

## Rev. Proc. 2003-27

### SECTION 1. PURPOSE

This revenue procedure provides guidance on the information reporting requirements under § 6050I of the Internal Revenue Code for small cash transactions that involve the rental of taxicabs on a daily shift basis.

### SECTION 2. BACKGROUND

.01 Taxi fleet owners rent their taxicabs to taxi drivers under a variety of leasing practices. In some cases, taxi fleet owners and taxi drivers enter into formal lease agreements in which the taxi fleet owner grants the taxi driver the right to use a taxicab on a daily shift basis for an agreed payment per daily shift and for a fixed period of time. In other cases, the rental is based on the business practices and the ongoing business relationship between the taxi fleet owner and the taxi driver for the regular use of a taxicab on a daily shift basis. These situations may involve leases without a fixed period of time, or an arrangement in which there is no formal lease. Under these situations, the taxi fleet owner grants the taxi driver the right to use the taxicab on a recurring, daily shift basis pursuant to agreed terms that the taxi fleet owner or the taxi driver can alter or terminate at the end of each daily shift. Neither the taxi fleet owner nor the taxi driver has an obligation to continue the rental arrangement. Taxi fleet owners have questioned whether their leasing practices make the rentals of taxicabs on a daily shift basis “related transactions” within the meaning of § 6050I and § 1.6050I-1(c)(7)(ii) of the Income Tax Regulations.

.02 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 two 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.

.03 Section 1.6050I-1(b) provides 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).

.04 Section 1.6050I-1(b)(1) provides that if the initial payment is in excess of \$10,000, the recipient must report the initial payment within 15 days of its receipt.

.05 Section 1.6050I-1(b)(2) provides 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 the aggregate amount within 15 days after receiving the payment that causes the aggregate amount to exceed \$10,000.

.06 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 a 12-month period with respect to a single transaction (or two or more related transactions), individually or in the aggregate, exceed \$10,000.

.07 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.

.08 Section 1.6050I-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 3. SCOPE

This revenue procedure describes how the Internal Revenue Service (Service) will treat certain rentals of taxicabs for a daily shift for purposes of the information re-

porting requirements under § 6050I of the Code and the regulations.

### SECTION 4. APPLICATION

If a taxi fleet owner rents a taxicab on a daily shift basis to a taxi driver under a formal lease or a daily shift arrangement based on the ongoing business relationship between the taxi fleet owner and the taxi driver, the Service will not treat the rental for a daily shift as part of a series of connected transactions under § 1.6050I-1(c)(7)(ii) if—

(1) The rent for the shift does not exceed \$150 and is not paid during a 24-hour period within which the payments made by, or on behalf of, the driver exceed \$150; and

(2) Neither the taxi fleet owner nor the taxi driver has an obligation to continue the daily shift rental arrangement.

### SECTION 5. EFFECTIVE DATE

This revenue procedure is effective March 31, 2003.

### SECTION 6. DRAFTING INFORMATION

The principal author of this revenue procedure is Tiffany P. Smith of the Office of the Associate Chief Counsel (Procedure and Administration), Administrative Provisions and Judicial Practice Division. For further information regarding this revenue procedure, contact Tiffany P. Smith at (202) 622-4910 (not a toll-free call).