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## **What compliance looks like: IRS Cash Reporting Rule**

*by Gil Van Over*

Last week we looked at the FTC Used Car Rule in our journey to understand what compliance looks like. This week, we review the IRS Cash Reporting Rule.

### **Basic Dealer Responsibilities**

Under the Cash Reporting Rule The IRS Cash Reporting Rule requires a dealership to file FinCEN Form 8300 whenever the dealership receives more than \$10,000 in cash or cash equivalent in one transaction or in two or more related transactions. Cash is defined as U.S. and foreign coin and currency received in any transaction, a cashier's check, money order, bank draft, or traveler's check having a face amount of \$10,000 or less.

If your dealership receives more than one cash payment for a single transaction or for related transactions, you must report the multiple payments any time you receive a total amount that exceeds \$10,000 within any 12-month period. The report must be submitted within 15 days of the date you receive the payment that causes the total amount to exceed \$10,000.

A letter to the person submitting the cash or cash equivalent must be sent no later than January 15 of the following year. You must retain documentation that you complied with the reporting requirements for five years.

### **Why We Have The Rule**

The Cash Reporting Rule was enacted to inhibit money laundering by drug smugglers and organized crime. It is a critical issue for dealerships because they routinely deal with large sums of money. The IRS and FinCEN are extremely watchful of activities involving such sums when they are exchanged in cash or cash equivalents.

### **Penalties**

The penalties for intentional disregard of the reporting requirements are considerable; a minimum of \$25,000 for each violation. Structuring or aiding in the structuring of transactions to avoid IRS reporting requirements is a felony. Violation of the cash reporting laws can lead, in some instances, to violations of the federal money laundering statutes.

In some cases, if the Feds can prove that the dealership, or one of its employees, knew that the cash that they were not reporting was derived from illegal activities, the dealer or its employee may be guilty of money laundering. These statutes carry sever penalties and jail terms. In addition, the government has the power to seize assets and inventory pursuant to these money-laundering statutes

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