



IRS

CASH REPORTING AND YOUR DEALERSHIP

Questions and Answers on Form 8300

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**Motor Vehicle
Technical
Advisor**

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Introduction

Generally, any person in a trade or business who receives more than \$10,000 in cash in a single transaction or related transactions must complete a Form 8300, Report of Cash Payments Over \$10,000 Received in a Trade or Business. Form 8300 is a joint form issued by the IRS and the Financial Crimes Enforcement Network (FinCen) and is used by the government to track individuals that evade taxes and those who profit from criminal activities. Although the cash reporting requirements apply to many types of businesses, auto dealerships frequently receive cash in excess of \$10,000 and are required to comply with the filing requirements.

With the increased emphasis on potentially criminal activity in the post 9/11 climate, auto dealerships find themselves facing some difficult situations as they attempt to comply with the filing requirements. The Motor Vehicle Technical Advisor Program in conjunction with IRS specialists on money laundering would like to assist dealers in their compliance activities.

In pursuit of that goal, we have compiled a list of dealership specific questions and answers. As we receive additional questions that need to be addressed, we will update this document as appropriate.

Some of the questions in this document are “the basics” and some are dealership specific. This document does not attempt to answer all of the possible questions on cash reporting and additional information can be found in the instructions for Form 8300 and in Publication 1544. The IRS also has specialists that can work directly with dealership personnel on compliance issue. For more information on IRS specialists; contact the Motor Vehicle Technical Advisor.

Now, let's start at the beginning...

Form 8300 – Report of Cash Payments Over \$10,000

Auto Dealership Questions and Answers

The Basics

1.	What does “cash” mean for the purposes of Form 8300?	<ul style="list-style-type: none"> ▪ Cash is money; currency and coins of the United States and any other country. ▪ Cash is also <i>certain monetary instruments</i> - a cashier's check, bank draft, traveler's check, or money order - if it has a face amount of \$10,000 or less and the business receives it in: <ul style="list-style-type: none"> ○ A designated reporting transaction (generally, a retail sale of a consumer durable, a collectible, a travel or entertainment activity) or ○ Any transaction in which the recipient knows the payer is trying to avoid the reporting of the transaction on Form 8300.
2.	What is a related transaction?	<ul style="list-style-type: none"> ▪ Transactions between a buyer and a seller that occur within a 24-hour period are related transactions. ▪ Transactions more than 24 hours apart are related if the recipient of the cash knows, or has reason to know, that each transaction is one of a series of connected transactions
3.	Does the 24-hour period mean one day such as all day Tuesday or does it mean literally 24 hours such as from 11:00 am on Tuesday to 11:00 am on Wednesday?	<ul style="list-style-type: none"> ▪ A 24-hour period is 24 hours, not necessarily a calendar day or banking day.
4.	When is the Form 8300 due?	<ul style="list-style-type: none"> ▪ Form 8300 is due within 15 days after the date the cash was received. ▪ If there are subsequent payments that are made with respect to a single transaction (or two or more related transactions), the Form 8300 is due when the total exceeds \$10,000. ▪ Each time the payments aggregate in excess of \$10,000 the business must file another form 8300 within 15 days of the payment that causes the additional payments to total more than \$10,000.
5.	Must a business notify its customer that it has filed a Form 8300 regarding the cash transaction with the customer?	<ul style="list-style-type: none"> ▪ Yes, a business must notify its customer, in writing, by January 31 of the subsequent calendar year.
6.	If a business filed a Form 8300 on an individual and checked the suspicious transaction box, and a Form 8300 was not otherwise required, does the business have to inform the individual that a Form 8300 was filed?	<ul style="list-style-type: none"> • No. Reporting of the suspicious transaction in this instance is voluntary. A business is only required to provide a statement to individuals if the filing of the Form 8300 is required. A business is prohibited from informing the buyer that the suspicious transaction box was checked.
7.	Instead of sending the customer a separate notification letter, can the dealership use the sales invoice as the notification requirement, if the sales invoice has language printed on it that the IRS will be furnished with information for cash sales over \$10,000?	<ul style="list-style-type: none"> ▪ There is nothing in the code or regulations mandating a specific format for the customer statement. The regulations, however, establish certain minimum requirements. As long as these minimum requirements are met, there would be no problem if the seller chose to print the required language on an invoice. ▪ The statement must contain the following information: <ul style="list-style-type: none"> ○ The name and address of the person completing Form 8300 ○ The aggregate amount of reportable cash in all related cash transactions; ○ A legend stating that the information contained in the statement is being reported to the Internal Revenue Service.
8.	Is a personal check considered cash for reporting on Form 8300?	<ul style="list-style-type: none"> ▪ No. Personal checks are not considered cash.

