfers to Foreign Trusts Reported on Form 3520

A gratuitous transfer is a transaction in which property is transferred to a foreign trust for less than fair market value, or for no consideration in return. For 1998, some \$851.8 million in gratuitous transfers were reported by U.S. persons on 384 Forms 3520, an average of approximately \$2.2 million per return. Table 1 presents the fair market value of transferred

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Figure B

Forms 3520 by Type of Transaction, 1998

Type of transaction	Number of returns	Percentage of total
Total	3,282	100.0
Trust transactions, total.....	1,946	59.3
Grantor trust.....	1,202	36.6
Non-grantor trust.....	579	17.6
Unknown trust.....	165	5.0
Gift or bequest transactions ¹	1,336	40.7

¹ Includes a few returns with unspecified transactions.
NOTE: Detail may not add to total because of rounding.

property, classified by the country in which the foreign trust was created. The total value of transferred property varied widely by country, ranging from a low of \$0.3 million for trusts created in New Zealand to a high of \$315.6 million for trusts created in the British Virgin Islands. Aggregate transfers of over \$100 million were also reported to trusts created in Bermuda, the Cook Islands, and the Isle of Man.

Figure C presents historical information about property gratuitously transferred to foreign trusts for 1986 through 1998. During that time, the total value of transferred property rose from \$17 million per year to \$852 million per year. For the period from 1990 through 1998, however, the average transfer per trust remained approximately \$2 million.

In addition to gratuitous transfers, property may be transferred by U.S. persons to a related foreign trust in exchange for a “qualified” obligation (or note) from the trust. For these cases, “arms length”

relationships are established between the foreign trusts and the persons holding the obligations[11]. For 1998, there were 11 such transfers, with the fair market value of the obligations totaling \$7.3 million. These transfers are excluded from the data shown in Figure C and Table 1.

Distributions from Non-Grantor Foreign Trusts to U.S. Persons Reported on Form 3520

For 1998, distributions of \$704 million from non-grantor trusts were reported on 569 Forms 3520. (Distributions from grantor trusts reported on Form 3520-A will be discussed in a later section of this article[12].) Table 2 presents the value of these distributions classified by selected country of the foreign trust. The largest amount of distributions, \$464 million, was attributable to trusts located in Bermuda. Other countries with large aggregate distributions were Switzerland (\$88 million) and the Cayman Islands (\$66 million). In addition to, and separate from, these distributions, foreign trusts loaned approximately \$9 million to U.S. persons. A loan from a foreign trust is treated as a distribution unless the obligation issued is a “qualified” obligation, e.g., an obligation that is reflective of an “arm’s length” relationship between the trust and taxpayer.

There are special “throwback rules” that apply to distributions from foreign trusts. In general, these rules are designed to prevent the accumulation of income by a trust during the trust’s high-income years for distribution to beneficiaries during the trust’s low-income years in order to minimize inter-period beneficiary marginal tax rates. If distributions from a foreign trust exceed a certain amount for a tax year—generally, the “distributable net income” of the trust in that year—the excess is considered to be an “accumulation distribution.” The throwback rules are designed to tax beneficiaries on accumulation distributions at a rate equal to the rate that would have been paid had the income been distributed in the year it was earned by the trust[13]. This tax is computed on Form 4970, *Tax on Accumulation Distribution of Trusts*. An interest charge is also imposed on the tax calculated on accumulation distributions, based on the length of time the tax has been deferred. For 1998, approximately \$16 million were treated as accumulation distributions, and the tax attributable to such accumulation distributions (including interest) was \$1.1 million.

Figure C

Forms 3520 with Gratuitous Transfers: Number and Total and Average Transfer Values, Selected Years, 1986-1998

[Money amounts are in thousands of dollars]

Year	Number of trusts with transfers	Transfer value ¹	
		Total	Average
	(1)	(2)	(3)
1986.....	255	16,892	66
1990.....	133	272,663	2,050
1994.....	321	614,269	1,914
1998.....	384	851,828	2,218

¹ Fair market value. Amounts are in current dollars.

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Gifts or Bequests From Foreign Persons Reported on Form 3520

U.S. taxpayers were also required to file Form 3520 if they received either: 1) more than \$100,000 from a nonresident alien individual or foreign estate that were treated as a gift or bequest, or 2) more than \$10,557 that were treated as a gift from a foreign corporation or partnership. Recipients of gifts or bequests were required to aggregate separate gifts from related foreign persons during 1998 in order to ascertain if the \$100,000 or \$10,557 threshold amounts had been met. For 1998, some \$1,300 million were reported as gifts or bequests from nonresident alien individuals or foreign estates, while \$19 million were reported as gifts from foreign corporations or foreign partnerships. No U.S. tax was imposed on these gifts or bequests.

Filing Characteristics of Form 3520-A Foreign Trusts With U.S. Owners

For 1998, some 1,572 Form 3520-A information returns were filed with the Internal Revenue Service, over five times the number of returns filed for 1990. These returns relate to foreign trusts having at least one U.S. owner under the grantor trust rules of Internal Revenue Code sections 671-679. The substantial increase in the number of Forms 3520-A filed may be attributable to both increased foreign trust activity by U.S. taxpayers and the modifications made to information reporting requirements in 1996.

