



OFFICE OF
CHIEF COUNSEL

DEPARTMENT OF THE TREASURY
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MEMORANDUM FOR AML COORDINATOR, BROOKLYN DISTRICT

FROM: Pamela W. Fuller, Assistant to the Branch Chief (Administrative Provisions and Judicial Practice) CC:PA:APJP:B1

SUBJECT: Information reporting under § 6050I

This is in reply to your request for assistance dated May 19, 2000, regarding whether information returns are required under § 6050I of the Internal Revenue Code in connection with rental receipts for taxi medallions by taxicab fleets and taxi management companies.

Facts

Your memorandum describes two general non-taxpayer specific situations involving leases of taxicabs and/or taxi medallions¹ by taxicab fleets and taxi management companies. The leases may be for less than one year. In some cases lease agreements are not involved.² The cost of leasing a taxi and medallion is generally paid out of the driver's daily cash receipts and may average \$100 per day. This arrangement is commonly used by taxicab fleet owners. A taxicab fleet may be comprised of as many as 30 separate entities with separate employer identification numbers. In other cases, drivers may own their own taxicabs and only rent or lease the medallion. This arrangement commonly involves a taxi management company which acts as a middleman between the medallion owner and the owner/driver. The problem is that cars may be rotated daily or leases entered into with separate corporations in such a manner that no lessor receives more than \$10,000 in cash from any one lessee of a particular taxi and/or medallion in a 12 month period.

¹ A medallion is a metal plate issued by the licensing commission as the physical evidence of a taxicab license and is used for displaying the license number on the outside of the vehicle. A medallion may be transferred from one vehicle to another, subject to the approval of the licensing commission and upon payment of a fee.

² It is not clear from the submission whether this is proper under applicable licensing commission rules.

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Applicable Law

Section 6050I(a) provides that any person who is engaged in a trade or business, and who, in the course of such trade or business, receives more than \$10,000 in cash in one transaction (or 2 or more related transactions), shall make the return described in § 6050I(b) with respect to such transaction (or related transactions) at such time as the Secretary may by regulations prescribe. Form 8300 is the form required to comply with this provision.

Section 6050I(f) states that no person shall for the purpose of evading the return requirements of § 6050I cause or attempt to cause a trade or business to fail to file a return required under § 6050I, cause or attempt to cause a trade or business to file a return required under § 6050I that contains a material omission or misstatement of fact, or structure or assist in structuring, or attempt to structure or assist in structuring, any transaction with one or more trades or businesses.

Section 1.6050I-1(a)(2) requires reporting of cash in excess of \$10,000 received by a person for the account of another. Thus, for example, a person who collects delinquent accounts receivable for an automobile dealer must report with respect to the receipt of cash in excess of \$10,000 from the collection of a particular account even though the proceeds of the collection are credited to the account of the automobile dealer (i.e., where the rights to the proceeds from the account are retained by the automobile dealer and the collection is made on a fee-for-service basis).

Section 1.6050I-1(b) states that the receipt of multiple cash deposits or cash installment payments (or other similar payments or prepayments) on or after January 1, 1990, relating to a single transaction (or two or more related transactions), is reported as set forth in § 1.6050I-1(b)((1) through (b)(3). Section 1.6050I-1(b)(1) states that if the initial payment is in excess of \$10,000, the recipient must report the initial payment within 15 days of its receipt. Section 1.6050I-1(b)(2) states that if the initial payment does not exceed \$10,000 then the recipient must aggregate the initial payment and subsequent payments made within one year of the initial payment until the aggregate amount exceeds \$10,000, and report with respect to the aggregate amount within 15 days after receiving the payment that causes the aggregate amount to exceed \$10,000. Section 1.6050I-1(b)(3) provides that, in addition to any other required report, a report must be made each time that previously unreportable payments made within the 12-month period with respect to a single transaction (or two or more related transactions), individually or in the aggregate, exceed \$10,000.

Section 1.6050I-1(c)(7)(i) defines the term “transaction” as the underlying event precipitating the payer’s transfer of cash to the recipient. The term “transaction” includes a rental of real or personal property. A transaction may not be divided into multiple transactions in order to avoid reporting under § 6050I.