9.	If the business is unable to obtain the Taxpayer Identification Number of a customer making a cash payment of over ten thousand dollars, should the business file Form 8300 anyway?	<ul style="list-style-type: none"> ▪ Yes, the business should file Form 8300 with a statement explaining why the Taxpayer Identification Number is not included.
10.	Does a wholesaler (no retail) report transactions paid in US (or foreign) coins and currency only?	<ul style="list-style-type: none"> ▪ Yes, if the wholesaler receives payment in the form of coins or currency. A wholesaler, however, need not report transactions paid with cashier's checks, bank drafts, traveler's checks, or money orders unless the recipient knows the payer is trying to avoid the reporting of the transaction on Form 8300..
11.	What if a retailer also does some wholesale transactions, must the business report all transactions, or just the retail ones?	<ul style="list-style-type: none"> ▪ If the trade or business of the seller principally consists of sales to ultimate consumers, then all sales, including wholesale transactions, are considered "retail sales" and are subject to the Form 8300 reporting requirements.
12.	Does a dealer need to accumulate individual sales to a wholesaler throughout a 12 month period and report whenever they exceed a cumulative \$10,000?	<ul style="list-style-type: none"> ▪ Each transaction stands on its own. But if the dealership knows that any of the individual purchases are related, a Form 8300 should be filed.
13.	If a customer purchased an item, then eight weeks later the same customer purchased a different item, are these amounts aggregated and reported on the Form 8300?	<ul style="list-style-type: none"> ▪ No, if the two payments are for separate unrelated transactions.

Dealership Specific Questions

14.	A customer purchased a vehicle for \$9,000 cash. Within the next 12 months, the customer paid the dealership additional cash of \$1,500 for a repair to the vehicle's transmission, accessories and a customized paint job, etc. Should a Form 8300 be filed?	<ul style="list-style-type: none"> ▪ No, unless the dealer knew or had reason to know the sale of the vehicle and the subsequent transactions were a series of connected transactions (for example, if the dealer and the customer agreed, as a condition of the sale of the vehicle, that the customer would be obligated to pay the additional \$1,500). <ul style="list-style-type: none"> ▪ Transactions are related if they occur within a 24-hour period. Transactions are related even if they are more than 24 hours apart if you know, or have reason to know, that each is one of a series of connected transactions. <ul style="list-style-type: none"> ○ For example, items or services negotiated during the original purchase are related to the original purchase.
15.	A customer wired \$7,000 from his bank account to the dealership's bank account and also presented a \$4,000 cashier check. Does the dealership complete Form 8300?	<ul style="list-style-type: none"> ▪ A wire transfer does not constitute cash for Form 8300 reporting. Since the remaining cash remitted was below \$10,000, the dealer has no filing requirement.
16.	A customer makes weekly payments in cash to a dealership as a lease payment or loan payment on a vehicle. During a twelve-month period, these payments total more than \$10,000. Are these payments considered related transactions and is the dealership required to file a Form 8300?	<ul style="list-style-type: none"> ▪ Yes, the weekly lease or loan payments constitute payments on the same transaction (the leasing or purchase of the vehicle). ▪ Accordingly, the dealership is required to file Form 8300 when the total amount exceeds \$10,000. ▪ Each time the payments aggregate in excess of \$10,000 the dealership must file another Form 8300 within 15 days of the payment that causes the additional payments to total more than \$10,000.
17.	A husband and wife purchase two cars at one time from the same dealer and the total cash received \$10,200. How many Form 8300s should the car dealer file?	<ul style="list-style-type: none"> ▪ The transaction can be viewed as either a single transaction or two related transactions. Either way, it warrants only <u>one</u> Form 8300.
18.	If a customer purchased a cashier's check at the bank for over \$10,000, would the bank report the transaction? Does the seller of a vehicle need to report the transaction if the same cashier's check is subsequently used to purchase a vehicle?	<ul style="list-style-type: none"> ▪ The bank is required to file a Currency Transaction Report (not a Form 8300) in this scenario. ▪ Generally, the purchase of a vehicle with a cashier's check that is over \$10,000 should not be reported on Form 8300. ▪ A cashier's check, bank draft, traveler's check, or money order with a face amount of more than \$10,000 is not treated