Table 3 presents income statement, expense, distribution, and balance sheet items for these returns, classified by the size of net income or deficit of the foreign trust. Net income or deficit of the foreign trust may be used as one measure of the return on trust assets. For 1998, foreign trusts showed a wide distribution of net income, from returns with a net deficit to returns with income greater than \$10 million. The returns with large net income may reflect the use of foreign trusts as investment vehicles by corporate or partnership entities. Total income of \$416 million and total expenses of \$77 million were reported on these returns. Most of the income reported was investment-related, including interest, dividends, and capital gains. "Long-term capital gains (less loss)" was the largest category of income, while "other expenses" was the largest category of expense[14]. After deducting expenses, net income of \$339 million was reported—an average of approxi-

mately \$0.2 million per trust. The aggregate value of \$687 million of distributions was more than twice the aggregate size of net income.

The largest asset items reported on Form 3520-A were marketable and non-marketable securities. Together, these two groups of assets comprised 58 percent of the \$5,513 million in total assets. Average total assets per trust rose from approximately \$0.5 million per trust for 1990 to over \$3.5 million per trust for 1998. The largest liability item, \$199 million of mortgages payable, made up 60 percent of total liabilities. The total net worth reported, \$5,178 million, was comprised of \$2,936 million of contributions to the trust corpus, \$418 million of accumulated trust income, and \$1,824 million of other net worth.

Table 4 presents the Form 3520-A data classified by the country in which the trust or trustee was located. Bermuda, the Cook Islands, the Cayman Islands, and the Bahamas were popular jurisdictions for trust location. However, foreign trusts located in the Isle of Man showed the largest total income (\$110 million), and trusts located in Switzerland held the most assets (\$795 million). Most of the income for Isle of Man trusts was long-term capital gains. The largest aggregate distribution amount, \$207 million, was attributable to trusts located in China and Hong Kong. Distributions in excess of \$50 million were also reported for trusts located in the Cook Islands, the Isle of Man, and the British Virgin Islands.

The composition of trust assets differs by country and may be reflective of many factors, including the different investment opportunities each country afforded. For example, 36 percent of cash assets and 48 percent of government obligations were held in the Cayman Islands, while 26 percent of marketable securities were held in Bermuda, and 48 percent of non-marketable securities were held in Switzerland. One quarter of real property assets were held in Mexico.

Summary

The 1998 foreign trust statistics, reported on Forms 3520 and 3520-A, show the substantial growth of foreign investment by U.S. taxpayers during the 1990's and the impact of information reporting requirement changes made in 1996. The number of foreign trusts filing Forms 3520-A rose by over 500 percent since 1990. During the same period, net income increased from \$3 million to \$339 million, and total assets increased from \$154 million to \$5,513 million.

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The total value of property transferred, as reported on Form 3520, rose from \$273 million for 1990 to \$852 million for 1998. In addition, for 1998, U.S. persons reported \$704 million of distributions from foreign non-grantor trusts and \$1,319 million of foreign gifts and bequests.

Data Sources and Limitations

The statistics for 1998 presented in this article were based on all Forms 3520 and 3520-A with tax periods that ended during Calendar Year 1998 filed at the Internal Revenue Service's Philadelphia Service Center [15]. All returns were used for the statistics. Consequently, the data are not subject to sampling error.

The data may, however, contain nonsampling errors. For instance, since Forms 3520 and 3520-A are information returns, taxpayer reporting, as originally filed, was occasionally incomplete. Where possible, inconsistencies in the data were resolved to conform with provisions of the Internal Revenue Code. In cases where information reported was not logical, other data on the return were used to resolve the error. For example, in certain cases, U.S. addresses were reported for the "foreign" trust; in such cases, the location of the trustee was used as a proxy for the location of the trust.

The statistics shown in Table 1 pertaining to Forms 3520 with gratuitous transfers were classified by selected country in which the foreign trust was created. However, the country in which the foreign trust was created was unavailable for the statistics pertaining to Forms 3520 with non-grantor trust distributions shown in Table 2. Consequently, these statistics were classified by deriving the country of the foreign trust from the trust's address.

Since a foreign trust may have more than one owner and more than one beneficiary, multiple Form 3520 filings may relate to the one Form 3520-A filed for the foreign trust. In these cases, an attempt was made to match and verify information between the Forms 3520 and the Form 3520-A. However, certain returns were unavailable for the statistics, and it was not always possible to match the information.

This study did not include returns filed by owners of Canadian Registered Retirement Savings Plan (RRSP) trusts. The current filing requirements for Forms 3520 and 3520-A exclude filings for RRSP trusts if the trust would qualify for treaty benefits under the Convention Between the United States and Canada with Respect to Taxes on Income and Capi-

tal. Most previous SOI studies of foreign trusts have included RRSP trusts, and data for these trusts are included in the statistics cited in this article for 1986, 1990, and 1994. However, for those study years, the aggregate income, asset, and distribution values reported for RRSP trusts were small in comparison to other trusts located in different jurisdictions. As a result, comparisons between the 1986, 1990, 1994, and 1998 data are not significantly affected by the exclusion of RRSP trusts for 1998.

