



# INDEPENDENT AUTO, RV AND POWER-SPORT DEALERS' GUIDE TO FORM 8300

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## IRS FORM 8300 OVERVIEW

Reference Guide on the IRS/FinCEN Form 8300,  
Report of Cash Payments Over \$10,000 Received in a Trade of Business.

# INTRODUCTION / OBJECTIVES

## Type of Payments to Report

- Cash Does Not Include
- Definition of a Related Transaction Taxpayer Identification Number Reporting
- Suspicious Transaction When to Report Payments
- Multiple Payments Where to File Form 8300
- Required Written Statement for Customers Record keeping
- Penalties

## INTRODUCTION

The law requires that dealerships report cash payments of more than \$10,000 to the federal government by filling IRS/FinCEN Form 8300, Report of Cash Payments Over \$10,000 Received in a Trade or Business. Transactions that require Form 8300 include, but are not limited to:

- Escrow arrangement contributions
- Pre-existing debt payments
- Negotiable instrument purchases
- Reimbursement of expenses
- Making or repaying a loan
- Sale of goods or services
- Sale of real property
- Sales of intangible property
- Rental of real or personal property
- Exchange of cash for other cash
- Custodial trust contributions

The information contained in the form assists law enforcement in its anti-money laundering efforts. When dealerships comply with the reporting laws they provide authorities with an audit trail to stop tax evasion, drug dealing, terrorist financing and other criminal activities.

## OBJECTIVES

- Determine what transactions dealerships must report
- Define cash
- Determine how and when dealerships should report payments
- Understand that civil and criminal penalties may be applicable for noncompliance





## Type of Payments to Report

Dealerships must report cash payments received if all of the following criteria is met:

1. The amount of cash is more than \$10,000.
2. The dealership receives the cash as:
  - One lump sum of more than \$10,000, or
  - Installment payments that cause the total cash received within one year of the initial payment to total more than \$10,000, or
  - Previously unreported payments that cause the total cash received within a 12-month period to total more than \$10,000.
3. The dealership receives the cash in the ordinary course of a trade or business.
4. The same agent or buyer provides the cash.
5. The dealership receives the cash in a single transaction or in related transactions.

*Example: Dave bought a new car and sold his old one for \$11,000. The buyer paid Dave in cash. Since Dave is not in the trade or business of selling cars, he would not be required to report the receipt of cash exceeding \$10,000 from the sale of the car.*

## Cash Includes

**Cash includes the coins and currency of the United States and a foreign country. Cash may also include cashier's checks, bank drafts, traveler's checks, and money orders with a face value of \$10,000 or less, if the business receives the instrument in:**

- A designated reporting transaction (as defined below), or
- Any transaction in which the dealership knows the customer is trying to avoid reporting of the transaction on Form 8300.

*Example: Isac Bell purchases a used car from Big Daddy J's Auto Sales for a total of \$12,000. He pays with a cashier's check having a face value of \$12,000. The cashier's check is not treated as cash because its face value is more than \$10,000. The dealership does not need to file Form 8300.*

## **A Designated reporting Transaction is the retail sale of any of the following:**

- A consumer durable such as an automobile, boat, or property other than land or buildings that: Is suitable for personal use.
- Can reasonably be expected to last at least one year under ordinary use.
- Has sales price of more than \$10,000.
- Can be seen or touched (tangible property).
- A collectible such as a work of art, rug, antique, metal, gem, stamp or coin
- Travel or entertainment, if the total sales price of all items sold for the same trip or entertainment event in one transaction or related transactions is more than \$10,000. The total sales price of all items sold for a trip or entertainment event, which includes the sales price of items such as airfare, hotel rooms and admission tickets.



### **Cash does not include:**

- Personal checks drawn on the account of the writer.
- A cashier's check, bank draft, traveler's check or money order with a face value of more than \$10,000.

When a customer uses currency of more than \$10,000 to purchase a monetary instrument, the financial institution issuing the cashier's check, bank draft, traveler's check or money order is required to report the transaction by filing FinCEN form 104, Currency Transaction Report.

