

Internal Revenue Service

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Date:

January 18, 2005

In re: Letter Ruling Request Regarding Section 6050I

LEGEND

Taxpayer =

Dear :

This letter responds to your request for a ruling that payments received by Taxpayer for the sale of telecommunication services are not subject to the information reporting requirements under section 6050I of the Internal Revenue Code (Code).

FACTS

Taxpayer is a corporation that sells wholesale domestic and international telecommunication services to retail call shops via dedicated or switched lines. The services are sold on a pre-paid, recurring, regular, and continuous basis. The terms of the agreements between Taxpayer and its wholesale customers are memorialized in writing and, generally, terminable at any time, subject to applicable penalties and notice requirements. The majority of Taxpayer's wholesale customers make payments for the services, in cash, by making deposits at one of the banks where Taxpayer has an account. Taxpayer does not receive cash directly from its wholesale customers. A small number of wholesale customers make payments by direct debit, check, or money order. The total amount of payments received by Taxpayer from a wholesale customer in a given year may exceed \$10,000.

LAW AND ANALYSIS

Section 6050I(a) of the Code provides that 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 cash in one transaction (or two or more related transactions), shall make the return described in section 6050I(b) with respect to such transaction (or related transactions) at such time as the Secretary may by regulations prescribe. If section 6050I applies, Taxpayer must file Form 8300, Report of Cash Payments Over \$10,000 Received in a Trade or Business.

Section 1.6050I-1(c)(1)(ii) of the Income Tax Regulations states that "cash" means (A) 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; and (B) a cashier's check, bank draft, traveler's check, or money order having a face amount of not more than \$10,000 if it is received in a designated reporting transaction or received in any transaction in which the recipient knows that the instrument is being used in an attempt to avoid the reporting requirements of section 6050I.

Section 1.6050I-1(b)(2) states that with respect to the receipt of cash installment payments relating to a single transaction (or two or more related transactions), if the initial payment is \$10,000 or less, the recipient must aggregate the initial payment and subsequent payments made within 1 year of the initial payment until the aggregate amount exceeds \$10,000. When the aggregate amount exceeds \$10,000, an information return must be filed within 15 days.

Section 1.6050I-1(c)(7)(i) defines the term "transaction" as the underlying event precipitating the payer's transfer of cash to the recipient. A transaction may not be divided into multiple transactions in order to avoid reporting under section 6050I.

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

As provided, section 6050I requires Taxpayer to comply with information reporting requirements if Taxpayer receives more than \$10,000 in cash in the course of Taxpayer's trade or business in one transaction or two or more related transactions. In this case, however, when wholesale customers pay by making deposits of cash into Taxpayer's bank accounts, Taxpayer does not receive cash. Pursuant to section 1.6050I-1(c)(1)(ii) of the regulations, Taxpayer may be deemed to receive cash when it receives cashier's checks, bank drafts, traveler's checks, or money orders with a face amount of not more than \$10,000 in any transaction in which the recipient knows that the payment is being used in an attempt to avoid the reporting requirements of section 6050I.

CONCLUSIONS

Based solely on the information provided and the representations made, we conclude that regarding the payments that the wholesale customers deposit into Taxpayer's bank accounts, Taxpayer does not receive cash; and therefore, such payments for the sale of telecommunication services are not subject to the information reporting requirements of section 6050I for such transactions. Regarding the payments that the wholesale customers make by cashier's check, bank draft, traveler's check, or money order with a face amount of not more than \$10,000, Taxpayer receives cash only if Taxpayer knows that the payments are being used in an attempt to avoid the reporting requirements of section 6050I. Such payments received by Taxpayer for the sale of telecommunication services are subject to the information reporting requirements under section 6050I, provided that all other requirements triggering information reporting under section 6050I are present.

CAVEATS

The rulings contained in this letter are based upon information and representations submitted by the taxpayer and accompanied by a penalty of perjury statement executed by an appropriate party. While this office has not verified any of the material submitted in support of the request for rulings, it is subject to verification on examination.

Except as expressly provided herein, no opinion is expressed or implied concerning the tax consequences of any aspect of any transaction or item discussed or referenced in this letter.

This ruling is directed only to the taxpayer requesting it. Section 6110(k)(3) of the Code provides that it may not be used or cited as precedent.

In accordance with the Power of Attorney on file with this office, a copy of this letter is being sent to your authorized representative.

Sincerely,

Tiffany P. Smith
Assistant to the Branch Chief, Administrative
Provisions & Judicial Practice, Branch 1
(Procedure & Administration)

Enclosure:
Copy for section 6110 purposes
cc: