



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
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MEMORANDUM FOR J. ERIC LAWSON
ACTING ASSISTANT DISTRICT COUNSEL
INDIANA DISTRICT

FROM: Lewis J. Fernandez
Deputy Assistant Chief Counsel
(Income Tax & Accounting)

SUBJECT: Payments Exceeding \$10,000 Received in a Trade or Business

This responds to your memorandum dated October 19, 1999, regarding the application of the information reporting requirements of § 6050I of the Internal Revenue Code to a particular transaction at pari-mutuel betting parlors.

ISSUE:

Are winning tickets and vouchers issued by pari-mutuel betting parlors regarded as cash for purposes of § 6050I if those tickets and vouchers may be used in placing a bet of more than \$10,000?

CONCLUSION:

Winning tickets and vouchers used in placing a bet of more than \$10,000 are not cash for purposes of § 6050I.

FACTS:

Pari-mutuel betting parlors allow customers to combine cash with winning tickets or vouchers to place a bet or a series of bets. The vouchers are obtained for a cash payment or by converting winning tickets. A voucher or winning ticket cannot be cashed outside the betting parlor. The following illustrates the situation you inquire about: A customer uses \$5,100 in currency and a winning ticket for \$5,000 (or a voucher purchased by the customer for \$5,000) to place a bet in the amount of \$10,100.

LAW AND ANALYSIS:

Section 6050I provides, in general, that any person engaged in a trade or business who receives more than \$10,000 in cash in one transaction (or in two or more related

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transactions) shall make the return described in § 6050I(b). Section 1.6050I-1 of the Income Tax Regulations sets forth provisions regarding information returns when cash of more than \$10,000 is received in a trade or business. Cash is defined as (A) the coin and currency of the United States or of any other country which circulate in and are customarily used and accepted as money in the country in which issued, and (B) a cashier's check, bank draft, traveler's check, or money order having a face amount of not more than \$10,000 received in specific kinds of transactions. These transactions are a designated reporting transaction, *i.e.*, the retail sale of a consumer durable, collectable, or travel or entertainment activity; or a transaction in which the recipient knows that a financial instrument is being used to avoid reporting under § 6050I. Section 1.6050I-1(c)(1)(ii) and (iii).

Winning tickets and vouchers are not cash for purposes of § 6050I. First, they clearly are not coin or currency of the United States, they do not circulate in the United States, and they are not customarily used and accepted as money in the United States. Second, they are not the kind of monetary instruments described in § 1.6050I-1(c)(1)(ii)(B), nor is the transaction in which the ticket or voucher is used a transaction described in § 1.6050I-1(c)(1)(ii) or (iii).

This memorandum is advisory only and is not intended to be conclusive as to the tax consequences for any specific taxpayer. If we may be of additional assistance, please contact CC:DOM:IT&A:2 at 202-622-4920.