An SOI study of foreign trusts was conducted for 1994. However, most of the data from this study were not published. Consequently, this article makes general comparisons between the published 1990 and 1998 data. It is important to note, when comparing the 1990 and 1998 data, that substantial changes to the information reporting requirements for foreign trusts were made in 1996.

Explanation

Beneficiary.—The person who is to receive the benefits (usually income or tangible property) from the trust. A beneficiary may be the person who created the trust. A trust can have multiple beneficiaries.

Corpus.—The property that is held in trust. For tax purposes, this property is distinguishable from accumulations of income by the trust.

Distributable net income.—Distributable net income (DNI) is generally the net income of a trust before any deduction for distribution to beneficiaries.

Executor.—A person named in a will by the decedent who has the responsibility to execute the terms of the will.

Grantor.—The person (or creator or settlor) who places property in trust. In the case of a revocable trust, the grantor is treated as the owner of the portion of the trust to which his or her power or retained interest applies. A grantor may add assets to a trust after it is established in exchange for beneficial interest in it.

Trustee.—A trustee holds legal title to the assets placed in trust and has the power to manage and control the property. The trustee has a fiduciary duty to exercise these powers for the benefit of the beneficiaries according to the terms of the governing instrument. The discretion allowed the trustee may range from very broad to strictly limited.

Trust instrument.—The legal document that names the parties and establishes the duties and powers of the trustee and the rights of the beneficiaries.

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Trust protector.—An optional third party, which is usually responsible for monitoring the trustee's performance and can replace the trustee under specified conditions.

U.S. person.—The term U.S. person includes individuals, corporations, partnerships, trusts, and estates. Individuals include U.S. citizens and residents.

Notes and References

- [1] A "grantor" trust is a trust in which the grantor retains certain elements of control over the use of trust property or trust income. The grantor is then treated as the owner of the portion of the trust to which his or her power or interest applies. Additional information about grantor trusts is included in the "Trust Taxation" section of this article.
- [2] For more information about foreign trusts for 1990, see "Foreign Trusts, 1990," *Statistics of Income Bulletin*, Winter 1992-1993, Volume 12, Number 3. An SOI study of foreign trusts was conducted for 1994. However, most of the data from the 1994 study were not published. Consequently, throughout this article, comparisons are made between the published 1990 and 1998 data.
- [3] A U.S. "person" is any citizen or resident of the United States, a domestic partnership or corporation, or any estate or trust that is not considered foreign. See Internal Revenue Code section 7701 for more information regarding the definition of U.S. persons. A "foreign person" (or entity) is defined as a person other than a U.S. person.
- [4] For a discussion of Congressional concerns about abusive foreign trust arrangements, see the *General Explanation of Tax Legislation Enacted in the 104th Congress*, Joint Committee on Taxation, December 16, 1996, pp. 267-278. In 1997, the Internal Revenue Service issued Notice 97-24, which describes abusive trust arrangements.
- [5] Adapted from Internal Revenue Service Notice 97-34, *Information Reporting on Transactions With Foreign Trusts and on Large Foreign Gifts*.
- [6] SOI foreign trust studies have been conducted since 1979, and are currently conducted once every 4 years. Recent studies were conducted for 1990 and 1994.
- [7] Certain trust arrangements may benefit charities in addition to other beneficiaries.
- [8] Grantor trust rules are contained in sections 671- 679 of the Internal Revenue Code.
- [9] For a discussion of tax haven issues, see *Harmful Tax Competition An Emerging Global Issue*, Organization for Economic Cooperation and Development (OECD), 1998.
- [10] Forms 3520 filed by U.S. persons receiving certain gifts or bequests generally do not represent transactions with related foreign trusts.
- [11] The Internal Revenue Regulations relating to "qualified" obligations of foreign trusts are intended to impose an "arm's length" relationship between the foreign trust and the person holding the obligation. Consequently, the interest rates and maturity of qualified obligations must reflect market conditions.
- [12] This article shows separate distribution amounts for taxpayers filing Forms 3520 and Forms 3520-A. These separate statistics do not represent duplicate amounts of distributions from the same transactions. Instructions for the 1998 Form 3520 specify that distributions properly reported by a foreign grantor trust on Form 3520-A need not be separately disclosed again on Form 3520 by a beneficiary. In addition, the distribution amount presented for Form 3520 filers is for non-grantor trusts only.
- [13] The rules for calculation of "accumulation distributions" for foreign trusts are complex, and outside the scope of this article. See Internal Revenue Code sections 665-667 for additional information.
- [14] "Other expenses" included such items as brokerage or bank fees, and telephone and other telecommunications expense.
- [15] U.S. taxpayers that receive distributions characterized as accumulation distributions file Form 4970 to compute tax on such distributions. The tax amount computed on Form 4970 is then carried over to Form 3520.

