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MEMORANDUM FOR WILLIAM COLOMBO, 8300 COORDINATOR, GROUP 1520
SOUTH FLORIDA DISTRICT

FROM: Heather C. Maloy
Associate Chief Counsel
(Income Tax & Accounting)

SUBJECT: Information Reporting Under § 6050I for Accounts Receivable

This responds to your memorandum regarding information reporting requirements under § 6050I of the Internal Revenue Code. You presented three examples involving accounts receivable and asked several questions relating to whether information reporting is required and, if so, when is it required.

ISSUE:

Are a recipient's record-keeping practices and the presence or absence of account receivable balances determining factors in whether information reporting is required under § 6050I?

CONCLUSION:

An account receivable reflects a preexisting debt. Therefore, payment in currency is reportable if the amount paid toward liquidation of the debt exceeds \$10,000. The recipient's record-keeping practices are not an issue in this result.

FACTS:

Although your memorandum set forth three examples, Example 1 was illustrative only, and you did not raise any questions pertaining to it. Thus, it is not reproduced in this memorandum. Example 2, also not reproduced, presents a situation in which an invoice for \$7,500 is issued and a cash payment of \$7,500 is received each month for a series of months. Example 3 is set forth below.

We have assumed that all transactions were conducted in the course of the recipient's trade or business and that all payments were received in currency. Accordingly, we will not discuss monetary instruments (e.g., cashier's checks, etc.) received in a designated reporting transaction or in an attempt to avoid reporting.

Example 3

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Separate invoices of \$7,500 are issued 1 month apart on a regular basis. Payments on these invoices overlap, creating a running account receivable balance. Payments received are applied on a FIFO method.

Date	Invoice Amount	Cash Payment	A/R Balance
January 1	\$ 7,500	\$ 5,000	\$ 2,500
February 1	\$ 7,500	\$ 4,000	\$ 6,000
March 1	\$ 7,500	\$ 6,000	\$ 7,500
April 1	\$ 7,500	\$ 5,000	\$10,000
May 1	\$ 7,500	\$16,000	\$ 1,500
June 1	\$ 7,500	\$ 9,000	0
Total	\$45,000	\$45,000	0

Law and Analysis:

Section 6050I provides, in general, that any person who, in the course of his or her trade or business, receives cash in excess of \$10,000 in one transaction or in two or more related transactions must make a return of information with respect to the receipt of cash. The return is to be made on Form 8300.

Section 1.6050I-1(c)(1) of the Income Tax Regulations defines "cash," in part, as 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.

When multiple payments are received with respect to a single transaction (or two or more related transactions) and the initial payment exceeds \$10,000, the recipient must report the initial payment within 15 days of its receipt. If the initial payment is \$10,000 or less, the recipient must total the initial payment and subsequent payments received within 12 months of the initial payment until the total exceeds \$10,000. The recipient must report the total amount within 15 days of receipt of the payment that caused the total to exceed \$10,000. In addition to any other required reports, a report must be made each time previously unreported payments received within a 12-month period with respect to a single transaction (or two or more related transactions) individually or in the aggregate exceed \$10,000. The report must be made with 15 days after receipt of the payment that caused the total to exceed \$10,000. Section 1.6050I-1(b).

A "transaction" is defined in § 1.6050I-1(c)(7)(i) as the underlying event that precipitates the payer's transfer of cash to the recipient. Transactions include, but are not limited to, a sale of goods or services; a sale of real property; a sale of intangible property; a rental

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of real or personal property; an exchange of cash for other cash; the establishment or maintenance of or contribution to a custodial, trust, or escrow arrangement; a payment of a preexisting debt; a conversion of cash to a negotiable instrument; a reimbursement for expenses paid; or the making or repayment of a loan. A transaction may not be divided into multiple transactions in order to avoid the reporting requirements of § 6050I.

A “related transaction” is defined in § 1.6050I-1(c)(7)(ii) as any transaction conducted between a payer (or its agent) and a recipient of cash in a 24-hour period. However, transactions conducted between a payer (or its agent) and a cash recipient during a period of more than 24 hours are related transactions if the recipient knows or has reason to know that each transaction is one of a series of connected transactions.

Example 2

If the payment of \$7,500 on a regular monthly basis is the result of one transaction or of two or more related transactions, as defined in § 1.6050I-1(c)(7)(i) and (ii), reporting is required when the total received exceeds \$10,000. However, information reporting is not required if the payments are the result of separate and independent transactions, even though occurring on a regular basis and generating invoices for identical amounts. The nature of the underlying event that precipitates these payments is a factual determination to be made by the appropriate IRS field office. The recipient’s record keeping practices are not a factor in determining whether information reporting is required.

Example 3

The nature of the underlying event that precipitated the monthly invoices and payments is a factual determination to be made by the appropriate IRS field office. If it is determined that these payments are the result of one transaction or two or more related transactions, reporting is required when the total received first exceeds \$10,000 and thereafter as required by 1.6050I-1(b). If it is determined that these monthly events are separate and independent transactions, information reporting is not required, except for the \$16,000 payment received on May 1. That payment represents in part the payment of a preexisting debt, which is a transaction listed in § 1.6050I-1(c)(7)(i).

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:ITA at 202-622-4920 or CC:APJP at 202-622-4910.