

Internal Revenue Service

Department of the Treasury
Washington, DC 20224

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Refer Reply To:
CC:PA:01
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Date:
November 29, 2012

LEGEND:

Corporation X =

Dear :

This is in response to your request dated June 11, 2012, and additional submissions in which you requested a ruling regarding the reporting requirements under I.R.C. § 60501.

FACTS

Corporation X conducts regulated natural gas and electric utility operations and supplies energy to utility customers. The corporation bills customers periodically, generally on a monthly basis. The due date for payment in full of these bills varies depending on the type of customer and the rules of the applicable utility regulatory authorities. The customers (other than a relatively small number of industrial customers that have entered into take-or-pay contracts, or other such contracts requiring stated minimum commitments to purchase energy from corporation) can choose to terminate utility service at any time without the requirement to pay a termination fee.

The corporation maintains payment centers at which they station representatives who can accept payment from utility customers who come to the payment center. The payments made at the payment centers include payments in cash and payments made through other means, (e.g., payments received through delivery of a check). The corporation also sometimes receives cash payments from utility customers through the mail.

LAW

Section 60501 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 with respect to such transaction (or related transactions) at such time as the Secretary may by regulations prescribe. Form 8300, Report of Cash Payments Over \$10,000 Received in a Trade or Business, is the form prescribed for such reporting.

Treas. Reg. § 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 Treas. Reg. § 1.6050I-1(b)(1) through (b)(3).

Treas. Reg. § 1.6050I-1(b)(1) provides that if the initial payment exceeds \$10,000, the recipient must report the initial payment within 15 days of its receipt.

Treas. Reg. § 1.6050I-1(b)(2) provides that if the initial payment does not exceed \$10,000, 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.

Treas. Reg. § 1.6050I-1(b)(3) provides in part 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.

Treas. Reg. § 1.6050I-1(c)(7)(i) provides that the term “transaction” means the underlying event precipitating the payer's transfer of cash to the recipient. Transactions include (but are not limited to) a sale of goods or services; a sale of real property; a sale of intangible property; a rental of real or personal property; an exchange of cash for other cash; the establishment or maintenance of or contribution to a custodial, trust, or escrow arrangement; a payment of a preexisting debt; a conversion of cash to a negotiable instrument; a reimbursement for expenses paid; or the making or repayment of a loan. A transaction may not be divided into multiple transactions in order to avoid reporting under this section.

Treas. Reg. § 1.6050I-1(c)(7)(iii) provides examples that illustrate the definition of the term “transaction” contained in Treas. Reg. § 1.6050I-1(c)(7)(i). 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 Treas. Reg. § 1.6050I-1 (c)(7)(i), *i.e.*, the sale of legal services relating to the criminal case, and the receipt of cash must be reported under that section.

ANALYSIS

X must file an information return if in the course of its trade or business X receives more than \$10,000 in cash in one transaction, or 2 or more related transactions. The transaction that is the underlying event precipitating the payer's transfer of cash to the recipient is the supply of energy to the utility customer, which is the sale of intangible property. See Treas. Reg. § 1.6050I-1(c)(7)(i). The reporting requirements of section 6050I focus on the cause of payment and receipt of cash, rather than the acts of paying and receiving. The billing cycle established by the corporation and applicable utility regulatory authorities does not convert a single transaction into multiple transactions in order to avoid reporting under this section. Treas. Reg. § 1.6050I-1(c)(7)(iii) Example (2).

CONCLUSION

The supply of energy by the corporation to the utility customer is a transaction within the scope of section 6050I. The initial cash payment and subsequent monthly payments made within one year of the initial payment by the utility customer to the corporation must be aggregated. When the initial payment and the subsequent payments received within 12 months from a customer exceed \$10,000, a report must be made within 15 days on Form 8300, Report of Cash Payments Over \$10,000 Received in a Trade or Business.

The ruling contained in this letter are based upon information and representations submitted by the taxpayer and accompanied by a penalty of perjury statement executed by an appropriate party. While this office has not verified any of the material submitted in support of the request for rulings, it is subject to verification on examination.

This ruling is directed only to the taxpayer requesting it. Section 6110(k)(3) of the Code provides that it may not be used or cited as precedent.

In accordance with the Power of Attorney on file with this office, a copy of this letter is being sent to your authorized representative.

Sincerely,

Blaise G. Dusenberry
Senior Technician Reviewer
(Procedure & Administration)

Enclosures:
Copy of letter
Copy for section 6110 purposes