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Reporting Cash Payments of Over \$10,000

**(Received in a
Trade or Business)**



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Introduction

If, in a 12-month period, you receive more than \$10,000 in cash from one buyer as a result of a transaction in your trade or business, you must report it to the Internal Revenue Service (IRS) and the Financial Crimes Enforcement Network (FinCEN) on Form 8300, *Report of Cash Payments Over \$10,000 Received in a Trade or Business*.

This publication explains why, when, and where to report these cash payments. It also discusses the substantial penalties for not reporting them.

Some organizations do not have to file Form 8300, including financial institutions who must file FinCEN Form 104 (formerly Form 4789), *Currency Transaction Report*, and casinos who must file FinCEN Form 103 (formerly Form 8362), *Currency Transaction Report by Casinos*. They are not discussed in this publication.

This publication explains key issues and terms related to Form 8300. You should also read the instructions attached to the form. They explain what to enter on each line.

Why Report These Payments?

Drug dealers and smugglers often use large cash payments to "launder" money from illegal activities. Laundering means converting "dirty" or illegally-gained money to "clean" money.

The government can often trace this laundered money through the payments you report. Laws passed by Congress require you to report these payments. Your compliance with these laws provides valuable information that can stop those who evade taxes and those who profit from the drug trade and other criminal activities.

The USA PATRIOT Act of 2001 increased the scope of these laws to help trace funds used for terrorism.

Who Must File Form 8300?

Generally, any person in a trade or business who receives more than \$10,000 in cash in a single transaction or in related transactions must file Form 8300.

For example, you may have to file Form 8300 if you are a dealer in jewelry, furniture, boats, aircraft, or automobiles; a pawnbroker; an attorney; a real estate broker; an insurance company; or a travel agency. Special rules for clerks of federal or state courts are discussed later under *Bail received by court clerks*.

However, you do not have to file Form 8300 if the transaction is not related to your trade or business. For example, if you own a jewelry store and sell your personal automobile for more than \$10,000 in cash, you would not submit a Form 8300 for that transaction.

Transaction defined. A "transaction" occurs when:

- Goods, services, or property are sold.

- Property is rented.
- Cash is exchanged for other cash.
- A contribution is made to a trust or escrow account.
- A loan is made or repaid.
- Cash is converted to a negotiable instrument, such as a check or a bond.

Person defined. A "person" includes an individual, a company, a corporation, a partnership, an association, a trust, or an estate.

Exempt organizations, including employee plans, are also "persons." But, exempt organizations do not have to file Form 8300 for a more-than-\$10,000 charitable cash contribution they receive since it is not received in the course of a trade or business.

Foreign transactions. You do not have to file Form 8300 if the entire transaction (including the receipt of cash) takes place outside of:

- The 50 states,
- The District of Columbia,
- Puerto Rico, or
- A possession or territory of the United States.

However, you must file Form 8300 if any part of the transaction (including the receipt of cash) occurs in Puerto Rico or a possession or territory of the United States and you are subject to the Internal Revenue Code.

Bail received by court clerks. Any clerk of a Federal or state court who receives more than \$10,000 in cash as bail for an individual charged with any of the following criminal offenses must file Form 8300:

- 1) Any Federal offense involving a controlled substance,
- 2) Racketeering,
- 3) Money laundering, and
- 4) Any state offense substantially similar to (1), (2), or (3) above.

For more information about the rules that apply to court clerks, see Section 1.6050I-2 of the Income Tax Regulations.

What Payments Must Be Reported?

You must file Form 8300 to report cash paid to you if it is:

- 1) Over \$10,000,
- 2) Received as:
 - a) One lump sum of over \$10,000,
 - b) Installment payments that cause the total cash received within one year of the initial payment to total more than \$10,000, or
 - c) Other previously unreportable payments that cause the total cash received within a 12-month period to total more than \$10,000,

- 3) Received in the course of your trade or business,
- 4) Received from the same buyer (or agent), and
- 5) Received in a single transaction or in related transactions (defined later).

What Is Cash?

Cash is:

- 1) The coins and currency of the United States (and any other country), and
- 2) A cashier's check, bank draft, traveler's check, or money order you receive, if it has a face amount of **\$10,000 or less** and you receive it in:
 - a) A designated reporting transaction (defined later), or
 - b) Any transaction in which you know the payer is trying to avoid the reporting of the transaction on Form 8300.

Note. Cash may include a cashier's check even if it is called a "treasurer's check" or "bank check."

Cash does not include a check drawn on an individual's personal account.

A cashier's check, bank draft, traveler's check, or money order with a face amount of **more than \$10,000** is not treated as cash. (These items are not defined as cash and you do not have to file Form 8300 when you receive them because, if they were bought with currency, the bank or other financial institution that issued them must file a report on Form 4789.)

Example 1. You are a coin dealer. Bob Green buys gold coins from you for \$13,200. He pays for them with \$6,200 in U.S. currency and a cashier's check having a face amount of \$7,000. The cashier's check is treated as cash. You have received more than \$10,000 cash and must file Form 8300 for this transaction.

Example 2. You are a retail jeweler. Mary North buys an item of jewelry from you for \$12,000. She pays for it with a personal check payable to you in the amount of \$9,600 and traveler's checks totaling \$2,400. Because the personal check is not treated as cash, you have not received more than \$10,000 cash in the transaction. You do not have to file Form 8300.

Example 3. You are a boat dealer. Emily Jones buys a boat from you for \$16,500. She pays for it with a cashier's check payable to you in the amount of \$16,500. The cashier's check is not treated as cash because its face amount is more than \$10,000. You do not have to file Form 8300 for this transaction.

Designated Reporting Transaction

A designated reporting transaction is the retail sale of any of the following:

- 1) A consumer durable, such as an automobile or boat. A consumer durable is property, other than land or buildings, that:
 - a) Is suitable for personal use,
 - b) Can reasonably be expected to last at least one year under ordinary use,
 - c) Has a sales price of more than \$10,000, and
 - d) Can be seen or touched (tangible property).

For example, a \$20,000 car is a consumer durable, but a \$20,000 dump truck or factory machine is not. The car is a consumer durable even if you sell it to a buyer who will use it in a business.

- 2) A collectible (a work of art, rug, antique, metal, gem, stamp, or coin).
- 3) Travel or entertainment, if the total sales price of all items sold for the same trip or entertainment event in one transaction (or related transactions) is more than \$10,000.

To figure the total sales price of all items sold for a trip or entertainment event, you include the sales price of items such as airfare, hotel rooms, and admission tickets.

Example. You are a travel agent. Ed Johnson asks you to charter a passenger airplane to take a group to a sports event in another city. He also asks you to book hotel rooms and admission tickets for the group. In payment, he gives you two money orders, each for \$6,000. You have received more than \$10,000 cash in this designated reporting transaction. You must file Form 8300.

Retail sale. The term "retail sale" means any sale made in the course of a trade or business that consists mainly of making sales to ultimate consumers.

Thus, if your business consists mainly of making sales to ultimate consumers, all sales you make in the course of that business are retail sales. This includes any sales of items that will be resold.

Broker or intermediary. A designated reporting transaction includes the retail sale of items (1), (2), or (3) of the preceding list, even if the funds are received by a broker or other intermediary, rather than directly by the seller.

Exceptions to Definition of Cash

A cashier's check, bank draft, traveler's check, or money order you received in a designated reporting transaction is not treated as cash if one of the following exceptions applies.

Exception for certain bank loans. A cashier's check, bank draft, traveler's check, or money order is not treated as cash if it is the proceeds from a bank loan. As proof that it is from a bank loan, you may rely on a copy of the loan document, a written statement or lien instruction from the bank, or similar proof.

