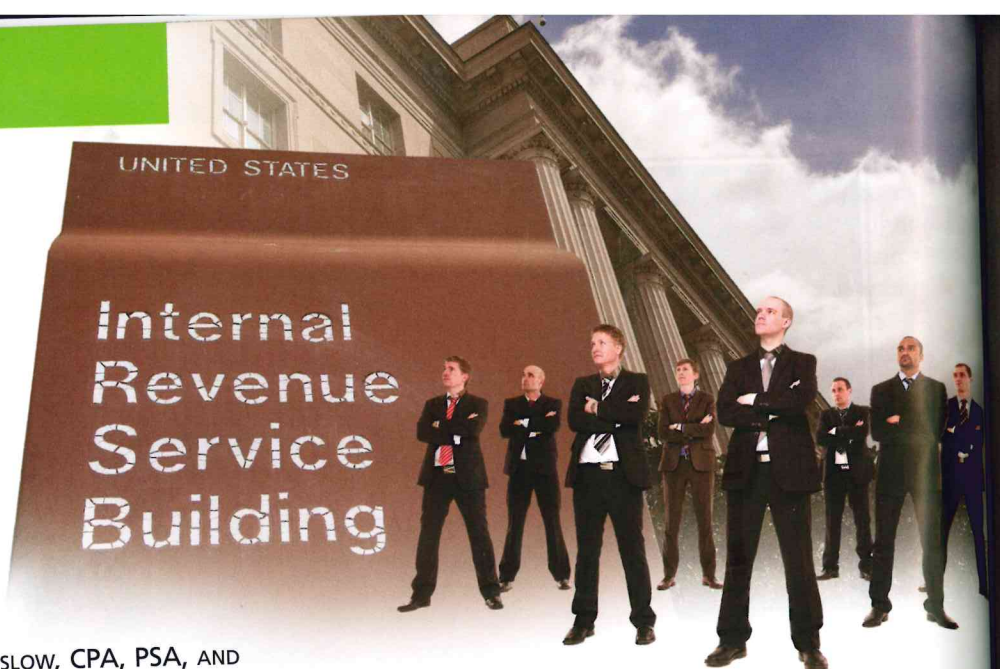


# A Closer Look at IRS Form 8300

The IRS is conducting audits to enforce compliance with Form 8300 filing requirements.



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**H**AS YOUR BUSINESS RECEIVED large cash payments, and you were not sure what your reporting obligations were regarding the receipt of this money? Generally the Internal Revenue Service (IRS) requires that you file a Form 8300, "Report of Cash Payments Over \$10,000 Received in a Trade or Business."

The IRS Form 8300 reporting requirement was designed to identify money laundering or illicit activities by providing information to the IRS and the Financial Crimes Enforcement Network concerning suspicious activities.

Under IRC §6050I, any person engaged in a trade or business who receives cash payments of more than \$10,000 in any one transaction, or two or more related transactions, must report the transaction to the IRS within 15 days of receipt using Form 8300. The \$10,000 threshold is determined on a cumulative basis such that if multiple cash payments are received within any 12-month period exceeding \$10,000, Form 8300 must be filed within the 15-day period.

For example, you enter into a transaction selling an item for \$25,000, and the purchaser pays you \$5,000 in cash on five separate occasions, you must file Form 8300 at the time cash receipts for the transaction exceed \$10,000. So, if you receive two payments for \$5,000 each six months apart, you must file Form 8300 when the second payment results in the aggregate payments exceeding \$10,000.

What does the IRS consider to be cash? Obviously paper currency is cash, but in addition, money orders and traveler's checks are considered "cash equivalents" and therefore qualify as cash under this law. Cashier's checks and certified bank checks are also considered cash for reporting purposes, however wire transfers and checks issued by the payer and deposited by the payee in a bank for negotiation are not considered reportable "cash" transactions.

Often, when cash is offered as payment for the retail sale of consumer durables, collectibles or travel and entertainment, the reason for paying in cash might seem suspicious to the seller. For example, the buyer might be reluctant to provide the identifying information required for completing the 8300 form. Or, the buyer might ask to split the invoice in order to seemingly avoid the filing requirement. This activity is defined by the IRS as "structuring" and is illegal. The payer is arranging the transaction or cash payments into smaller amounts for the sole purpose of avoiding the cash-reporting requirement.

If you, as the seller, believe that a customer may be engaging in a suspicious or illegal activity, there is a box you can check off on Form 8300 to indicate to the IRS that you believe the transaction or series of transactions appear to be suspicious. The law requires that a properly filed Form 8300 contains the correct cash payer's name, address and tax identification number, as well as the amount of cash received and the date and nature of the transaction.

Any business filing a required Form 8300 must also furnish a written statement to each person identified on Form 8300 by January 31 of the succeeding calendar year. A copy of the filed Form 8300 should not be enclosed. A copy of the written statement must be retained by the business for five years. The statement must indicate the following information: the name, address and telephone number of the person to contact for the business; the aggregate amount of reportable cash received during the calendar year; and confirmation this information was reported to the IRS.

The IRS is conducting audits to enforce compliance with Form 8300 filing requirements. The revenue agents will conduct an interview to determine the nature of your business operations, product and customer types, and procedures for accepting cash payments. The agent will request copies of bank statements, receipt journals,

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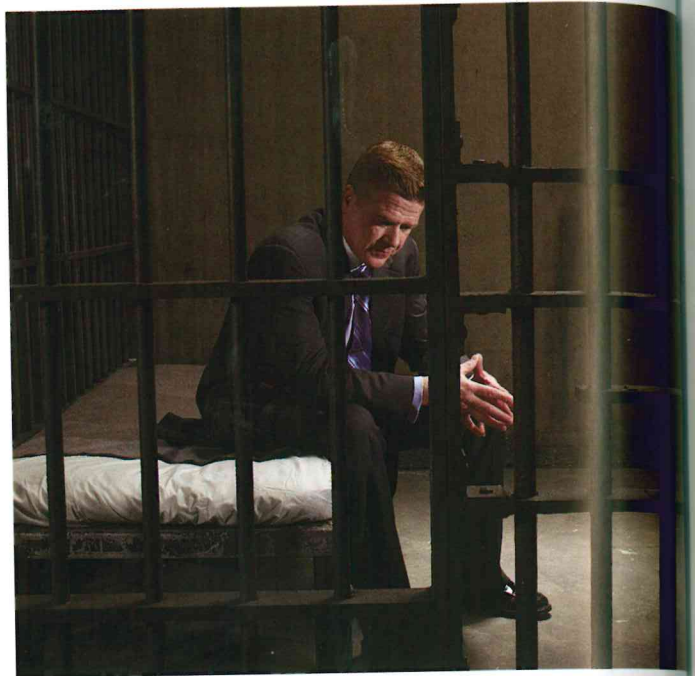
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sales journals and customer receivable balances for the audit period.

Customer samples will be selected for cash transactions and additional information will be requested for the 12-month period prior to and subsequent to the cash receipt transaction identified by the agent. To the extent the agent identifies a cash receipt transactions exceeding the \$10,000 threshold, a request will be made to supply the completed Form 8300 and the notification to the payer.

The IRS may assess civil penalties for failure to file Form 8300 or for failure to file a complete Form 8300 ranging from \$50 to \$250,000, depending on the circumstances for noncompliance. To the extent that the IRS determines that the failure to file is due to “intentional disregard”, the IRS can impose a penalty equal to the greater of \$25,000 or the amount of cash received in each transaction, not to exceed \$100,000. In addition to monetary penalties, there is also the potential for imprisonment. ■

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