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Table 1.--Forms 3520 with Gratuitous Transfers: Number and Total and Average Transfer Values, by Selected Country Where Trust was Created, 1998

[Money amounts are in thousands of dollars]

Country	Number of trusts with transfers	Transfer value ¹	
		Total	Average
		(1)	(2)
All countries.....	384	851,828	2,218
Australia.....	3	8,219	2,740
Bahamas.....	15	7,923	528
Belize.....	9	9,985	1,109
Bermuda.....	91	137,099	1,507
British Virgin Islands.....	5	315,596	63,119
Canada.....	16	2,778	174
Cayman Islands.....	20	17,454	873
Cook Islands.....	49	122,785	2,506
Gibraltar.....	3	2,191	730
Guernsey.....	5	4,728	946
Isle of Man.....	9	114,892	12,766
Jersey.....	13	40,315	3,101
Liechtenstein.....	12	15,805	1,317
New Zealand.....	4	270	68
Puerto Rico.....	10	1,270	127
St. Christopher/Nevis.....	19	7,300	384
St. Vincent and Grenadines.....	3	430	143
United Kingdom and Northern Ireland.....	14	3,603	257
Not specified or other.....	84	39,183	466

¹ Fair market value.

NOTE: Detail may not add to totals because of rounding.

Table 2.--Forms 3520 with Non-grantor Trust Distributions: Value of Distributions, by Selected Country of Foreign Trust, 1998

[Money amounts are in thousands of dollars]

Country	Number of returns	Distributions
All countries.....	569	704,398
Australia.....	12	772
Bahamas.....	29	5,935
Belize.....	3	3,067
Bermuda.....	73	464,353
British Virgin Islands.....	3	744
Canada.....	66	11,569
Cayman Islands.....	72	65,933
Gibraltar.....	4	2,830
Guernsey.....	23	9,327
Hong Kong.....	3	195
Isle of Man.....	3	390
Jersey.....	38	15,903
Liechtenstein.....	19	3,690
South Africa, Republic of.....	13	2,083
Switzerland.....	107	87,500
United Kingdom and Northern Ireland.....	48	8,188
Not specified or other.....	53	21,918

NOTE: Detail may not add to totals because of rounding.

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Table 3.--Form 3520-A, Foreign Trusts with a U.S. Owner: Income, Expense, and Balance Sheet Items, by Size of Net Income or Deficit, 1998

[Money amounts are in thousands of dollars]

Size of net income or deficit	Number of returns	Income					
		Total	Interest	Dividends	Rents	Partnership income	Short-term capital gain (less loss)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
All returns.....	1,572	416,137	73,080	45,148	8,378	13,352	-3,050
Zero or net deficit.....	625	-4,871	6,650	2,834	4,219	-3,450	-17,074
\$1 under \$25,000.....	441	4,917	2,011	1,406	260	53	-290
\$25,000 under \$50,000.....	104	6,074	2,312	1,120	192	161	-30
\$50,000 under \$100,000.....	122	10,412	4,808	1,435	228	315	822
\$100,000 under \$250,000.....	123	23,706	7,466	5,003	296	2,128	1,828
\$250,000 under \$500,000.....	71	28,616	8,280	4,834	1,116	1,378	1,274
\$500,000 under \$1,000,000.....	38	30,939	7,584	5,402	278	5,456	2,923
\$1,000,000 under \$5,000,000.....	36	88,111	7,207	14,812	1,785	6,954	9,434
\$5,000,000 under \$10,000,000.....	8	53,932	743	8,123	4	406	2,339
\$10,000,000 and over.....	4	174,301	26,020	179	--	-50	-4,276

Size of net income or deficit	Income--continued			Expenses			
	Long-term capital gain (less loss)	Ordinary gain (less loss)	Other	Total	Interest	Foreign taxes paid	State and local taxes paid
	(8)	(9)	(10)	(11)	(12)	(13)	(14)
All returns.....	212,871	9,481	56,878	77,109	30,447	2,086	665
Zero or net deficit.....	-11,167	-1,967	15,084	46,455	20,695	191	81
\$1 under \$25,000.....	989	2	487	1,861	169	113	11
\$25,000 under \$50,000.....	1,165	-1	1,154	2,402	181	97	13
\$50,000 under \$100,000.....	1,591	(¹)	1,213	1,702	157	90	9
\$100,000 under \$250,000.....	6,333	-1,937	2,589	4,136	1,354	429	33
\$250,000 under \$500,000.....	9,513	309	1,913	3,006	908	241	20
\$500,000 under \$1,000,000.....	7,088	655	1,552	4,000	748	25	30
\$1,000,000 under \$5,000,000.....	40,941	--	6,978	10,815	5,824	886	264
\$5,000,000 under \$10,000,000.....	42,343	--	-25	2,216	411	14	204
\$10,000,000 and over.....	114,076	12,420	25,932	515	(¹)	--	--