Example. You are a car dealer. Mandy White buys a new car from you for \$11,500. She pays you with \$2,000 of U.S. currency and a cashier's check for \$9,500 payable to you and

her. You can tell that the cashier's check is the proceeds of a bank loan because it includes instructions to you to have a lien put on the car as security for the loan. For this reason, the cashier's check is not treated as cash. You do not have to file Form 8300 for the transaction.

Exception for certain installment sales. A cashier's check, bank draft, traveler's check, or money order is not treated as cash if it is received in payment on a promissory note or an installment sales contract (including a lease that is considered a sale for federal tax purposes). However, this exception applies only if:

- 1) You use similar notes or contracts in other sales to ultimate consumers in the ordinary course of your trade or business, and
- 2) The total payments for the sale that you receive on or before the 60th day after the sale are 50% or less of the purchase price.

Exception for certain down payment plans. A cashier's check, bank draft, traveler's check, or money order is not treated as cash if you received it in payment for a consumer durable or collectible, and all three of the following statements are true.

- 1) You receive it under a payment plan requiring:
 - a) One or more down payments, and
 - b) Payment of the rest of the purchase price by the date of sale.
- 2) You receive it more than 60 days before the date of sale.
- 3) You use payment plans with the same or substantially similar terms when selling to ultimate consumers in the ordinary course of your trade or business.

Exception for travel and entertainment. A cashier's check, bank draft, traveler's check, or money order received for travel or entertainment is not treated as cash if all three of the following statements are true.

- 1) You receive it under a payment plan requiring:
 - a) One or more down payments, and
 - b) Payment of the rest of the purchase price by the earliest date that any travel or entertainment item (such as airfare) is furnished for the trip or entertainment event.
- 2) You receive it more than 60 days before the date on which the final payment is due.
- 3) You use payment plans with the same or substantially similar terms when selling to ultimate consumers in the ordinary course of your trade or business.

Taxpayer Identification Number (TIN)

You must furnish the correct TIN of the person or persons from whom you receive the cash. If the transaction is conducted on the behalf of another person or persons, you must furnish the

TIN of that person or persons. If you do not know a person's TIN, you have to ask for it. You may be subject to penalties for an incorrect or missing TIN.

There are three types of TINs.

- 1) The TIN for an individual, including a sole proprietor, is the individual's social security number (SSN).
- 2) The TIN for a nonresident alien individual who needs a TIN but is not eligible to get an SSN is an IRS individual taxpayer identification number (ITIN). An ITIN has nine digits, similar to an SSN.
- 3) The TIN for other persons, including corporations, partnerships, and estates, is the employer identification number.

Exception. A nonresident alien individual or a foreign organization does not have to have a TIN, and so you do not have to furnish a TIN for them, if all the following are true.

- 1) The individual or organization does not have income effectively connected with the conduct of a trade or business in the United States, or an office or place of business or fiscal or paying agent in the United States, at any time during the year.
- 2) The individual or organization does not file a Federal tax return.
- 3) In the case of a nonresident alien individual, the individual has not chosen to file a joint federal income tax return with a spouse who is a U.S. citizen or resident.

What Is A Related Transaction?

Any transactions between a buyer (or an agent of the buyer) and a seller that occur within a 24-hour period are related transactions. If you receive over \$10,000 in cash during two or more transactions with one buyer in a 24-hour period, you must treat the transactions as one transaction and report the payments on Form 8300.

For example, if you sell two products for \$6,000 each to the same customer in one day and the customer pays you in cash, these are related transactions. Because they total \$12,000 (more than \$10,000), you must file Form 8300.

More than 24 hours between transactions. Transactions are related even if they are more than 24 hours apart if you know, or have reason to know, that each is one of a series of connected transactions.

For example, you are a travel agent. A client pays you \$8,000 in cash for a trip. Two days later, the same client pays you \$3,000 more in cash to include another person on the trip. These are related transactions, and you must file Form 8300 to report them.

What About Suspicious Transactions?

If you receive \$10,000 or less in cash, you may voluntarily file Form 8300 if the transaction appears to be suspicious.

