



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

OFFICE OF
CHIEF COUNSEL
CC:DOM:FS:IT&A

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MEMORANDUM FOR District Counsel,
Attn:

FROM: Assistant Chief Counsel (Field Service) CC:DOM:FS

SUBJECT: Form 8300 - "Related Transactions" and I.R.C. § 60501(a)(2)

This responds to your request for advice on the proper application of "related transactions" as used in I.R.C. § 60501(a)(2) to the following situation. The taxpayer is a wholesale distributor of food and supplies to various restaurants. On Monday, a client of the taxpayer purchases \$ worth of food and supplies. He receives an invoice and takes delivery of the purchased items, but he does not pay for them. On Friday, the same client returns and purchases \$ worth of food and supplies. He receives an invoice for this second purchase and takes delivery of the items. At this time, he pays the taxpayer \$ in cash to cover the two purchases. There is no evidence that the transactions have been deliberately structured. It appears that this is the way business is done – several purchases and then a settling of the account with a single payment.

We note that you used the general term "cash" without stating whether it referred to currency, monetary instruments, or a combination of both. The distinction is an important one in determining whether § 60501 applies since, in general, that section does not apply to a wholesaler who receives payment in the form of monetary instruments.

Section 60501 requires any person who is engaged in a trade or business and who, in the course of that trade or business, receives more than \$10,000 in cash in one transaction or in two or more related transactions to file an information return with respect to the receipt of cash.

Section 1.60501-1(c)(1)(ii) of the Income Tax Regulations states that for amounts received after February 2, 1992, "cash" means (A) the coin and currency of the United States or any other country that circulate in and are customarily used and accepted as money in the country in which issued; and (B) a cashier's check

(by whatever name called, including “treasurer’s check” and “bank check”), bank draft, traveler’s check, or money order having a face amount of not more than \$10,000 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 § 6050I.

“Designated reporting transaction” is defined in § 1.6050I-1(c)(1)(iii) as a retail sale of (A) a consumer durable (defined in § 1.6050I-1(c)(2)), (B) a collectible (defined in § 1.6050I-1(c)(3)), or (C) a travel or entertainment activity (defined in § 1.6050I-1(c)(4)). Therefore, a wholesale sale paid for by monetary instrument is not a designated reporting transaction.

“Transaction” is defined in § 1.6050I-1(c)(7)(i) as 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 a preexisting debt; a conversion of cash to a negotiable instrument; a reimbursement for expenses paid; or the making or repayment of a loan.

“Related transactions” is defined in § 1.6050I-1(c)(7)(ii) as any transaction conducted by 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.

The reporting requirements of § 6050I focus on the underlying events that are the cause of payment and receipt of cash rather than the acts of paying and receiving. Thus, the purchases of food and supplies on Monday and again on Friday are the transactions to be considered, not the payment and receipt of \$ on Friday. Moreover, since the Monday and Friday transactions occurred more than 24 hours apart, they could be regarded as related transactions only if each transaction was one of a series of connected transactions. We believe you are in the best position to make this factual determination.

We also note that the definition of “transaction” set forth in § 1.6050I-1(c)(7)(i) includes the payment of a preexisting debt. Under this characterization, the Friday payment would be considered, in part, as payment for the Friday purchases and, in part, as payment of a preexisting debt, *i.e.*, for the Monday purchases. However, the underlying question would remain whether the payment of a preexisting debt for \$ of food and supplies received on Monday and the purchase of food and supplies for \$ on Friday are connected transactions.

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