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Section 1.60501-1(c)(7)(ii) defines “related transactions” as any transaction conducted between a payer (or its agent) and a recipient of cash in a 24-hour period. Additionally, transactions conducted between a payer (or its agent) and a cash recipient during a period of more than 24 hours are related if the recipient knows or has reason to know that each transaction is one of a series of connected transactions.

Section 1.60501-(c)(7)(iii) provides examples that illustrate the application of § 1.60501-1(c)(7)(i) and (ii). In Example (2) an attorney agrees to represent a client in a criminal case with the attorney’s fee to be determined on an hourly basis. In the first month in which the attorney represents the client, the bill for the attorney’s services comes to \$8,000 which the client pays in cash. In the second month in which the attorney represents the client, the bill for the attorney’s services comes to \$4,000, which the client again pays in cash. The aggregate amount of cash paid (\$12,000) relates to a single transaction as defined in § 1.60501-1(c)(7)(i), the sale of legal services relating to the criminal case, and the receipt of cash must be reported under § 1.60501-1.

Section 1.60501-1(c)(8)(i) defines the term “recipient” as the person receiving the cash. Each store, division, branch, department, headquarters, or office (“branch”)(regardless of physical location) comprising a portion of a person’s trade or business is considered a separate recipient. This rule does not apply if the branch (or central unit linking such branch with other branches) would in the ordinary course of business have reason to know the identity of payers making cash payments to other branches.

Discussion

Section 60501 and the regulations thereunder are broad enough to require reporting of cash received by taxi fleet owners and taxi management companies. Taxicab fleet owners and a taxi management companies are potentially responsible for filing Forms 8300 if they receive more than \$10,000 in cash from the lessee of a taxicab and/or medallion in one transaction (or 2 or more related transactions). The taxi management company is potentially responsible for filing Form 8300 because the management company collects cash for the account of the medallion owner. See § 1.60501-1(a)(2).

In the situation described in your memorandum, the “transaction” is the lease or rental of a taxi and/or the medallion. See § 1.60501-1(c)(7)(i), which defines the term “transaction” as including a rental of real or personal property. The fact that each cash payment received by the fleet owner or management company is \$10,000 or less (e.g., because the payments are made out of daily receipts) does not defeat reporting under § 60501 when the cash is received in connection with a single lease. See Example (2) under § 1.60501-1(c)(7)(iii) which illustrate how payments of \$10,000 or less received over a period of time are reportable if the payments are received in connection with a single transaction. See also § 1.60501-1(b) for the requirements for reporting when multiple cash payments are made.

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Section 1.6050I-1(c)(7)(i) provides that a transaction may not be divided into multiple transactions in order to avoid the \$10,000 reporting threshold under § 6050I. This rule prevents a transaction from being divided into a series of separate transactions, cash payments for which are \$10,000 or less, for the purpose of avoiding the application of § 6050I. The fleet owner or management company cannot avoid reporting merely by entering into separate leases with different related entities. The facts supplied do not indicate how the various entities are related. Additionally, § 6050I applies if the cash received in 2 or more “related transactions.” Accordingly, the application of § 6050I cannot be frustrated merely by entering into a series of short term leases or dispensing with the formality of a lease or rental agreement and renting the taxi and/or medallion on a daily, weekly, or some other basis. However, the facts and circumstances must show that the recipient of the cash knew or had reason to know that each transaction (daily, weekly, etc. rental) is one of a series of connected leases or rentals. See § 1.6050I-1(c)(7)(ii). A continuous rental of a taxicab and/or medallion (albeit different vehicles and or licenses) to a single lessee may indicate a series of connected transactions.

Finally, a fleet owner or management company would generally not be able to avoid reporting by switching leases between related entities. The fleet owner or management company may be presumed to have knowledge of the identity of payers making cash payments to the other related entities since the business organization and the transactions themselves are structured by the fleet owner or principal (the medallion owner by whom the management company is employed. See § 6050I(f), which provides that no person shall for the purpose of evading the requirement of § 6050I structure or assist in structuring, or attempt to structure or assist in structuring, any transaction with one or more trades or businesses.

If the issue raised in your memorandum arises in connection with the examination of a specific taxpayer then technical advice should be requested. See Rev. Proc. 2000-2, 2000-1 I.R.B. 73. If you have any questions regarding § 6050I, please call (202) 622-4910.