A transaction is suspicious if it appears that a person is trying to cause you not to file Form

8300 or is trying to cause you to file a false or incomplete Form 8300, or if there is a sign of possible illegal activity.

If you are suspicious, you are encouraged to call the local IRS Criminal Investigation Division as soon as possible. Or, you can call toll free **1-800-800-2877**.

When, Where, and What To File

The amount you receive and when you receive it determine when you must file. Generally, you must file Form 8300 within 15 days after receiving a payment. If the Form 8300 due date (the 15th or last day you can timely file the form) falls on a Saturday, Sunday, or holiday, it is delayed until the next day that is not a Saturday, Sunday, or holiday.

More than one payment. In some transactions, the buyer may arrange to pay you in cash installment payments. If the first payment is more than \$10,000, you must file Form 8300 within 15 days. If the first payment is not more than \$10,000, you must add the first payment and any later payments made within one year of the first payment. When the total cash payments are more than \$10,000, you must file Form 8300 within 15 days.

After you file Form 8300, you must start a new count of cash payments received from that buyer. If you receive more than \$10,000 in additional cash payments from that buyer within a 12-month period, you must file another Form 8300. You must file the form within 15 days of the payment that causes the additional payments to total more than \$10,000.

If you are already required to file Form 8300 and you receive additional payments within the 15 days before you must file, you can report all the payments on one form.

Example. On January 10, you receive a cash payment of \$11,000. You receive additional cash payments on the same transaction of \$4,000 on February 15, \$5,000 on March 20, and \$6,000 on May 12. By January 25, you must file a Form 8300 for the \$11,000 payment. By May 27, you must file an additional Form 8300 for the additional payments that total \$15,000.

Where to file. Mail the form to the address given in the Form 8300 instructions.

Required statement to buyer. You must give a written or electronic statement to each person named on any Form 8300 you must file. You can give the statement electronically only if the recipient agrees to receive it in that format. The statement must show the name and address of your business, the name and phone number of a contact person, and the total amount of reportable cash you received from the person during the year. It must state that you are also reporting this information to the IRS.

You must send this statement to the buyer by January 31 of the year after the year in which you received the cash that caused you to file the form.



You must keep a copy of every Form 8300 you file for 5 years.

Examples

Example 1. Pat Brown is the sales manager for Small Town Cars. On January 7, 2003, Jane Smith buys a new car from Pat and pays \$18,000 in cash. Pat asks for identification from Jane to get the necessary information to complete Form 8300. A filled-in form is shown in this publication.

Pat must mail the form to the address shown in the form's instructions by January 22, 2003. He must also send a statement to Jane by February 2, 2004.

Example 2. Using the same facts given in *Example 1*, suppose Jane had arranged to make cash payments of \$6,000 each on January 7, February 7, and March 7. Pat would have to file a Form 8300 by February 24 (17 days after receiving total cash payments within one year over \$10,000 because February 22, 2003, is a Saturday). Pat would not have to report the remaining \$6,000 cash payment because it is not more than \$10,000. However, he could report it if he felt it was a suspicious transaction.

Penalties

There are **civil penalties** for failure to:

- File a correct Form 8300 by the date it is due, and
- Provide the required statement to those named in the Form 8300.

If you intentionally disregard the requirement to file a correct Form 8300 by the date it is due, the penalty is the larger of:

- 1) \$25,000, or
- 2) The amount of cash you received and were required to report (up to \$100,000).

There are **criminal penalties** for:

- Willful failure to file Form 8300,
- Willfully filing a false or fraudulent Form 8300,
- Stopping or trying to stop Form 8300 from being filed, and
- Setting up, helping to set up, or trying to set up a transaction in a way that would make it seem unnecessary to file Form 8300.

If you willfully fail to file Form 8300, you can be fined up to \$250,000 (\$500,000 for corporations) or sentenced to up to 5 years in prison, or both. These dollar amounts are based on Section 3571 of Title 18 of the U.S. Code.

