



Date:

Taxpayer identification number:

Form:

Tax period(s) ended:

Person to contact:

Contact telephone number:

Contact hours:

Fax number:

Notification of Possible Income Underreporting

Dear

Why you are receiving this letter

Your gross receipts may be underreported. Your tax return and Form(s) 1099-K, *Merchant Card and Third Party Network Transactions*, show an unusually high portion of gross receipts from card payments and other Form 1099-K reportable transactions. Your type of business consistently has a much lower portion of gross receipts from card payments and other Form 1099-K reportable transactions, and a higher portion of gross receipts from other sources (e.g., cash and checks).

Listed below is the information reported to us:

- Your reported gross receipts are: \$
- Your gross amount of merchant card and third party network payments from Forms 1099-K are:
\$

What you need to do

Review all information used in preparing your tax return to ensure you are fully reporting receipts from all sources, including card, cash, checks, and other sources. We are enclosing Form 14420, *Verification of Reported Income*, which you can use to explain why the portion of your gross receipts from card payments and other Form 1099-K reportable transactions may be higher than expected.

Return the completed Form 14420 within 30 days from the date of this letter in the return envelope we provided.

What happens next

We'll review the information you provide on the Form 14420 and contact you if we need any additional information or we propose an adjustment to your tax amount due. If the information you provided explains your high portion of gross receipts from card payments and other Form 1099-K reportable transactions, you'll receive a follow-up letter from us stating that no further action is required.

Failure to respond may also result in a proposed assessment or further compliance action.

For additional information regarding Form 1099-K reporting, you can refer to the information available on www.irs.gov by searching key words, "Third Party Reporting Center."

If you have questions or need additional assistance, you can call us at the number above.

Thank you for your cooperation.

Sincerely yours,

Enclosures:

Publication 3498-A, *The Examination Process (Examinations by Mail)*

Form 14420

Copy of this letter

Return Envelope