

Cash Reporting Rules and Form 8300

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Among the regulatory hot buttons glowing red at IRS are cash reporting rules. These rules are not always fully understood or they may be "out of sight, out of mind." Unfortunately, this can be discovered after the IRS finds, or more accurately, fines the dealer for noncompliance. Penalties have the potential to hurt the most profitable dealership, so a refresher on the rules is probably time well spent.

Dealers can get into trouble over cash reporting rules in the following ways:

- Failing to report a transaction involving more than \$10,000
- Helping a customer "structure" (e.g. breaking up a large transaction into small cash transactions) a deal to avoid reporting rules
- Ignoring red flags that customer obtained funds from illegal activity
- Submitting erroneous information on Form 8300
- Failing to prepare and send a statement to a customer when appropriate

Penalties

Penalties start at \$50 for each Form 8300 filed late or submitted with incomplete or erroneous information. For intentional disregard of the rules, penalties can be the greater of \$25,000 or the amount of reportable cash received (maximum of \$100,000). Criminal penalties can climb to \$500,000 (for corporations), or jail time up to 5 years, or both.

Let's start with the definition of cash for Form 8300 purposes:

Form of Payment	Is it Cash for Form 8300 Purposes?	Comments
Cash (Currency & Coins)	Yes, always	
Foreign Currency	Yes, always	
Cashier's Check Traveler's Check Bank Draft Money Order	Yes, when the amount is \$10,000 or LESS* and when <ol style="list-style-type: none">1. The amount is received in a designated reporting transaction (see below), or2. The amount is received in a transaction in which you have reason to believe the payer is trying to avoid the reporting of the transaction on Form 8300	But, amounts of \$10,000 or less are not treated as cash if the proceeds are the result of a bank loan (provided there is documentation)
Credit Card	No	
Debit Card	No	
Wire Transfer	No	
Personal Check	No	
Business Check	No	

* The reason why it's less than \$10,000 is because the bank is responsible for reporting the issuance of cashier's check, traveler's check, bank draft, or money order, when the amount is more than \$10,000

What is a “Designated Reporting Transaction?”

Most transactions at dealerships are “designated reporting transaction,” unless the sales price is less than or equal to \$10,000. Note also that vehicles sold to wholesalers can also be subject to cash reporting requirements.

When to Report to IRS

Generally, Form 8300 must be filed with the IRS within 15 days of the date on which more than \$10,000 in cash is received. Multiple payments received from one customer within a 24 hour period are automatically considered a related transaction. If payments are received in a related series of sub \$10,000 transactions during a twelve month period, reporting is due within 15 days after the last payment that causes the aggregate payments to exceed \$10,000. Keep in mind that filing multiple Form 8300s for the same customer in the same year may be necessary.

Reporting to the Customer

Generally, a statement to the customer is due January 31, of the following year. Information required includes: total amount of reportable cash received from the customer, business name, address, and contact information.

Recommendations

The entire set of cash reporting rules should be read and reviewed on a periodic basis by your staff (see: <http://www.irs.gov/pub/irs-pdf/p1544.pdf>). You should also designate a responsible manager who is responsible for dealership compliance, on-going staff training (e.g. a NADA training tape), and available to answer any employee questions. You might also employ a “secret shopper” to learn if it’s possible to circumvent Company procedures on preventing improper acceptance of cash and equivalents. Finally, it’s essential that you have a written policy, signed by your employees, stating that they understand these rules and will abide by them.

Jeff Forsberg, CPA, regularly writes about emerging tax issues and other topics that impact the automotive industry. For answers to the above questions and other articles that have appeared in past issues of PSADA’s Dealer Magazine, please visit our website at www.dealercpa.com