*Example: Cory Collins purchases an automobile from Big Daddy J's Auto Sales for \$19,000. He pays with \$4,000 in currency and wires \$15,000 from his bank account to the dealership's bank account. A wire transfer does not constitute cash for Form 8300 reporting purposes, since the remaining cash remitted to Big Daddy J's was below \$10,000 the dealer has no filing requirement.*

- A cashier's check, bank draft, traveler's check or money order that is received in payment on a promissory note or an installment sales contract (including a lease that is considered a sale for federal tax purposes.)

### **However, this exception applies only if:**

- The dealership uses similar notes or contracts in other sales to ultimate customers in the ordinary course of its trade or business and
- The total payments for the sale the dealership receives on or before the 60th day after the sale are 50 percent or less of the purchase price.

### **A cashier's check, bank draft, traveler's check, or money order that is received in payment for a consumer durable or collectible, and all three of the following statements are true:**

- The dealership receives it under a payment plan requiring: One or more down payments and payment of the rest of the purchase price by the date of sale.
- The dealership receives it more than 60 days before the date of the sale.
- The dealership uses payment plans with the same or substantially similar terms when selling to ultimate customers in the ordinary course of its trade or business.

### **A cashier's check, bank draft, traveler's checks, or money order received for travel or entertainment if all three of the following statements are true:**

- The dealership receives it under a payment plan requiring: One or more down payments and payment of the rest of the purchase price by the earliest date that any travel or entertainment item (such as airfare) is furnished for the trip or entertainment event.
- The dealership receives it more than 60 days before the date on which the final payment is due.
- The dealership uses payment plans with the same or substantially similar terms when selling to climate customers in the ordinary course of its trade or business.



## DEFINITION OF RELATED TRANSACTION

The law requires that dealerships report transactions when customers use cash in a single transaction or a related transaction. Related transactions are transactions between a payer, or an agent of the payer, and a recipient of cash that occur within a 24-hour period. If the same payer makes two or more transactions totaling more than \$10,000 in a 24-hour period, the dealership must treat the transactions as one transaction and report the payments. A 24-hour period is 24 hours, not necessarily a calendar day or banking day.

*Example: A retail motorcycle dealer sells a motorcycle for \$9,000 in cash to Isac Bell at 10 a.m. During the afternoon on the same day, Mr. Bell returns to buy another motorcycle for his son and pays \$9,000 in cash. Since, both transactions occurred within a 24-hour period, they are related transactions, and the motorcycle dealer must file Form 8300.*

Transactions are related even if they are more than 24 hours apart when a dealership knows, or has reason to know, that each is a series of connected transactions.

*Example: A customer purchases a vehicle for \$9,000 and then within the next 12 months pays the dealership additional cash of \$1,500 for items such as a new transmission, accessories, customized paint job, and others. The dealership is not required to file a Form 8300 if the additional transactions are not part of the original sales contract and the customer has no additional legal obligation to make such additional transactions.*

## Taxpayer Identification Number (TIN)

A dealership must obtain the correct TIN of the person(s) from who they receive the cash. If the transaction is conducted on behalf of another person or persons, the dealership must also obtain the TIN of that person or persons. Failure to include all required information or conclusion of incorrect information, on Form 8300, may result in civil or criminal penalties. However, a filer may be able to avoid penalties when the customer refuses to provide a TIN by showing that its failure to file is reasonable under circumstances more fully described in 26 CFR 301.6724-1(e) and (f).

Under the filling exception as described in Publication 1544, a filer is not required to provide the TIN of a person who is a nonresident individual or foreign organization. However, name and address verification is required, and the source of the verification must be included in item 14 of Form 8300. For nonresident aliens, acceptable documentation would include a passport, alien registration card or other official document.