The penalties for failure to file may also apply to any person (including a payer) who attempts to interfere with or prevent the seller (or business) from filing a correct Form 8300. This in-

cludes any attempt to structure the transaction in a way that would make it seem unnecessary to file Form 8300. Structuring means breaking up a large cash transaction into small cash transactions.

How To Get More Information

You can get help with unresolved tax issues, order free publications and forms, ask tax questions, and get more information from the IRS in several ways. By selecting the method that is best for you, you will have quick and easy access to tax help.

Contacting your Taxpayer Advocate. If you have attempted to deal with an IRS problem unsuccessfully, you should contact your Taxpayer Advocate.

The Taxpayer Advocate represents your interests and concerns within the IRS by protecting your rights and resolving problems that have not been fixed through normal channels. While Taxpayer Advocates cannot change the tax law or make a technical tax decision, they can clear up problems that resulted from previous contacts and ensure that your case is given a complete and impartial review.

To contact your Taxpayer Advocate:

- Call the Taxpayer Advocate at **1-877-777-4778**.
- Call the IRS at **1-800-829-1040**.
- Call, write, or fax the Taxpayer Advocate office in your area.
- Call **1-800-829-4059** if you are a TTY/TDD user.

For more information, see Publication 1546, *The Taxpayer Advocate Service of the IRS*.

Free tax services. To find out what services are available, get Publication 910, *Guide to Free Tax Services*. It contains a list of free tax publications and an index of tax topics. It also describes other free tax information services, including tax education and assistance programs and a list of TeleTax topics.



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- Find answers to questions you may have.
- Download forms and publications or search for forms and publications by topic or keyword.
- View forms that may be filled in electronically, print the completed form, and then save the form for recordkeeping.
- View Internal Revenue Bulletins published in the last few years.
- Search regulations and the Internal Revenue Code.
- Receive our electronic newsletters on hot tax issues and news.

- Get information on starting and operating a small business.

You can also reach us with your computer using File Transfer Protocol at ftp.irs.gov.



TaxFax Service. Using the phone attached to your fax machine, you can receive forms and instructions by calling **703-368-9694**. Follow the directions from the prompts. When you order forms, enter the catalog number for the form you need. The items you request will be faxed to you.

For help with transmission problems, call the FedWorld Help Desk at **703-487-4608**.



Phone. Many services are available by phone.

- *Ordering forms, instructions, and publications.* Call **1-800-829-3676** to order current and prior year forms, instructions, and publications.
- *Asking tax questions.* Call the IRS with your tax questions at **1-800-829-1040**.
- *TTY/TDD equipment.* If you have access to TTY/TDD equipment, call **1-800-829-4059** to ask tax questions or to order forms and publications.
- *TeleTax topics.* Call **1-800-829-4477** to listen to pre-recorded messages covering various tax topics.

Evaluating the quality of our telephone services. To ensure that IRS representatives give accurate, courteous, and professional answers, we evaluate the quality of our telephone services in several ways.

- A second IRS representative sometimes monitors live telephone calls. That person only evaluates the IRS assistant and does not keep a record of any taxpayer's name or tax identification number.
- We sometimes record telephone calls to evaluate IRS assistants objectively. We hold these recordings no longer than one week and use them only to measure the quality of assistance.
- We value our customers' opinions. Throughout this year, we will be surveying our customers for their opinions on our service.



Walk-in. You can walk in to many post offices, libraries, and IRS offices to pick up certain forms, instructions, and publications. Some IRS offices, libraries, grocery stores, copy centers, city and county governments, credit unions, and office supply stores have an extensive collection of products available to print from a CD-ROM or photocopy from reproducible proofs. Also, some IRS offices and libraries have the Internal Revenue Code, regulations, Internal Revenue Bulletins, and Cumulative Bulletins available for research purposes.



Mail. You can send your order for forms, instructions, and publications to the Distribution Center nearest to you and receive a response within 10 workdays after

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- Current tax forms, instructions, and publications.
- Prior-year tax forms and instructions.
- Popular tax forms that may be filled in electronically, printed out for submission, and saved for recordkeeping.
- Internal Revenue Bulletins.

