REPORTING CASH TRANSACTIONS OVER $10,000

General Rule For Reporting Cash Receipts

The Internal Revenue Code (IRC) provides that any person who, in the course of its trade or business, receives in excess of $10,000 in cash in a single transaction (or in two or more related transactions) must report the transaction to the IRS and furnish a statement to the payer.

Definitions

Cash - "Cash" generally means the coin and currency of the U.S. or of any other country. For purposes of this reporting requirement, "cash" also includes a cashier's check,[1] bank draft, traveler's check, or money order having a face amount of $10,000 or less if the instrument is

1. received in any transaction in which the recipient knows that such instrument is being used to avoid the reporting of the transaction, or
2. received in a "designated reporting transaction," which is defined as a retail sale of a consumer durable,[2] a collectible,[3] or a travel or entertainment activity.

Note: Under these rules, the term "cash" **excludes** personal checks written by an individual. Also, a cashier's check, bank draft, traveler's check or money order is not considered to be received in a designated reporting transaction if it constitutes the proceeds of a loan from a bank, thrift institution or credit union[4] or if it is received as a payment on certain promissory notes, installment sales contracts or down payment plans and the recipient does not know that the instrument is being used to avoid reporting of the transaction.

The following two examples are based on examples illustrating the definition of "cash" which are contained in the U.S. Treasury Regulations:

> *Example 1* D, an individual, purchases an automobile from M, an automobile dealer, for $11,500. D tenders to M in payment U.S. currency in the amount of $2,000 and a cashier's check payable to M in the amount of $9,500. The sale is a retail sale of a consumer durable and therefore constitutes a designated reporting transaction. Because it is received in a designated reporting transaction, the cashier's check is treated as cash for purposes of the IRC cash transaction reporting rules. M has therefore received more than $10,000 "cash" with respect to the sale of the automobile and must report the $11,500 "cash" received in the transaction.

> *Example 2* E, an individual, purchases an automobile from S, an automobile dealer, for $11,500. E tenders to S in payment a personal check in the amount of $2,000 and a cashier's check payable to S in the amount of $9,500. The sale is a retail sale of a consumer durable and therefore constitutes a designated reporting transaction. Because it is received in a designated reporting transaction, the cashier's check is treated as cash for purposes of

[1] "Cashier's check" also includes the terms "treasurer's check," "bank check" and any other term for the same type of instrument.
[2] A consumer durable is defined by the Regulations as an item of tangible personal property of a type that (1) is suitable under ordinary usage for personal consumption or use, (2) can reasonably be expected to be useful for at least one year, and (3) has a sales price of more than $10,000.
[3] A collectible is defined as any work of art, any rug or antique, any metal or gem, or any stamp or coin.
[4] The recipient may rely on a copy of the loan document, a written statement from the bank or similar documentation (such as a written lien instruction from the issuer of the instrument) to substantiate that the instrument constitutes loan proceeds.

the IRC cash transaction reporting rules. However, because the personal check is *not* treated as cash, S has not received more that $10,000 in "cash" in the transaction and is not required to report any portion of the $11,500 received.

<u>Transaction</u> - "Transaction" means "the underlying event precipitating the payer's transfer of cash to the recipient" and includes (but is not limited to) the sale of goods or services (including tuition), the repayment of debt, the sale of real estate, or an exchange of cash for other cash. (Note: Charitable contributions are not considered received in the course of an exempt organization's trade or business and thus are not subject to these cash receipt reporting requirements.) The Regulations which define "transaction" state that a single transaction cannot be separated into multiple transactions to avoid reporting the receipt of cash.

<u>Related Transactions</u> - "Related transactions" means

1. transactions conducted between a payer (or its agent) and a recipient of cash within a 24 hour period of time, or
2. transactions conducted between a payer (or its agent) and a recipient of cash during a period of more than 24 hours if the recipient knows (or has reason to know) that each individual transaction is one of a series of connected transactions.

The Regulations include the following example with respect to the definitions of "transaction" and "related transactions:"

> A person intends to contribute a total of $45,000 to a trust fund, and the trustee of the fund knows or has reason to know of that intention. The $45,000 contribution is a single transaction...and the [Form 8300] reporting requirement...cannot be avoided by the grantor's making five separate $9,000 cash contributions to a single fund or by making five $9,000 cash contributions to five separate funds administered by a common trustee.

<u>Recipient</u> - "Recipient" means the person (including, but not limited to, an individual, a corporation, a partnership, a trust, an estate, an association or a company) receiving the cash. The IRS's rules, as they apply to the University, seem to define each department or office of the University as a separate "recipient." However, a University department or office would not be a separate recipient if it (or a central department or office linking such recipient with other departments or offices) has reason to know the identity of payers making cash payments to other departments or offices.

Based on this definition of "recipient," it appears that the Bursar's Office and the Peabody Museum gift shop, for example, would be separate recipients. Each of these departments would track and report on Form 8300 any reportable cash receipts separately.