*Example: A nonresident alien with no SSN or TIN makes a purchase requiring Form 8300 reporting and presents a Mexican driver's license to verify his name and address. A driver's license issued by a foreign government would be acceptable documentation for name and address verification purposes.*



## Reporting Suspicious Transactions

There may be situations where the dealership is suspicious about a transaction. A transaction is suspicious if:

- It appears that a person is trying to prevent a business from filling form 8300,
- It appears that a person is trying to cause a business to file a false or incomplete Form 8300, or there is a sign of possible illegal activity.

The business may report suspicious transactions by checking the “suspicious transaction” box (box 1b) on the top line of Form 8300. Businesses may also call the IRS Criminal Investigation Division Hotline at 800.800.2877, or the local IRS Criminal Investigation unit to report suspicious transactions. If a business suspects that a transaction is related to terrorist activity, the business should call the Financial Institutions Hotline at 866.556.3974.

The business may voluntarily file a Form 8300 in those situations where the transaction is \$10,000 or less and suspicious. Because the Form 8300 is not required in those situations, there is no requirement to send a statement to the payor.

## When to Report Payments

The amount of cash a customer uses for a transaction and when the customer makes the transaction are the determining factors for when the dealership must file the Form 8300. Generally, a dealership must file Form 8300 within 15 days after the receive the cash. If the 15th day falls on a Saturday, Sunday, or holiday the business must file the report on the next business day.

## Multiple Payments

In some situations, the payer may arrange to pay in cash installments. If the first payment is more than \$10,000, a dealership must file Form 8300 within 15 days. If the first payment is not more than \$10,000, the dealership adds the first payment and any later payments made within one year of the first payment. When the total cash payments exceed \$10,000, the dealership must file Form 8300 within 15 days.

After a dealership files Form 8300, it must start a new count of cash payments received from that buyer. If a dealership receives more than \$10,000 in additional cash payments from that buyer within a 12-month period, it must file another Form 8300 within 15 days of the payment that causes the additional payments to total more than \$10,000.

If a dealership must file Form 8300 and that same customer makes additional payments within the 15 days before the business must file Form 8300, the dealership can report all the payments on one form.

*Example: On January 10, a customer makes a cash payment of \$11,000 to a dealership. The same customer makes additional payments on the same transaction of \$4,000 on February 15, \$5,000 on March 20, and \$6,000 on May 12. By January 25 (fifteen days from January 10), the business must file Form 8300 for the \$11,000 payment. By May 27 (fifteen days from May 12), the business must file another Form 8300 for the additional payments that total \$15,000.*



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## Where to File Form 8300

Dealerships can file Form 8300 electronically using the Bank Secrecy Act (BSA) Electronic Filing (E-Filing) System. E-filing is free and is a quick and secure way for individuals to file their Form 8300s. Dealerships can also mail the Form 8300 to the IRS at:

**IRS Detroit Computing Center  
P.O. Box 32621 Detroit, MI 48232**

## Required Written Statement for Customers

When a dealership is required to file a Form 8300, the law requires the business to provide a written statement to each person(s) named on Form 8300 to notify them that the dealership has filed the form. This requirement to provide a written statement does not apply with respect to a Form 8300 filed voluntarily, including a Form 8300 to report a suspicious transaction involving less than \$10,000.

### The statement must include the following information:

- The name and address of the cash recipient's business,
- Name and telephone number of a contact person for the business,
- The total amount of reportable cash received in a 12-month period, and
- A statement that the cash recipient's is reporting the information to the IRS.

The code and regulations only specify the information that the dealership is required to include on a statement, not the format of the statement. A business may use its invoice for the statement of notification, as long as the invoice includes all required information. Providing a copy of Form 8300 to the payer(s), although not prohibited, is not advisable due to the sensitive information contained on the form, for example, the Employer Identification Number (commonly called an EIN) or SSN of the filer.

The dealership filling Form 8300 must provide its identified customers with the written statement on or before Jan. 31 of the year that immediately follows the year the customer made the cash payment.

## Record keeping

A dealership should keep a copy of every Form 8300 it files, and the required statement it sent to customers, for at least five years from the date filed.