Size of net income or deficit	Expenses--continued				Net income (less deficit)	Distributions	Assets
	Amortization and depreciation	Trustee and advisor fees	Charitable contributions	Other			Total
	(15)	(16)	(17)	(18)	(19)	(20)	(21)
All returns.....	950	8,733	2,015	32,212	339,029	686,853	5,513,143
Zero or net deficit.....	300	1,571	85	23,533	-51,327	120,015	1,222,902
\$1 under \$25,000.....	31	778	19	739	3,056	14,518	216,912
\$25,000 under \$50,000.....	(¹)	531	1,141	439	3,672	11,290	206,621
\$50,000 under \$100,000.....	24	901	1	521	8,710	12,448	216,784
\$100,000 under \$250,000.....	6	1,170	5	1,139	19,571	20,949	463,615
\$250,000 under \$500,000.....	97	760	22	958	25,610	40,137	507,184
\$500,000 under \$1,000,000.....	116	683	107	2,291	26,939	43,110	455,307
\$1,000,000 under \$5,000,000.....	376	1,809	23	1,633	77,296	157,381	765,116
\$5,000,000 under \$10,000,000.....	--	456	613	519	51,716	24,872	865,751
\$10,000,000 and over.....	--	74	(¹)	440	173,785	242,134	592,951

Footnotes at end of table.

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Table 3.--Form 3520-A, Foreign Trusts with a U.S. Owner: Income, Expense, and Balance Sheet Items, by Size of Net Income or Deficit, 1998--Continued

[Money amounts are in thousands of dollars]

Size of net income or deficit	Assets--continued						
	Cash	Accounts receivable	Mortgages	Inventory	Government obligations	Marketable securities	Non-marketable securities
	(22)	(23)	(24)	(25)	(26)	(27)	(28)
All returns	524,650	52,437	381,464	1,517	337,536	1,617,848	1,559,330
Zero or net deficit.....	197,649	7,079	10,453	21	25,807	385,886	354,110
\$1 under \$25,000.....	20,319	1,140	6,361	29	14,667	98,807	9,453
\$25,000 under \$50,000.....	22,867	3,007	3,583	--	9,457	100,493	3,928
\$50,000 under \$100,000.....	32,031	376	7,093	--	31,536	82,492	7,101
\$100,000 under \$250,000.....	94,391	901	21,227	1,467	32,917	198,362	39,170
\$250,000 under \$500,000.....	38,630	972	33,734	--	43,332	236,590	56,755
\$500,000 under \$1,000,000.....	28,604	560	--	--	51,443	173,328	36,193
\$1,000,000 under \$5,000,000.....	20,590	5,438	15,637	--	127,877	297,815	132,851
\$5,000,000 under \$10,000,000.....	3,582	5	9,145	--	500	37,096	743,862
\$10,000,000 and over.....	65,987	32,959	274,230	--	--	6,978	175,907

Size of net income or deficit	Assets--continued				Liabilities		
	Depreciable assets	Accumulated depreciation	Real property	Other	Total	Accounts payable	Contributions and gifts payable
	(29)	(30)	(31)	(32)	(33)	(34)	(35)
All returns	63,714	1,660	129,551	827,828	334,689	4,901	7,426
Zero or net deficit.....	29,453	962	59,336	143,192	161,147	1,402	3
\$1 under \$25,000.....	8,642	135	13,978	42,979	10,338	324	--
\$25,000 under \$50,000.....	1,285	82	2,788	58,535	9,712	1,190	875
\$50,000 under \$100,000.....	1,885	21	948	53,145	13,012	995	4,189
\$100,000 under \$250,000.....	--	--	8,667	66,690	15,857	73	--
\$250,000 under \$500,000.....	2,965	148	1,355	86,355	31,948	356	54
\$500,000 under \$1,000,000.....	--	--	13,621	151,559	19,512	68	--
\$1,000,000 under \$5,000,000.....	19,485	311	28,668	117,112	45,451	492	2,306
\$5,000,000 under \$10,000,000.....	--	--	190	71,370	8,012	--	--
\$10,000,000 and over.....	--	--	--	36,890	19,698	--	--

Size of net income or deficit	Liabilities--continued			Net worth		
	Mortgages payable	Other	Total	Contributions to trust corpus	Accumulated trust income	Other
	(36)	(37)	(38)	(39)	(40)	(41)
All returns	199,238	123,952	5,178,454	2,936,348	417,910	1,824,196
Zero or net deficit.....	140,262	19,482	1,061,754	502,982	25,026	533,746
\$1 under \$25,000.....	8,566	1,299	206,573	116,416	22,564	67,593
\$25,000 under \$50,000.....	1,300	6,347	196,908	127,803	11,170	57,935
\$50,000 under \$100,000.....	5,778	2,049	203,772	131,044	13,263	59,464
\$100,000 under \$250,000.....	15,250	534	447,758	292,983	46,882	107,894
\$250,000 under \$500,000.....	3,473	28,065	475,236	261,065	66,919	147,252
\$500,000 under \$1,000,000.....	15,630	3,814	435,794	270,270	32,383	133,142
\$1,000,000 under \$5,000,000.....	1,334	42,297	719,665	471,044	75,441	173,180
\$5,000,000 under \$10,000,000.....	7,644	368	857,739	262,790	27,125	567,824
\$10,000,000 and over.....	--	19,698	573,253	499,950	97,137	-23,834

¹ Less than \$500.