		<p>as cash and a business does not have to file Form 8300 when it receives them.</p> <ul style="list-style-type: none"> These items are not defined as cash because, if they were bought with currency, the bank or other financial institution that issued them will file the appropriate report.
19.	Certain monetary instruments are considered cash – a cashier’s check, bank draft, traveler’s check, or money order. Are official bank checks considered cashier’s checks or bank drafts which constitute reporting if \$10,000.00 or less and received with other forms of cash resulting in payment in excess of \$10,000.00.	<ul style="list-style-type: none"> Some banks may call their cashier's checks official checks. Checks that are not considered cash are those drawn on the account of the writer, and those that represent loan proceeds
20.	How should a dealership handle a non resident alien with no SSN?	<ul style="list-style-type: none"> Use the IRS Individual taxpayer Identification Number (ITIN) if the nonresident has one. If there is no ITIN enter (NON) for SSN on Form 8300. The ADDRESS must be that of the foreign address. Item 14 of Form 8300 must be completed. The dealer may use a PASSPORT, ALIEN REGISTRATION CARD, or other official document to complete the form.
21.	Do payments in excess of \$10,000 in cash paid to a body shop need to be reported? Do requirements apply to services as well as goods?	<ul style="list-style-type: none"> Yes – cash received in excess of \$10,000. However a service is not a consumer durable so the expanded definition of cash does not apply to payments for services. The body shop would file an 8300.
22.	A dealership sold cars on 1/31 and 2/6 to one customer and received \$20,000 in two payments of \$10,000 each on the same date for the 2 cars. Is a Form 8300 required?	<ul style="list-style-type: none"> Yes. The dealership received over \$10,000 in cash within 24 hours.
23.	Customer purchased 5 cars, each separately though the year totaling \$15,000. Is Form 8300 required?	<ul style="list-style-type: none"> No. These are separate transactions and none are over \$10,000 in cash.
24.	Are wire transfers considered cash?	<ul style="list-style-type: none"> Wire transfers are not considered to be cash and no Form 8300 is required to be filed. The Money Services Business (MSB) that handles the wire transfer must document these types of transactions by filing a CTR on amounts over \$10,000.
25.	A dealership receives greater than \$10,000 in cash on day one for the sale of a vehicle. On day three, the deal is cancelled due to an inability to finance the deal. The dealership returns the cash. Is a Form 8300 required?	<ul style="list-style-type: none"> Yes. Once the dealership receives the cash an 8300 must be filed. The deal not going through may in fact be an attempt to launder illegal funds. The law does not specify the form of the refund. If more than \$10,000 in cash was received by the dealer and then the deal was cancelled, the dealer must file a Form 8300. If \$10,000 or less was received by the dealer and the deal was cancelled, the dealer may voluntarily file a Form 8300 if the transaction appears suspicious.
26.	If a dealership receives a bank check drawn on the funds of the bank (not a personal checking account check or a check drawn on a personal account of the customer) with the customer’s personal account number and customer name on it, is this considered cash or a cash equivalent?	<ul style="list-style-type: none"> Bank checks (drawn on the bank’s account, not the account of the customer) of \$10,000 or less are cash under the expanded definition of cash, unless they are loan proceeds. The fact that there are notations on the check or even that the check is made payable to the dealership does not negate this. Update: The definition of cash does not include a check drawn on an individual’s personal account. A bank check drawn on the customer’s personal account with the customer’s personal account number and customer name noted may not be considered cash.