## Penalties

Businesses may be subject to civil and criminal penalties for noncompliance with the law.

## Civil Penalties

**For returns due to be filed on or after January 1, 2016: Civil penalties and applicable rules are:**

- The penalty for negligent failure to timely file, to include all required information or to include correct information is \$250 per return, not to exceed \$3,000,000 per calendar year. IRC Section 6721 (a)(1).
- For persons with average annual gross receipts of not more than \$5,000,000, the ceiling is \$1,000,000. The penalty applies to each return. IRC Section 6721(d)(1)(A).
- If any failure to file under IRC Section 6721 (a) is corrected on or before the 30th day after the required filing date, the penalty is reduced to \$50 in lieu of \$250 and the maximum amount imposed shall not exceed \$500,000 per calendar year. IRC Section 6721 (b)(1). The ceiling is \$175,000 for persons with average annual gross receipts of not more than \$5,000,000. IRC Section 6721 (d)(1)(B).
- The penalty for intentional disregard of the requirement to timely file or to include all required information, or to include correct information is the greater of: (1) \$25,000 or (2) the amount of cash received in the transaction, not to exceed \$100,000 (with no calendar year limitation applicable). The penalty applies to each failure. IRC Section 6721 (e)(2)(C).
- The penalty for negligent failure to furnish a timely, complete, and correct notice to the person(s) required to be identified on the Form 8300 is \$250 per statement, not to exceed \$3,000,000 per calendar year. IRC Section 6722(a)(1). For persons with average annual gross receipts of not more than \$5,000,000 the ceiling is \$1,000,000. IRC Section 6722 (d)(1)(A).
- If any failure to furnish described in IRC 6722(a) is corrected within 30 days, the penalty is \$50 in lieu of \$250, and the ceiling is \$500,000. IRC 6722(b). For persons with gross receipts of not more than \$5,000,000 the ceiling is \$175,000. IRC 6722 (d)(1)(B).
- If any failure described in subsection (a)(2) is corrected after the 30th day referred to in paragraph (1) but on or before August 1 of the calendar year in which the required filing date occurs the penalty is \$100 in lieu of \$250, and the ceiling is \$1,500,000. IRC 6722(b)(2). For persons with gross receipts of not more than \$5,000,000 the ceiling is \$500,000. IRC 6722(d)(1)(C).
- Intentional disregard of the requirement to furnish timely, correct, and complete notices is \$500 per failure or, if greater, 10 percent of the aggregate amounts of the items required to be reported correctly (with no calendar year limitation applicable). IRC Section 6722(e).

## Criminal Penalties

**A person may be subject to criminal penalties for:**

- Willfully failing to file a Form 8300,
- Willfully filing a false or fraudulent Form 8300,
- Stopping, or trying to stop, a Form 8300 from being filed, or
- Setting up, helping to set up, or trying to set up a transaction in a way that would make it seem unnecessary to file Form 8300.



Any person required to file Form 8300 who willfully fails to file, fails to file timely, or fails to include complete and correct information is subject to criminal sanctions as a felony under IRC Section 7203. Sanctions include a fine up to \$25,000 (\$100,000 in the case of a corporation), and/or imprisonment up to five years, plus the costs of prosecution.

Any person who willfully files a Form 8300 which is false with regard to a material matter may be fined up to \$100,000 (\$500,000 in the case of a corporation), and/or imprisoned up to three years, plus the costs of prosecution. IRC Section 7206(1)

The penalties for failure to file may also apply to any person (including a payer) who attempts to interfere with or prevent the seller (or business) from filing a correct Form 8300. This includes any attempt to structure the transaction in a way that would make it seem unnecessary to file Form 8300. "Structuring" means breaking up a large cash transaction into small cash transactions to disguise the true amount of cash involved in the transaction.



## OUR VALUES

Our core values include honesty, transparency, hard-work and dedication to our clients and not only providing first-in-class customer service, but also being the most knowledgeable experts in the F&I and reinsurance space.