

PART 1992 - COUNTY AND DISTRICT OFFICES

Subpart E - Reporting Property Transactions to the
Internal Revenue Service (IRS)§1992.201 General.

This Subpart establishes policies and procedures under which the Agency will report certain transactions to the Internal Revenue Service (IRS). IRS regulations require that all cash transactions in excess of \$10,000 be reported to the IRS. IRS regulations also require that lenders with debts secured by property, who later acquire an interest in said property or have reason to know that the property has been sold or abandoned, must report same to the IRS on a yearly basis with a copy to the taxpayer. These requirements do not apply to borrowers or entities that are tax exempt.

§1992.202 Cash transactions in excess of \$10,000.

Any Rural Development office receiving a cash collection of more than \$10,000 (\$10,000.01 or more) in any one day from an individual or an organization must file IRS Form 8300, "Report of Cash Payments Over \$10,000 Received in a Trade or Business," (attached as Exhibit A of this subpart) in accordance with the instructions attached to that form. Cash is defined as a transaction involving physical receipt of currency from a person. A transaction in cash does not include receipt of funds by check, draft, wire transfer, or other written order that does not include physical transfer of cash. Exhibit A will be signed by the Administrator; Assistant Administrator; Finance Office; State Director; District Director; or County Supervisor; as appropriate. Reports must be filed with the IRS by the 15th day after the reportable cash payment is received. The address to which Form 8300 is to be sent is printed under "When and Where to File" on the instructions for completing the form.

§1992.203 Multiple transactions in one day.

If cash is received in amounts of \$10,000 or less in each of a number of related transactions in one day (several payments from the same entity or person) adding to more than \$10,000, the total amount involved in all transactions must be reported.

§1992.204 Multiple transactions during a calendar year.

If an entity or person makes multiple cash payments in excess of \$10,000 during a calendar year, Exhibit A and RD Form Letter 1992-1 will be prepared for each transaction. RD Form Letter 1992-1 will notify the borrower that a payment made to Rural Development in excess of \$10,000 was reported to IRS and will reflect

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County and District Offices

Reports

RD Instruction 1992-E
§1992.204 (Con.)

the total of all cash payments in excess of \$10,000 received from that entity. For example, on January 15 an entity or person pays \$15,000 in cash. The cash payment is reported to IRS and the entity or person making the payment is informed that Rural Development has received \$15,000 in cash payments. On June 15 the same entity or person makes a \$5,000 cash payment. No action is required. On December 15, the same entity or person makes a \$20,000 cash payment. The cash payment of \$20,000 is reported to IRS, and the borrower is informed that \$35,000 in cash payments has been received during the calendar year. Any payments of \$10,000 or less are ignored except as provided in §1992.203 of this subpart.

§1992.205 Penalties.

Failure to file timely reports may subject the responsible official to fine for each failure.

§§1992.206 - 1992.210 [Reserved]

§1992.211 Reporting acquisition or abandonment of secured property to IRS.

Federal law requires that abandoned or acquired property be reported to IRS. IRS will use this information to determine if a tax liability has been created for the borrower through abandonment or acquisition of the property. This requirement will be applied by Rural Development only to real property, not chattel security, and the requirement does not apply to tax-exempt entities.

(a) Authorities. The County Supervisor or District Director, as appropriate, are authorized to execute the necessary form to report these transactions.

(b) Definition of abandoned property. Abandoned property is defined as property that the borrower intended to and has permanently discarded from use, with foreclosure or sale anticipated by Rural Development or another lender. Abandonment, for the Purpose of reporting under this instruction, also includes sale to or acquisition by a third party of real property in which Rural Development has a security interest.

(c) Reporting requirements. Field offices will complete Form RD 1992-6, "Acquisition or Abandonment of Secured Property," in accordance with the FMI for that form. This form will be completed within 10 days of the date of acquisition or the date the field office determines property to be abandoned, unless liquidation will be initiated by Rural Development or another lender within 3 months. In that case, no report is required until liquidation is completed. The original (Copy A) will be sent to the Finance Office. Copy B will be sent to the borrower when Copy A is sent to the Finance Office and Copy C will be retained in the borrower's file. The Finance Office will use information supplied by field offices to generate a tape that will

RD Instruction 1992-E
1992.211 (Con.)

be sent to IRS not later than February 28 for all transactions occurring in the previous calendar year. Corrections of transactions occurring in the previous calendar year should be aggregated and filed as soon as possible but no later than October 1 of the filing year. For example, if an error was made in reporting a transaction that occurred in 1987 and was reported in February of 1988, the correction must be submitted not later than October 1 of 1988. Field offices will not send Form RD 1992-6 to the IRS. Field offices must ensure that the year entered on the form is the calendar year of the abandonment or acquisition.

(d) Transactions that must be reported.

(1) Real property acquired by Rural Development by any means.

(2) Abandoned property as defined in paragraph (b) of this section when liquidation action will not be initiated within 3 months.

(3) Real property that was security for an Rural Development loan but was purchased by a third party at a foreclosure sale initiated by Rural Development or another lender.

(4) Sale or transfer of real security property.

(e) Informing the borrower. Mailing Copy B of Form RD 1992-6 to the borrower at his or her last known address, accompanied by RD Form Letter 1992-2, will be the notice given to the borrower.

(f) Redemption rights. Any property required to be reported to IRS as specified in this Subpart that is subject to redemption rights or dwelling redemption rights of the former borrower will not be reported until the end of the redemption period. This is the year that will be entered on Form RD 1992-6.

(g) Multiple lenders. Rural Development must report all transactions required in this Subpart regardless of whether Rural Development initiated the liquidation action, acquired the security property or another lender reports the transaction.

(h) Reporting of abandonment. Property that has been reported to the IRS as abandoned will not again be reported if the property is acquired by Rural Development or the loan is otherwise liquidated.

§1992.212 - 1992.250 [Reserved]

Attachment: Exhibit A

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Exhibit A not automated see manual