

Office of Chief Counsel  
Internal Revenue Service  
**Memorandum**

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to: Associate Area Counsel (Long Island)  
(Small Business/Self-Employed)  
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from: Stuart Murray  
Acting Assistant to the Branch Chief  
Administrative Provisions & Judicial Practice, Branch 1  
(Procedure and Administration)

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subject: Information Reporting under Section 6050I

This Chief Counsel Advice responds to your request for assistance dated June 1, 2006.  
This advice may not be used or cited as precedent.

LEGEND

A = [REDACTED]

B = [REDACTED]

C = [REDACTED]

## ISSUES

1. Whether A, which was engaged in a trade or business as a wholesale supplier that hired C to receive, transport, and deposit on A's behalf cash payments received from A's high-volume customer B, was required to report under I.R.C. § 6050I amounts exceeding \$10,000 paid by B.
2. Whether C was required to report under I.R.C. § 6050I cash in excess of \$10,000 received in the course of C's trade or business from B.

## CONCLUSIONS

1. A did not have a reporting requirement under section 6050I for the cash received by C from B for the account of A.
2. C was required by section 6050I to report the cash in excess of \$10,000 that it received from B in the course of its trade or business for the account of A.

## FACTS

A is a wholesaler of tobacco products. Usually, one of A's employees or sales representatives collects the accounts receivable from a client after a completed transaction. Payment normally is made by a client to A using either business checks or cashier's checks. One of A's clients, B, however, maintained a large-volume of business with A and usually paid for A's tobacco products in cash. B's payments regularly exceeded \$10,000. To handle the large amount of cash from B, A hired an independent armored car service, C, to collect the cash in a safe and secure manner and deposit the cash at A's bank.

There was no written agreement between A and C; only an oral agreement existed between them whereby C, for a fee, would pick up the cash from B on behalf of A approximately once a week. C transported the cash to A's bank, where the cash was deposited directly into A's account. A never physically received or took possession of the cash that C collected from B on A's behalf.

## LAW AND ANALYSIS

Section 6050I provides that any person who is engaged in a trade or business, and who, in the course of the trade or business, receives more than \$10,000 in cash in one transaction (or two or more related transaction), shall make the return described in section 6050I(b) with respect to such transaction (or related transaction) at such time as the Secretary may by regulations prescribe. Form 8300, *Report of Cash Payments Over \$10,000 Received in a Trade or Business*, is the form required to comply with this provision.

Section 1.6050I-1(a)(2) of the Income Tax Regulations provides that cash in excess of \$10,000 received by a person for the account of another must be reported under this section. Thus, for example, a person who collects delinquent accounts receivable for an automobile dealer must report with respect to the receipt of cash in excess of \$10,000 from the collection of a particular account even though the proceeds of the collection are credited to the account of the automobile dealer (i.e., where the rights to the proceeds from the account are retained by an automobile dealer and the collection is made on a fee-for-service basis).

Section 1.6050I-1(c)(7)(i) provides that the term “transaction” means the underlying event precipitating 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 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 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 reporting under section 6050I.

Section 1.6050I-1(c)(8) defines a “recipient” of cash as “the person receiving the cash.” We construe the word “receiving” to mean actual, physical receipt.

Section 1.6050I-1(d)(3) provides that the receipt of cash in excess of \$10,000 by a person other than in the course of the person’s trade or business is not reportable under section 6050I. For instance, an individual may be in the trade or business of selling real estate but on one occasion sells an item of personal property (a motorboat is the example given in the regulations) for more than \$10,000, which is paid in cash, and the seller did not use the motorboat prior to sale in his trade or business. Therefore, he is not required to report the cash payment under section 6050I or the regulations because the exception provided in section 1.6050I-1(d)(3) applies.

In this case, A is engaged in the trade or business of selling wholesale tobacco products, and C is engaged in the trade or business of providing armored car services to customers for the transportation of cash and other valuables. To the extent that A or C received cash of more than \$10,000 in one transaction (or multiple, related transactions) as part of their respective businesses, A or C was required to file Form 8300 with the Service reporting the receipt of the cash. With respect to cash over \$10,000 received from B, only C actually received the cash, not A. Specifically, in the course of its trade or business of providing armored delivery service, C received cash from B for the account of A. For a fee, C collected the cash and transported it to A’s bank, where it was directly deposited into A’s bank account. Consequently, C was required to make a return of information for each transaction (or series of related transactions) exceeding the threshold amount.

A, by contrast, never directly received or possessed the cash that C collected and transported on A's behalf. While A engaged in potentially reportable transactions with B in A's trade or business, because A never directly received or had physical possession of cash from B, A was not subject to section 6050I information reporting for the transactions.<sup>1</sup>

Please call \_\_\_\_\_ if you have any further questions.

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<sup>1</sup> This conclusion will not put the Service at an informational disadvantage. The identification of A as the ultimate beneficiary of the cash, including the depositing of the cash into A's account, was presumably reported on Form 4789, *Currency Transaction Report*.