



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

SMALL BUSINESS/SELF-EMPLOYED DIVISION

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MEMORANDUM FOR AREA DIRECTORS, FIELD EXAMINATION

FROM: Heather J. Yocum /s/ *Heather J. Yocum*
acting Director, Examination Field and Campus Policy

SUBJECT: Interim Guidance for Addressing Currency Transaction Report
Information

This memorandum issues Field Examination specific guidance on Currency Transaction Report (CTR) data until [IRM 4.10.4](#), *Examination of Income*, is published. This memorandum supersedes IGM SBSE-04-0822-0066. Please ensure that this information is distributed to all affected employees within your organization.

Purpose and Background: The purpose of this interim guidance is to clarify actions examiners must take to analyze and document CTR data during an audit conducted under Title 26 of the United States Code (USC) (i.e., the Internal Revenue Code (IRC)).

Procedural Change: See Attachment 1 for procedural changes.

Effective Date and Effect on Other Documents: This guidance is effective immediately and will be incorporated into [IRM 4.10.4](#) by a date not to exceed two years from the date of this memorandum.

Contact: If you have any questions regarding this memorandum, you may contact Cathy Demetra, Program Manager, Examination Field and Campus Policy, Field Examination General Processes.

Attachment 1

Distribution: [IRS.gov](https://www.irs.gov)

Attachment 1 - Interim Guidance: SBSE-04-1223-0061

The following changes are hereby effective as of the date of this memorandum for IRM 4.10.4.

- (1) Financial institutions, including casinos, must report each receipt and each withdrawal of currency exceeding \$10,000, as well as multiple currency transactions that aggregate to over \$10,000 in a single day, by filing a FinCEN Currency Transaction Report (CTR). See [IRM 4.26.5.5.1](#), *Currency Transaction Reports*, for information on the FinCEN form 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.
 - 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. [Exhibit 2.3.35-57](#), *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 [Exam FinCEN Points of Contact](#). In addition to CTR data, IRPTR reflects other information return documents, which are used to complete the IRP income reconciliation.

Note: Once a CTR or CTR data is used in a Title 26 civil tax examination or collection action, the CTR data becomes confidential return information and is subject to both Title 31 restrictions on disclosure and [IRC 6103](#), *Confidentiality and disclosure of returns and return information*, disclosure rules. In these instances, if a taxpayer makes a FOIA request for the taxpayer's case file, FOIA exemption [5 USC 552\(b\)\(3\)](#) in conjunction with [31 USC 5319](#), *Availability of reports*, prohibits the IRS from providing the CTR or CTR data to the taxpayer, even if the disclosure would not seriously impair Federal tax administration. However, if a taxpayer makes a non-FOIA

request for the case file, the CTR and CTR data can be provided if the disclosure will not seriously impair Federal tax administration. See [IRC 6103\(e\)\(7\)](#), *Return information*. An example where disclosure would seriously impair tax administration is when disclosing the CTR or CTR data may reveal the identity of a whistleblower informant.

(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](#) 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: [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 contained in the Bank Secrecy Act (the “BSA”), [31 USC 5311](#) et seq., *Declaration of purpose*, 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 funds 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 or financial account noted on the CTR with their group manager to determine ownership of the account.

Caution: Absent a request for the taxpayer's case file, the existence of a CTR, the CTR itself, and CTR data should be protected and should not be disclosed to the taxpayer/representative unless the examiner has first exhausted all other investigatory techniques without success and the ability to sustain the assessment or move the case forward is jeopardized. Examiners should discuss any disclosure concerns with the group manager and consider consulting with Counsel prior to acknowledging the existence of a CTR or providing the CTR itself or CTR data to the taxpayer. See [Exhibit 11.3.41-18](#), *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.

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.