27.	<p>A customer purchases a vehicle for \$15,000 and pays for it with \$9,000 in cash and puts the remaining \$6,000 on a personal credit card. Should a Form 8300 be filed?</p> <p>Update: A customer purchases a vehicle for \$12,000 and provides the business with a \$10,000 cashier's check and pays the remaining \$2,000 with his ATM card. Is the ATM amount considered cash or a cash equivalent that makes the total amount received over \$10,000 and thus reportable on Form 8300?</p> <p>Would the answer differ if the customer had used a credit card instead of a debit card for the \$2,000 portion?</p>	<ul style="list-style-type: none"> ▪ No Form 8300 is required. ▪ Less than \$10,000 in cash was received. A credit/debit card is not cash. ▪ Update: The ATM card works the same as a credit card in this instance. The only difference is that the account will be charged with a debit against existing funds instead of charged for a debit to non-existing funds, but a promise to repay later. ▪ An ATM transaction is not given the consideration of cash, therefore, the \$10,000.00 cashier's check in itself is not cash greater than \$10,000.00 so it is not reportable.
28.	<p>For wholesalers, where more than one vehicle is purchased in a single day and cash is paid by the wholesaler, is that one transaction, a series of related transactions or a series of unrelated transactions given that there are multiple vehicles. What happens on separate purchases over the course of a week? What about a month?</p>	<ul style="list-style-type: none"> ▪ Two or more transactions within a 24-hour period are related transactions. A trade or business that receives more than \$10,000 in related transactions must file Form 8300. ▪ If purchases are more than 24 hours apart and not connected in any way then the purchases are not related and a Form 8300 is not required. ▪ Transactions may be connected if they are negotiated at the same time.
29.	<p>For individual retail customers there is little dispute that payment of cash for one car at multiple time periods is a series of related transactions. However, what about when the same purchaser buys a second car one week later and provides enough cash to trigger the reporting requirement? Since they are two separate vehicles are those related transactions? What is the time period break for considering them unrelated transactions?</p>	<ul style="list-style-type: none"> ▪ The car purchases are separate transactions unless the purchase of the second car was negotiated at the same time of the first car. ▪ If the car purchases were negotiated at the same time the transactions are related because they are connected.
30.	<p>What exactly can be said to a customer who inquires about IRS 8300 reporting?</p> <p>Some dealers are advised not to refer to IRS 8300 reporting in the presence of the customer. In particular, dealers are concerned that advising customers that they need information for an IRS 8300 report could degenerate into a structuring conversation.</p> <p>What if the customer asks what the information is for? Can the dealer volunteer that it is for IRS 8300 reporting?</p>	<ul style="list-style-type: none"> ▪ A customer can be told about the law requiring the reporting of cash payments over \$10,000 to the IRS and FinGen. ▪ What a dealer cannot do is aid a customer in structuring a transaction to prevent a Form 8300 from being filed. ▪ A dealer who is filing Form 8300 voluntarily because of suspicious activity cannot inform the customer of the filing.
31.	<p>What are the penalties if a dealership doesn't file a Form 8300?</p>	<ul style="list-style-type: none"> ▪ There are civil penalties for failure to file a correct Form 8300 by its due date and for failure to provide a statement as required. ▪ Additional penalties apply for intentional disregard of the filing requirements. ▪ Criminal penalties may apply in the case of willful filing of false or fraudulent Forms 8300.
32.	<p>Update: A dealership receives monthly ACH payments [automatic payments from a customer bank account] If the payments total in excess of \$10,000, should the payments be treated as cash?</p>	<ul style="list-style-type: none"> ▪ ACH payments are not considered cash for the purpose of reporting on Form 8300.
33.	<p>Update: A related finance company provides financing to customers of multiple related used</p>	<ul style="list-style-type: none"> ▪ Update: The dealership's sale of the vehicle constitutes a

	<p>vehicle dealerships. The finance company purchases contracts from the used car lot and a check is issued to the car lot for the amount of the car deal. Would the definition of cash to include cashier's checks and money orders apply to the finance company?</p>	<p>retail sale of a consumer durable requiring reporting of monetary instruments if the face amount was \$10,000 or less and there is no financing involved.</p> <ul style="list-style-type: none"> ▪ When the finance company purchases the "finance contract" they do not have a designated reporting transaction. The finance contract is not a consumer durable, collectible or travel or entertainment and it is not a consumer durable because it is not tangible personal property. Thus monetary instruments with a face amount of \$10,000 or less received to pay off the finance contract would under normal situations not be reportable.
<p>34.</p>	<p>Update: What type of records might an examiner request during an 8300 examination?</p>	<ul style="list-style-type: none"> ▪ Update: Records requested may vary by examiner but typically the following records are requested: ▪ Checking, savings and/or other financial account statements and deposit slips ▪ An electronic bank deposit reconociitate in Excel format extracted from the dealer's DMS system. The requested report generally requests all receipts of the business from any sourceincluding the amount, date received, method of payment (cash, check, credit card number, etc.), payer name, and receipt number. Receipt sources should include new and used vehicle sales, leases, service, parts, body shops, and any non-customer receipts. ▪ Deale jackets for leases and sales during the examination period. ▪ Sales journals, cash receipts journals, accounts/notes receivable, sales invoices ▪ Copies of Forms 8300 filed, notification statements provided to customers, and any correspondence from the IRS related to forms 8300