NOTE: Detail may not add to totals because of rounding.

Foreign Trusts, 1998

Table 4.--Form 3520-A, Foreign Trusts with a U.S. Owner: Income, Expense, and Balance Sheet Items, by Country of Trust or Trustee, 1998

[Money amounts are in thousands of dollars]

Country or area	Number of returns	Income					Short-term capital gain (less loss)
		Total	Interest	Dividends	Rents	Partnership income	
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
All returns.....	1,572	416,137	73,080	45,148	8,378	13,352	-3,050
Australia.....	14	15,176	44	51	194	83	1
Bahamas.....	126	12,980	4,003	6,056	144	545	-1,520
Belize.....	32	2,244	386	642	32	271	428
Bermuda.....	310	35,105	4,183	10,060	26	-420	1,053
British Virgin Islands.....	36	6,573	1,006	1,956	38	918	-35
Burma.....	3	26	26	--	--	--	(¹)
Canada.....	76	1,005	384	507	253	-603	-27
Cayman Islands.....	143	44,441	6,447	2,255	357	585	-1,113
Central America.....	6	39	9	29	--	--	-21
China and Hong Kong.....	4	57,214	24,010	25	3,959	--	-8
Cook Islands.....	184	34,100	7,066	3,756	469	2,689	1,079
Costa Rica.....	15	201	201	--	--	--	--
Gibraltar.....	29	3,137	3,073	446	--	-247	-865
Guernsey.....	31	10,556	1,035	1,665	--	--	537
Isle of Man.....	51	110,490	4,097	1,649	802	-171	-1,057
Jersey.....	53	10,193	1,907	1,240	121	2,389	-1,151
Liechtenstein.....	54	14,936	4,193	3,102	(¹)	75	-676
Mauritius.....	3	-18	(¹)	13	1	--	6
Mexico.....	13	4,081	52	8	1,582	--	--
New Zealand.....	7	-553	153	21	--	--	-414
Puerto Rico.....	17	115	112	1	--	--	(¹)
St. Christopher/Nevis.....	89	7,926	497	401	142	2,749	1,100
Switzerland.....	23	10,006	1,346	8,242	--	(¹)	508
Turks and Caicos Islands.....	6	59	54	--	5	--	--
United Kingdom and Northern Ireland.....	80	6,359	2,669	992	93	-118	597
Not specified or other.....	167	29,743	6,128	2,030	161	4,606	-1,473

Footnotes at end of table.

Foreign Trusts, 1998

Table 4.--Form 3520-A, Foreign Trusts with a U.S. Owner: Income, Expense, and Balance Sheet Items, by Country of Trust or Trustee, 1998--Continued

[Money amounts are in thousands of dollars]

Country or area	Income--continued			Expenses			
	Long-term capital gain (less loss)	Ordinary gain (less loss)	Other	Total	Interest	Foreign taxes paid	State and local taxes paid
	(8)	(9)	(10)	(11)	(12)	(13)	(14)
All returns	212,871	9,481	56,878	77,109	30,447	2,086	665
Australia.....	-46	-360	15,209	318	135	51	--
Bahamas.....	2,658	-527	1,621	1,341	14	33	28
Belize.....	202	95	188	103	16	1	2
Bermuda.....	18,266	-65	2,002	8,341	4,801	780	3
British Virgin Islands.....	1,851	--	840	1,864	79	52	6
Burma..... ⁽¹⁾	--	--	--	123	76	16	--
Canada.....	324	-5	171	531	103	165	1
Cayman Islands.....	17,356	295	18,258	18,720	95	44	3
Central America.....	22	--	⁽¹⁾	19	7	3	--
China and Hong Kong.....	46	12,420	16,762	14,163	12,944	2	--
Cook Islands.....	18,951	-1,234	1,325	5,300	2,299	234	205
Costa Rica.....	--	--	--	2	--	--	--
Gibraltar.....	297	--	433	894	16	11	1
Guernsey.....	7,633	-343	29	845	3	105	--
Isle of Man.....	111,428	-268	-5,988	2,385	604	15	19
Jersey.....	5,598	--	88	3,401	1,688	4	18
Liechtenstein.....	8,469	-298	69	2,942	497	207	7
Mauritius.....	-38	--	--	7	--	--	--
Mexico.....	-144	--	2,583	834	--	⁽¹⁾	--
New Zealand.....	-48	-183	-82	3,116	2,023	3	--
Puerto Rico.....	2	--	--	17	--	--	3
St. Christopher/Nevis.....	2,424	--	613	870	137	52	78
Switzerland.....	-523	--	432	1,023	80	61	18
Turks and Caicos Islands.....	--	--	--	50	3	--	--
United Kingdom and Northern Ireland.....	2,338	-33	-180	1,106	160	152	⁽¹⁾
Not specified or other.....	15,805	-14	2,503	8,791	4,666	94	273

Footnotes at end of table.

