



DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
Washington, DC 20224

SMALL BUSINESS / SELF-EMPLOYED DIVISION

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MEMORANDUM FOR AREA DIRECTORS, FIELD EXAMINATION

FROM:

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Director, SB/SE Examination-Field and Campus Policy

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Williams  
Date: 2019.08.12 11:32:16 -04'00'

SUBJECT:

Guidance for Addressing Currency Transaction Report Information

The purpose of this interim guidance is to clarify actions examiners must take to analyze and document Currency Transaction Report (CTR) data during an audit conducted under Title 26 of the United States Code (USC) (i.e., the Internal Revenue Code). Please distribute this information throughout your organization.

This guidance is effective immediately and will be incorporated into IRM 4.10.4, *Examination of Income*, within two years of issuance.

If you have questions, you may contact me or have a member of your staff contact Cathy Demetra, Program Manager, Examination – Field and Campus Policy, Field Exam General Processes.

Attachment:

Attachment SBSE-04-0819-0021, Currency Transaction Report (CTR) Information

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## Attachment SBSE-04-0819-0021, Currency Transaction Report (CTR) Information

### IRM 4.10.4.X (MM-DD-YYYY)

#### Currency Transaction Report (CTR) Information

- (1) Financial institutions, including casinos, must report each receipt and each withdrawal of currency exceeding \$10,000 by filing a FinCEN Currency Transaction Report (CTR). See [IRM 4.26.5.4.1, Currency Transaction Reports](#), for information on the FinCEN forms used for reporting CTRs. CTR information can assist the examiner with:
  - making decisions on the need to complete additional auditing techniques,
  - questioning sources of income not subject to withholding tax, and
  - generating leads for potential unreported income, money laundering transactions, and other tax avoidance schemes.
  
- (2) As part of the in-depth pre-contact analysis (see [IRM 4.10.2.3, In-Depth Pre-Contact Analysis](#)), Information Returns Processing Transcript Requests (IRPTR) should be reviewed for CTR data. [IRM Exhibit 2.3.35-56, Payee online Transcript Document Display Screen: Form FinCEN CTR 112 \(DOC CODE 89\)](#), provides an explanation of the CTR data contained on the IRPTR.

**Caution:** The CTR data on the IRPTR contains minimal information, and the total reflected could be an aggregate of several unrelated transactions. Examiners must complete Form 10509, *FinCEN Query (FCQ) Request*, to request a full copy of the CTR. See [IRM 4.26.4.5.4, Gatekeeper or Super User Procedures](#), for instructions on making this request. Contact information for Super Users can be found at: <http://mysbse.web.irs.gov/examination/tip/fraud/contacts/27045.aspx>.

**Reminder:** In addition to CTR data, IRPTR reflects other information return documents, which are used to complete the IRP income reconciliation.

- (3) Examiners must also be alert to the possibility that CTRs exist but are not reflected on the IRPTR. If CTR information is NOT present on the IRPTR, examiners should consider requesting FCQ data by following the procedures in [IRM 4.26.4.5.4, Gatekeeper or Super User Procedures](#), in the following situations:
  - Potential indicators of fraud are present,
  - Routine means of locating banking information are exhausted,
  - An unusually large number of cash transactions or cash transactions of unusually large amounts are evident (e.g., it appears the taxpayer is operating on a cash basis to avoid proper reporting of income),
  - A pattern of CTR filings stops, but business activities remain consistent,
  - Offshore bank accounts or entities exist or are suspected,
  - Whistleblower claims alleging unreported income or offshore banking activities have been filed.

**Note:** [IRM Exhibit 4.26.14-2, Memorandum of Understanding dated September 24, 2010](#), sets forth the terms under which FinCEN will provide the Internal Revenue Service with access to information collected pursuant to the reporting authority

## Attachment SBSE-04-0819-0021, Currency Transaction Report (CTR) Information

contained in the Bank Secrecy Act (the “BSA”), 31 U.S.C. section 5311, for purposes of administering and enforcing the provisions of Title 26 of the United States Code.

- (4) The existence of a CTR means the person or entity named was a party to a cash transaction (deposit or withdrawal) totaling more than \$10,000. Examiners must use their investigative skills to determine whether the currency involved belongs to the person making the transaction, or if the transaction was completed on behalf of another party (either related or unrelated). Caution must be exercised when reviewing CTR information from FCQ Reports as there may be instances where information reflected is for an unrelated party. Examiners must determine whether the transaction(s) belong to the taxpayer and result in taxable income for the year under examination. The transaction may be from reported income, income taxed in another period, a non-taxable source, or unreported income. Examiners should take the following actions to trace information from the full copy of the CTR:
- a. Determine if the identifying information on the CTR is for the taxpayer under examination.
  - b. Determine if the bank account shown on the CTR ties to the taxpayer being examined. If the CTR transaction cannot be traced to any of the taxpayer’s accounts, the examiner should determine if the transaction was made on behalf of an entity related to the taxpayer. This information may be helpful in determining the examination potential of the related entity.
  - c. If the transaction reflected on the CTR was made from a financial account for the taxpayer being examined, trace the transaction to the taxpayer’s bank account.
  - d. Use the financial account information to determine the origin of the transaction.
  - e. The true owner of the funds may not be identified on the CTR. If the examiner is unable to determine any relationship between the CTR and the taxpayer through analysis of the financial accounts, the examiner should ask the taxpayer if they were a party to any cash transactions over \$10,000. The examiner must develop the facts around the transactions and determine any impact on the tax liability.
  - f. If the examiner is unable to trace the transaction that includes their taxpayer’s name, and the taxpayer states they were not party to any cash transactions over \$10,000, the examiner should discuss issuing a summons for the bank account noted on the CTR with their group manager to determine ownership of the account.

**Caution:** The actual CTR cannot be disclosed to the taxpayer or power of attorney. Data extracted from the CTR and reflected on the IRPTR can only be disclosed if the release will not impair tax administration. See [IRM Exhibit 11.3.13-4, FOIA and Title 26 Cases with CTRs or Data Extracted from CTRs](#), for information regarding disclosure of CTRs or CTR data reflected on IRPTR.

- (5) Examiners must document both the steps taken to trace a CTR and the conclusions reached regarding the impact on taxable income in the workpapers relating to the examination of income.

## Attachment SBSE-04-0819-0021, Currency Transaction Report (CTR) Information

**Example:** The IRPTR reflects a CTR for \$15,000 "CASH-IN". A Form 10509 is submitted to secure a copy of the CTR. The CTR shows \$15,000 was deposited to the taxpayer's bank account. The examiner must review the taxpayer's bank account to locate the actual deposit. Once the deposit to the taxpayer's account is verified, the examiner can use the bank deposit information to discuss the item with the taxpayer.

**Example:** The bookkeeper for a car dealership makes a large deposit on behalf of the dealership to the car dealership's bank account. The bookkeeper has no ownership interest in the dealership. Both the bookkeeper, as an individual, and the car dealership are named on the CTR. In this scenario, the CTR may be reflected on the bookkeeper's individual IRPTR, even though the funds do not belong to the bookkeeper. Therefore, the examiner will not find the funds deposited into the bookkeeper's individual bank account.

**Note:** The bookkeeper is named in the CTR as making the transaction on behalf of the dealership, but the funds will be in the dealership's account. The name of the dealership and the account number will also be shown on the CTR.