

[4830-01-p]

DEPARTMENT OF THE TREASURY

Internal Revenue Service

26 CFR Part 1

[TD-8974]

RIN 1545-BA48

Amendment to Section 6050I Cross-Referencing Section 5331 of Title 31 Relating to Reporting of Certain Currency Transactions by Nonfinancial Trades or Businesses Under the Bank Secrecy Act

AGENCY: Internal Revenue Service (IRS), Treasury.

ACTION: Final regulations.

SUMMARY: This document contains final amendments to the Income Tax Regulations under section 6050I of the Internal Revenue Code which requires persons to report information about financial transactions to the IRS, and section 5331 of title 31 which requires persons to report similar information about certain transactions to the Financial Crimes Enforcement Network. These regulations provide that this information shall be reported on the same form as prescribed by the Secretary.

DATES: Effective Date: These regulations are effective December 31, 2001.

FOR FURTHER INFORMATION CONTACT: Concerning the regulations, contact Tiffany P. Smith at (202) 622-4910(not a toll-free number).

SUPPLEMENTARY INFORMATION:

Background and Explanation of Provisions

This document amends the Income Tax Regulations (26 CFR part 1) under section 6050I of the Internal Revenue Code (Code). These final regulations address the related reporting requirements of section 6050I of the Code and section 5331 of title 31.

The Bank Secrecy Act, Titles I and II of Public Law 91-508 (84 Stat. 1116) as amended, codified at 12 U.S.C. 1829b, 12 U.S.C. 1951-1959, and 31 U.S.C. 5311, et seq., authorizes the Secretary of the Treasury, inter alia, to issue regulations requiring financial institutions to keep records and file reports that are determined to have a high degree of usefulness in criminal, tax, and regulatory matters, and to implement counter-money laundering programs and compliance procedures. Regulations implementing Title II of the Bank Secrecy Act (codified at 31 U.S.C. 5311, et seq.), appear at 31 CFR Part 103.

Section 365 of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (the USA Patriot Act), Public Law 107-56 (115 Stat. 272) amended the Bank Secrecy Act by adding section 5331. Under 31 U.S.C. 5331, any person who is engaged in a trade or business and who, in the course of such trade or business, receives more than \$10,000 in coins or currency in one transaction (or two or more related transactions), is required to file a report with respect to such transaction (or related transactions) with the Treasury Department. Reporting under

section 5331 does not apply to amounts received in a transaction reported under 31 U.S.C. 5313 and the accompanying regulations.

The reporting requirement under section 5331 of title 31 is analogous to the reporting requirement administered by the IRS, under section 6050I of title 26, United States Code, and 26 CFR 1.6050I-1. Inasmuch as section 6050I of title 26 requires persons to report information about financial transactions to the IRS, and section 5331 of title 31 requires persons to report similar information about certain transactions to the Financial Crimes Enforcement Network, these final regulations provide that this information shall be reported on the same form as prescribed by the Secretary.

Effective Date of Regulations

These regulations are effective as of the date of publication in the **Federal Register**.

Special Analyses

Because this regulation merely advises taxpayers that information reported under section 6050I is, with one exception, also reported under 31 U.S.C. 5331, and imposes no requirement on any person, notice and public procedure are unnecessary pursuant to 5 U.S.C. 553(b)(B). For this reason, a delayed effective date is not required pursuant to 5 U.S.C. 553(d)(3)

It has been determined that this final regulation is not a significant regulatory action as defined in Executive Order

12866. Therefore, a regulatory assessment is not required. Because no notice of proposed rulemaking is required, the provisions of the Regulatory Flexibility Act (5 U.S.C. chapter 6) do not apply. Pursuant to section 7805(f) of the Code, this final regulation was submitted to the Chief Counsel for Advocacy of the Small Business Administration for comment on its impact on small business.

Drafting Information

The principal author of these final regulations is Tiffany P. Smith, Office of the Associate Chief Counsel (Procedure and Administration), Administrative Provisions and Judicial Practice Division.

List of Subjects in 26 CFR Part 1

Income taxes, Reporting and recordkeeping requirements.

Final Amendments to the Regulations

Accordingly, 26 CFR part 1 is amended as follows:

PART 1--INCOME TAXES

Paragraph 1. The authority citation for part 1 continues to read in part as follows:

Authority: 26 U.S.C. 7805 * * *

Par. 2. Section 1.6050I-0 is amended by revising the entry for §1.6050I(a)(1) and adding entries to the table for §1.6050I-1(a)(1)(i) and (a)(1)(ii) to read as follows:

§1.6050I-0 Table of contents.

* * * * *

§1.6050I-1 Returns relating to cash in excess of \$10,000 received in a trade or business.

(a) * * *

(1) Reportable transaction.

(i) In general.

(ii) Certain financial transactions.

* * * * *

Par. 3. Section 1.6050I-1 is amended by:

1. Redesignating paragraph (a)(1) as paragraph (a)(1)(i).

2. Adding a new paragraph heading for (a)(1).

3. Adding paragraph (a)(1)(ii).

The additions read as follows:

§1.6050I-1 Returns relating to cash in excess of \$10,000 received in a trade or business.

(a) Reporting requirement--(1) Reportable transaction--(i) In general. * * *

(ii) Certain financial transactions. Section 6050I of title 26 requires persons to report information about financial transactions to the Internal Revenue Service, and section 5331 of title 31 requires persons to report similar information about certain transactions to the Financial Crimes Enforcement Network.

This information shall be reported on the same form as prescribed
by the Secretary.

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Robert E. Wenzel,

Deputy Commissioner of Internal Revenue.

Approved: December 20, 2001

Mark Weinberger,

Assistant Secretary of the Treasury.