Foreign Trusts, 1998

Table 4.--Form 3520-A, Foreign Trusts with a U.S. Owner: Income, Expense, and Balance Sheet Items, by Country of Trust or Trustee, 1998--Continued

[Money amounts are in thousands of dollars]

Country or area	Expenses--continued				Net income (less deficit)	Distributions	Assets
	Amortization and depreciation	Trustee and advisor fees	Charitable contributions	Other			Total
	(15)	(16)	(17)	(18)			(19)
All returns.....	950	8,733	2,015	32,212	339,029	686,853	5,513,143
Australia.....	15	--	--	116	14,859	15,995	324,924
Bahamas.....	27	827	3	409	11,639	39,510	312,920
Belize.....	--	32	--	53	2,141	2,617	57,528
Bermuda.....	64	981	39	1,673	26,764	49,075	594,752
British Virgin Islands.....	--	79	--	1,648	4,709	59,511	341,387
Burma.....	--	13	--	17	-97	--	3,625
Canada.....	7	41	--	214	474	10,690	34,641
Cayman Islands.....	38	575	22	17,943	25,721	26,859	602,271
Central America.....	--	8	--	1	20	4	12,296
China and Hong Kong.....	127	--	--	1,091	43,051	207,206	195,728
Cook Islands.....	82	863	140	1,477	28,799	63,540	466,823
Costa Rica.....	--	2	--	--	199	144	2,029
Gibraltar.....	--	358	--	508	2,243	2,695	125,507
Guernsey.....	--	294	(¹)	442	9,712	6,788	103,777
Isle of Man.....	79	644	2	1,023	108,106	59,986	242,778
Jersey.....	5	1,025	13	648	6,792	14,187	216,879
Liechtenstein.....	23	1,077	17	1,114	11,994	37,015	318,542
Mauritius.....	--	7	--	--	-25	--	425
Mexico.....	372	--	--	462	3,247	430	72,552
New Zealand.....	71	5	--	1,015	-3,669	126	26,818
Puerto Rico.....	--	14	--	--	98	354	2,809
St. Christopher/Nevis.....	24	409	1	170	7,056	1,081	66,186
Switzerland.....	--	354	10	499	8,983	35,996	795,218
Turks and Caicos Islands.....	--	43	--	4	9	--	5,215
United Kingdom and Northern Ireland.....	15	596	4	180	5,253	7,152	177,881
Not specified or other.....	1	486	1,763	1,507	20,954	45,892	409,634

Footnotes at end of table.

Foreign Trusts, 1998

Table 4.--Form 3520-A, Foreign Trusts with a U.S. Owner: Income, Expense, and Balance Sheet Items, by Country of Trust or Trustee, 1998--Continued

[Money amounts are in thousands of dollars]

Country or area	Assets--continued						
	Cash	Accounts receivable	Mortgages	Inventory	Government obligations	Marketable securities	Non-marketable securities
	(22)	(23)	(24)	(25)	(26)	(27)	(28)
All returns	524,650	52,437	381,464	1,517	337,536	1,617,848	1,559,330
Australia.....	2,844	33,109	274,688	--	--	3,432	627
Bahamas.....	12,709	271	1,764	368	41,104	105,635	118,096
Belize.....	1,386	69	246	--	2,586	12,956	1,089
Bermuda.....	21,026	1,241	10,973	50	11,697	422,430	49,517
British Virgin Islands.....	7,136	122	4,509	--	--	73,586	223,269
Burma.....	33	--	--	--	--	637	--
Canada.....	2,553	44	2,185	--	278	14,172	4,046
Cayman Islands.....	188,008	970	2,729	--	162,200	107,573	74,962
Central America.....	4	--	--	--	--	11,122	--
China and Hong Kong.....	11	--	--	--	--	60	163,230
Cook Islands.....	96,584	465	40,258	--	14,829	111,124	45,439
Costa Rica.....	909	--	--	--	--	366	755
Gibraltar.....	25,445	1,497	1,100	--	9,710	21,639	6,836
Guernsey.....	3,606	5,957	604	--	11,569	59,017	9,347
Isle of Man.....	76,215	22	441	--	9,184	66,414	25,715
Jersey.....	6,963	1,570	111	--	1,143	133,571	34,939
Liechtenstein.....	27,529	51	3,476	--	37,476	168,833	7,899
Mauritius.....	(¹)	--	4	--	--	--	--
Mexico.....	20	3,320	--	--	--	--	--
New Zealand.....	532	146	14	--	683	1,232	1,215
Puerto Rico.....	(¹)	--	--	--	103	2,296	--
St. Christopher/Nevis.....	3,107	2,427	2,411	--	5,740	19,102	2,932
Switzerland.....	4,103	52	928	--	213	40,696	744,602
Turks and Caicos Islands.....	103	58	2,324	--	--	--	1,752
United Kingdom and Northern Ireland.....	14,248	42	14,127	1,099	9,130	109,593	2,707
Not specified or other.....	29,576	1,003	18,571	--	19,892	132,362	40,356

Footnotes at end of table.

