



CRISER | GOUGH | PARRISH

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# Criser, Gough, & Parrish

## Small Business Alert

“Working together for you.”

### Are You Inadvertently Laundering Money?

*If you sell goods or services, it is critical you understand the law. If, in a 12-month period, you receive more than \$10,000 in cash from one buyer as a result of a transaction in your trade or business, you must report it to the Internal Revenue Service (IRS) and the Financial Crimes Enforcement Network (FinCEN) on Form 8300, *Report of Cash Payments Over \$10,000 Received in a Trade or Business*.*

#### Who Must File Form 8300?

Generally, any person in a trade or business who receives more than \$10,000 in cash in a single transaction or in related transactions must file Form 8300.

A “**transaction**” occurs when:

- Goods, services, or property are sold.
- Property is rented.
- A contribution is made to a trust or escrow account.
- A loan is made or repaid.
- Cash is converted to a negotiable instrument, such as a check or bond.

A “**person**” includes an individual, a company, a corporation, a partnership, an association, a trust, or an estate.

#### What Payments Must Be Reported?

You must file Form 8300 to report cash paid to you if it is:

1. Over \$10,000,
2. Received as:
  - One lump sum of over, \$10,000,
  - Installment payments that cause the total cash received within one year of the initial payment to total more than \$10,000, or
  - Other previously unreportable payments that cause the total cash received within a 12-month period to total more than \$10,000,
3. Received in the course of your trade or business,
4. Received from the same buyer (or agent), and

5. Received in a single transaction or related transaction.

#### What is Cash?

1. The coins and currency of the United States (and any other country), and
2. A cashier’s check, bank draft, traveler’s check or money order, if it has a face amount of **\$10,000 or less** and you receive in a retail sale of personal tangible property.

Cash may include a cashier’s check even if it is called a “treasurer’s check” or “bank check.”

Cash does not include a check drawn on an individual’s personal account.

A cashier’s check, bank draft, traveler’s check, or money order with a face amount of **more than \$10,000** is not treated as cash because if they were bought with currency, the bank or other financial institution that issued them must file a report on Form 4789.

#### Taxpayer Identification Number (TIN)

You must furnish the correct TIN of the person or persons from whom you receive the cash. If the transaction is conducted on behalf of another person or persons, you must furnish the TIN of that person or persons. You may be subject to penalties for an incorrect or missing TIN.

Types of TINs:

1. Individual, including a sole proprietor — Social Security Number (SSN).
2. Nonresident alien individual — IRS individual taxpayer identification number (ITIN).
3. For other persons, including corporations, partnerships, estates — employer identification number (EIN).

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### **When to File**

Generally, you must file Form 8300 within 15 days after receiving a payment. If the Form 8300 due date (the 15th or last day you can timely file the form) falls on a Saturday, Sunday, or holiday, it is delayed until the next day that is not a Saturday, Sunday, or holiday.

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

If you are already required to file Form 8300 and you receive additional payments within the 15 days before you must file, you can report all the payments on one form.

### **Required Statement to Buyer**

You must give a written statement to each person named on any Form 8300 you file. The statement must show the name and address of your business, the name and phone number of a contact person, and the total amount of reportable cash you received from the person during the year. It must state that you

are also reporting this information to the IRS. You must send this statement to the buyer by January 31 of the year after the year in which you received the cash that caused you to file the form.

### **Why Report These Payments?**

The payments you report can help the government trace the illegally gained money drug dealers and smugglers “launder.” Your compliance with these laws provides valuable information that can stop those who evade taxes and those who profit from the drug trade and other criminal activities. Laws passed by Congress require you to report these payments.

The USA PATRIOT Act of 2001 increased the scope of these laws to help trace funds used for terrorism.

### **Records**

You must keep a copy of every Form 8300 you file for 5 years.

[Source: IRS Publication 1544, Reporting Cash Payments of Over \$10,000 (Received in a Trade or Business)]

Pursuant to federal regulations imposed on practitioners who render tax advice (“Circular 230”), we are required to advise you that any tax advice contained herein is not intended or written to be used for the purpose of avoiding tax penalties that may be imposed by the IRS.

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### **Return Service Requested**

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