



Form 5472 – Real-Life Examples of Reportable Transactions

Please review the examples below. Once you have gathered the relevant information for your situation, you may submit it for preparation. Note: Failure to file the form 5472 can result in \$25,000 IRS penalty for each incident.

1. Real-Life Reportable Transactions

Foreign owners often engage in everyday actions that qualify as “reportable transactions” for IRS Form 5472, even if they are informal or unintentional.

Everyday Business Scenarios

- **Paying Company Fees Personally:**
You pay the \$100 registered agent fee or a state filing fee from your personal foreign bank account because the LLC’s bank account is not yet open.
 - **Startup Capital Infusion:**
You wire \$2,500 from your home country to open the LLC’s first U.S. bank account. This is treated as a **capital contribution**.
 - **Family Member Assistance:**
A related party—such as your brother—pays for the LLC’s domain name or web hosting. Even if unpaid back, this is still a reportable transaction.
 - **Reimbursable Expenses:**
You purchase a laptop for the business while traveling, and the LLC later reimburses you. Both the initial payment and the reimbursement are reportable.
 - **Direct Customer Payments to You:**
A customer mistakenly sends payment to your personal bank account instead of the LLC’s account.
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Operational & Corporate Examples

- **Management Fees:**
A foreign parent company provides administrative oversight and charges a \$5,000 monthly management fee.

- **Interest-Free Loans:**
You loan your LLC \$10,000 without a formal agreement or interest. This must be reported at its full face value.
 - **Intellectual Property Use:**
Your U.S. LLC uses a trademark owned by your foreign company without paying a royalty. This “less-than-full consideration” transaction must be reported at **fair market value**.
 - **Inventory Purchases:**
Your U.S. company purchases inventory from a foreign manufacturing business you also own.
 - **Dissolution Costs:**
You personally pay a legal firm to dissolve the LLC at year-end.
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Important Filing Requirement

Each **related party** requires a **separate Form 5472**.

For example:

- If **you** (the foreign owner) and
 - Your **foreign manufacturing company**
both have transactions with the U.S. LLC, you must file **two** Forms 5472.
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2. Understanding “Related Parties” for Form 5472

Common Real-Life Related Parties

- **You (the Foreign Owner):**
Any non-U.S. person owning **25% or more** of the U.S. company.
- **Your Other Companies:**
A foreign company you own **50% or more** of is a related party if it has *any* transaction with the U.S. LLC.
- **Immediate Family Members (per IRS Attribution Rules):**
Includes your spouse, parents, children, and siblings.
Example: If your brother pays the LLC’s registration fee, he is a related party.
- **Sister Companies:**
Two companies are related if you own **more than 50%** of both.
- **Trusts and Estates:**
If a foreign trust owns the U.S. LLC, both the **grantor/settlor** and the **beneficiaries** may be considered related parties.

Important Distinctions — Not Automatically Related Parties

These relationships are **not** automatically considered related parties under Form 5472 rules:

- **In-laws**
 - **Cousins, uncles, aunts** (unless they hold qualifying ownership)
 - **Business partners** (unless they own **25% or more** or meet specific control tests)
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Why This Matters

You must file a **separate Form 5472** for **each** related party that had any reportable transaction with your U.S. company during the tax year.

Exceptions

- Filing **Form 5472** is a strict requirement for foreign-owned U.S. corporations and disregarded entities (like single-member LLCs). However, the IRS does provide specific exceptions where you may be excused from filing.
- As of **2025/2026**, here are the primary exceptions to the Form 5472 filing requirements:

1. No Reportable Transactions

The most common "exception" is simply having nothing to report. If the reporting corporation had **no reportable transactions** with any foreign or domestic related party during the tax year, Form 5472 is generally not required.

- **Note for LLCs:** For foreign-owned Single-Member LLCs (Disregarded Entities), even a small capital contribution or paying a business expense out of pocket is considered a "reportable transaction." If the LLC was completely dormant (zero money in or out), it may qualify for this exception.

2. Form 5471 Filing (The "Overlap" Exception)

If a U.S. person already controls the foreign related party and files **Form 5471** (Information Return of U.S. Persons With Respect To Certain Foreign Corporations) which includes a **Schedule M** detailing the transactions, the U.S. corporation may not need to file Form 5472 for those same transactions.

Important: This exception does **not** apply to foreign-owned U.S. Disregarded Entities (LLCs).

3. Foreign Sales Corporation (FSC)

A reporting corporation is not required to file Form 5472 if it is a **Foreign Sales Corporation** for the tax year and files **Form 1120-FSC**.

4. No "Permanent Establishment" (Treaty Exception)

A foreign corporation doesn't have to file Form 5472 if:

- It does **not** have a permanent establishment in the U.S. under an applicable income tax treaty.
- It timely files **Form 8833** (Treaty-Based Return Position Disclosure).

5. Section 883 Exemption

Foreign corporations whose gross income is exempt from taxation under **IRC Section 883** (relating to income from the international operation of ships or aircraft) are exempt, provided they comply with the relevant reporting requirements of Sections 883 and 887.

Exception	Applies to Corporations?	Applies to SMLLCs (DEs)?
No Reportable Transactions	Yes	Yes (if truly dormant)
Form 5471/Schedule M filed	Yes	No
Foreign Sales Corp (FSC)	Yes	No
Treaty (No Perm. Est.)	Yes	No
Section 883 (Shipping/Air)	Yes	No

References

1. <https://www.irs.gov/individuals/international-taxpayers/effectively-connected-income-eci>
 2. <https://www.irs.gov/forms-pubs/about-form-5472>
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