However, if the various facilities within the department of Athletics, for example, each have an office where cash is received, and the central administration/finance office for Athletics has reason to know the identity of payers making cash payments to the various facilities, then the Athletics department would be considered the recipient. That is, the Athletics department would aggregate cash receipts from individuals paid to the separate facilities and file Form 8300 based on these aggregate amounts (rather than each separate facility filing Form 8300 based on amounts it received without considering receipts by other facilities in the Athletics department).

<u>Information Required to Be Reported to the IRS</u>

Receipts of cash in excess of $10,000 must be reported to the IRS on Form 8300, Report of Cash Payments Over $10,000 Received in a Trade or Business. Form 8300 requires that the University

report the following information for each reportable transaction:
- Payer's name
- Payer's address
- Payer's date of birth
- Payer's social security number or individual taxpayer identification number
- Payer's occupation
- The type of document used by the University to verify the payer's identification (e.g., driver's license)
- The issuer of the identification document (e.g., the State of Connecticut)
- The identification document's number (e.g., driver's license number)
- Date "cash" was received
- Total "cash" received
- Total price of the property, services, etc. exchanged if the total price is different from the "total cash received"
- Was the "cash" received in more than one payment?
- The form in which "cash" was received (e.g., U.S. currency,[5] foreign currency, cashier's check, traveler's checks, etc.)
- Description of the transaction

If the transaction was conducted on behalf of an individual or an organization, the following information must be provided on Form 8300 for that individual or organization:
- Name
- Address
- Social security number, employer identification number or individual taxpayer identification number (or description of identification document, such as a passport, if individual is a nonresident alien)

When to Report Cash Received

Generally, Form 8300 must be filed with the IRS by the 15th day after the date the cash is received. In the case of related transactions or multiple cash payments which relate to a single transaction, the following rules apply:

1. *The initial payment exceeds $10,000* - Report the initial payment within 15 days.
2. *The initial payment does not exceed $10,000* - Aggregate the initial and subsequent payments (made within one year) until the aggregate amount exceeds $10,000. Report the aggregate amount within 15 days after receiving the payment that causes the aggregate amount to exceed $10,000.
3. *Subsequent payments* - A report must be made each time that previously unreportable payments (made within a twelve-month period) in the aggregate exceed $10,000. The report must be made within 15 days after receiving the payment that causes the aggregate amount to exceed $10,000.

The Regulations offer an example to illustrate this rule:

> On January 10, 1991, M receives an initial cash payment of $11,000 with respect to a transaction. M receives subsequent cash payments with respect to that same transaction of $4,000 on February 15, 1991, $6,000 on March 20, 1991, and $12,000 on May 15, 1991. M must make a report with respect to the payment received on January 10, 1991 by January 25, 1991. M must make a report with respect to the payments totaling $22,000 received from February 15, 1991 through May 15, 1991. This report must be made by May 30, 1991, that

[5] If the form of "cash" payment was U.S. currency, the recipient must also report the amount received which was in $100 bills or larger denomination.

is, within 15 days of the date that the subsequent payments, all of which were received within a twelve-month period, exceeded $10,000.

Where to File Form 8300

The Regulations require Form 8300 to be mailed to the address shown in the Form 8300 instructions. Currently, that address is:

Internal Revenue Service
Detroit Computing Center
P.O. Box 32621
Detroit, MI 48232

You should check the Form 8300 instructions periodically for any change in this address.

Furnishing Statements to Payers

A recipient of cash who is required to file a Form 8300 with the IRS must furnish annually a single, written statement to each person whose name is set forth in a Form 8300 filed by the recipient. The statement must contain the name, address and phone number of the University department or office which filed the Form 8300 and the aggregate amount of cash reported during the calendar year with respect to the payer. Further, the statement must indicate that the information contained in the statement is being reported to the IRS. These statements must be furnished to each payer on or before January 31 of the year following the calendar year in which the cash was received.

Retention of Forms 8300

Generally, the University must retain a copy of each Form 8300 filed for five years from the date of filing. In addition, the University should retain a copy of the statement furnished to the payer. These forms and statements should be maintained centrally in the University Tax Department.

Penalties For Failure to Report

The IRS imposes a penalty of $50 for
1. failure to timely file Form 8300,
2. failure to include all the information required to be shown on the return, or
3. failure to provide correct information on the return.[6]

This $50 penalty is applicable to **each** Form 8300 filed late or filed with incomplete or incorrect information. A $50 penalty is also imposed for each failure to furnish an annual statement to a payer, or for furnishing an incomplete or incorrect statement. **Criminal and substantial civil penalties may be imposed if the IRS determines that failure to file a correct and complete Form 8300 or statement to a payer was due to intentional disregard of the cash reporting requirements.**

[6] This penalty is reduced to $15 if the failure is corrected on or before the 30th day after the required filing date. This penalty is reduced to $30 if the failure is corrected after the 30th day but on or before August 1 of the calendar year in which the required filing date occurs.