



## Final IRS Regulations on the Definition of Cash

The following is a summary of the final IRS regulations concerning the definition of cash that were issued on November 14, 1991.

### I. Definition of Cash:

Cashiers checks, money orders, bank drafts and travelers checks with a face amount of not more than \$10,000 are, under certain circumstances, considered to be cash.

### II. Circumstances where these instruments are considered cash:

(A) Under the proposed regulations specified monetary instruments are treated as cash if they are received in a **designated reporting transaction**.

(B) A **Designated Reporting Transaction** is defined to be a retail sale of a consumer durable, a collectable or a travel or entertainment activity. 1. An automobile would be classified as a consumer durable; 2. A medium- or heavy-duty truck is not a consumer durable because its ordinary usage is not for personal consumption. Therefore, the expanded definition of cash will not apply to medium- and heavy-duty truck dealers whose vehicles are used primarily for commercial purposes. These dealers will still be required to file Form 8300 when they receive currency in excess of \$10,000.

### III. Exceptions of Certain Instruments

(A) Personal checks, no matter what the amount, are not considered cash under the proposed regulations.

(B) Checks drawn on the account of a business are not considered cash.

(C) **Certified personal** and business checks are not considered cash.

### IV. Specific Exemptions

(A) **Loan proceeds:** A monetary instrument received in a designated reporting transaction **will not** be considered cash if the merchant knows that the cashiers check or money order is the proceeds of a loan from a bank or credit union. The merchant may rely on a copy of the loan papers, written statement from the bank or similar documentation to substantiate that the instrument constitutes loan proceeds. NADA's attempt to have the IRS clarify whether or not lien instructions from a bank will suffice to show the instrument is loan proceeds **was successful**. The final regulations expand the definition of documentary substantiation in example 2 and revised the text of 1.60501-(c)(iv) to include as an example of sufficient substantiation written lien instructions from the bank or lending institution.

### V. Conclusion

(A) These regulations took effect February 3, 1992.

(B) Example of the regulations' effect:

Customer buys a \$12,000 car. He gives the dealer a \$6,000 cashiers check and \$6,000 in cash. This sale is a designated reporting transaction.

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