The CD-ROM can be purchased from National Technical Information Service (NTIS) by

calling **1-877-233-6767** or on the Internet at **www.irs.gov**. The first release is available in mid-December and the final release is available in late January.

IRS Publication 3207, *Small Business Resource Guide*, is an interactive CD-ROM that contains information important to small businesses. It is available in mid-February. You can get one free copy by calling **1-800-829-3676** or visiting the IRS web site at **www.irs.gov**.

**Report of Cash Payments Over \$10,000
Received in a Trade or Business**

▶ See instructions for definition of cash.

▶ Use this form for transactions occurring after December 31, 2001. Do not use prior versions after this date.
For Privacy Act and Paperwork Reduction Act Notice, see page 4.

1 Check appropriate box(es) if: a Amends prior report; b Suspicious transaction.

Part I Identity of Individual From Whom the Cash Was Received

2 If more than one individual is involved, check here and see instructions

3 Last name: Smith; 4 First name: Jane; 5 M.I.: A; 6 Taxpayer identification number: 3:3:3|0:0|3:3:3:3

7 Address (number, street, and apt. or suite no.): 100 Main Street; 8 Date of birth: 1:0|0:6|1:9:6:3

9 City: Hometown; 10 State: P: A; 11 ZIP code: 10101; 12 Country (if not U.S.): ; 13 Occupation, profession, or business: Cosmetic Distributor

14 Document used to verify identity: a Describe identification ▶ Driver's License; b Issued by: PA; c Number: 333-00-3333

Part II Person on Whose Behalf This Transaction Was Conducted

15 If this transaction was conducted on behalf of more than one person, check here and see instructions

16 Individual's last name or Organization's name; 17 First name; 18 M.I.; 19 Taxpayer identification number

20 Doing business as (DBA) name (see instructions); Employer identification number

21 Address (number, street, and apt. or suite no.); 22 Occupation, profession, or business

23 City; 24 State; 25 ZIP code; 26 Country (if not U.S.):

27 Alien identification: a Describe identification ▶; b Issued by; c Number

Part III Description of Transaction and Method of Payment

28 Date cash received: 0:1|0:7|2:0:0:3; 29 Total cash received: \$ 18,000 .00; 30 If cash was received in more than one payment, check here ; 31 Total price if different from item 29: \$.00

32 Amount of cash received (in U.S. dollar equivalent) (must equal item 29) (see instructions):
a U.S. currency \$ 18,000 .00 (Amount in \$100 bills or higher \$.00)
b Foreign currency \$.00 (Country ▶)
c Cashier's check(s) \$.00 } Issuer's name(s) and serial number(s) of the monetary instrument(s) ▶
d Money order(s) \$.00 }
e Bank draft(s) \$.00 }
f Traveler's check(s) \$.00 }

33 Type of transaction: a Personal property purchased; b Real property purchased; c Personal services provided; d Business services provided; e Intangible property purchased; f Debt obligations paid; g Exchange of cash; h Escrow or trust funds; i Bail received by court clerks; j Other (specify) ▶
34 Specific description of property or service shown in 33. (Give serial or registration number, address, docket number, etc.) ▶ Go - Fast
4 - door sedan serial no xx -
ABCDEF G - 1234567

Part IV Business That Received Cash

35 Name of business that received cash: Small Town Cars; 36 Employer identification number: 1:0|1:2:3:4:5:6:7

37 Address (number, street, and apt. or suite no.): 5000 Industrial Avenue; Social security number

38 City: Hometown; 39 State: P: A; 40 ZIP code: 10101; 41 Nature of your business: Car Dealership

42 Under penalties of perjury, I declare that to the best of my knowledge the information I have furnished above is true, correct, and complete.

Signature ▶ Pat Brown; Title ▶ Sales Manager
Authorized official

43 Date of signature: 0:1|0:8|2:0:0:3; 44 Type or print name of contact person: Pat Brown; 45 Contact telephone number: (999) 555 - 0555