Foreign Trusts, 1998

Table 4.--Form 3520-A, Foreign Trusts with a U.S. Owner: Income, Expense, and Balance Sheet Items, by Country of Trust or Trustee, 1998--Continued

[Money amounts are in thousands of dollars]

Country or area	Assets--continued				Liabilities		
	Depreciable assets	Accumulated depreciation	Real property	Other	Total	Accounts payable	Contributions and gifts payable
	(29)	(30)	(31)	(32)	(33)	(34)	(35)
All returns	63,714	1,660	129,551	827,828	334,689	4,901	7,426
Australia.....	3,467	365	6,307	817	15,361	1,236	--
Bahamas.....	9,261	--	1,575	22,139	9,911	31	4,921
Belize.....	--	--	2,728	35,705	10	10	--
Bermuda.....	452	32	5,190	68,696	111,091	878	(¹)
British Virgin Islands.....	19,094	4	4,426	9,247	13,506	59	--
Burma.....	--	--	--	2,955	--	--	--
Canada.....	7	(¹)	10,508	849	10,586	23	--
Cayman Islands.....	417	123	6,407	59,128	8,993	74	--
Central America.....	--	--	1,050	120	138	--	--
China and Hong Kong.....	--	--	--	32,427	19,698	--	--
Cook Islands.....	1,104	50	11,650	145,555	17,798	461	--
Costa Rica.....	--	--	--	--	--	--	--
Gibraltar.....	--	--	3,359	55,921	60	49	--
Guernsey.....	--	--	120	13,557	659	251	--
Isle of Man.....	4,643	467	638	60,834	12,585	246	54
Jersey.....	4,257	50	8,028	17,778	7,203	319	2
Liechtenstein.....	--	--	3,636	62,799	11,857	7	--
Mauritius.....	11	(¹)	10	400	17	--	--
Mexico.....	19,160	311	31,946	18,417	18,076	26	--
New Zealand.....	813	148	21,940	391	32,017	726	--
Puerto Rico.....	--	--	--	410	--	--	--
St. Christopher/Nevis.....	326	--	264	29,925	3,717	276	2,306
Switzerland.....	165	--	--	4,459	5,259	80	--
Turks and Caicos Islands.....	--	--	828	150	31	--	--
United Kingdom and Northern Ireland.....	419	75	3,690	23,578	14,031	87	143
Not specified or other.....	121	35	5,250	161,571	22,084	62	--

Footnotes at end of table.

Foreign Trusts, 1998

Table 4.--Form 3520-A, Foreign Trusts with a U.S. Owner: Income, Expense, and Balance Sheet Items, by Country of Trust or Trustee, 1998--Continued

[Money amounts are in thousands of dollars]

Country or area	Liabilities--continued		Net worth			
	Mortgages payable	Other	Total	Contributions to trust corpus	Accumulated trust income	Other
	(36)	(37)	(38)	(39)	(40)	(41)
All returns.....	199,238	123,952	5,178,454	2,936,348	417,910	1,824,196
Australia.....	2,793	11,333	309,562	1,619	7,755	300,188
Bahamas.....	2,840	2,120	303,009	275,654	18,867	8,487
Belize.....	--	--	57,518	41,120	3,372	13,026
Bermuda.....	83,107	27,106	483,661	235,229	43,736	204,695
British Virgin Islands.....	11,022	2,424	327,881	72,837	17,366	237,678
Burma.....	--	--	3,625	1,097	48	2,481
Canada.....	9,819	744	24,055	14,838	1,663	7,554
Cayman Islands.....	3,374	5,397	593,277	333,974	21,372	237,931
Central America.....	138	--	12,158	12,202	-44	--
China and Hong Kong.....	--	19,698	176,030	499,950	682	-324,602
Cook Islands.....	4,133	14,181	449,025	314,872	52,038	82,115
Costa Rica.....	--	--	2,029	1,778	90	161
Gibraltar.....	--	11	125,447	31,930	6,155	87,362
Guernsey.....	3	405	103,118	28,752	24,538	49,829
Isle of Man.....	9,097	3,188	230,193	117,936	104,026	8,231
Jersey.....	6,425	458	209,676	89,786	1,267	118,624
Liechtenstein.....	8,440	3,409	306,685	219,553	18,207	68,926
Mauritius.....	17	--	407	397	--	10
Mexico.....	15,665	2,386	54,476	50,553	3,551	372
New Zealand.....	30,742	549	-5,199	5,551	-230	-10,520
Puerto Rico.....	--	--	2,809	1,683	6	1,120
St. Christopher/Nevis.....	1,036	100	62,469	31,904	6,915	23,651
Switzerland.....	--	5,179	789,959	222,126	6,057	561,776
Turks and Caicos Islands.....	--	31	5,184	1,707	3,476	--
United Kingdom and Northern Ireland.....	71	13,728	163,851	100,513	7,595	55,743
Not specified or other.....	10,515	11,506	387,550	228,788	69,404	89,359

¹ Less than \$500.

NOTE: Detail may not add to totals because of rounding.

SOURCE: Internal Revenue Service, Statistics of Income Bulletin, Fall 2001, Publication 1136 (Rev. 11-2001)