



Date:

Taxpayer ID number:

Form:

Tax period(s) ended:

Person to contact:

Contact telephone number:

Contact hours:

Contact fax number:

Dear

**Notification of Possible Income Underreporting**

**Why you are receiving this letter**

Your gross receipts may be underreported. Your tax return and Form(s) 1099-K, *Payment 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: \$

Below are the Form(s) 1099-K we received for your business and the corresponding Gross Merchant Card and Third Party Network receipts for each form:

Form 1099-K Filers	Reported 20 Gross Amount of Merchant Card and Third Party Network Payments (Box 1)

**What you need to do**

Please review the information above. If the information above isn't accurate, notify us in writing of any inaccurate Form(s) 1099-K.

Review all information used in preparing your tax return to make sure you are fully reporting receipts from all sources, including card, cash, checks and other sources. Based on your review, if you want to amend your 2011 Form 1099-K to report additional gross receipts, complete and submit the attached Form 1099-K. Failure to fully account for your 2011 income may result in further enforcement action, which may carry additional penalties.

If you believe you filed your tax return correctly, provide a written explanation telling us why the portion of your gross receipts from card payments and other Form 1099-K reportable transactions may be higher than expected.

Return your response within 30 days from the date of this letter in the envelope provided.

**What happens next**

We will review the information you provide on the amended return or other written response and contact you if any additional information is needed or an adjustment to your tax amount is proposed. Otherwise, you'll receive a follow-up letter from us stating that no further action is required.

For additional information regarding Form 1099-K, *Payment Card and Third Party Network Transactions* reporting, you can refer to the information available on [www.irs.gov](http://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 shown above.

Thank you for your cooperation.

Sincerely yours,

## Enclosures:

Copy of this letter

Return Envelope

 Form 1040X, *Amended U.S. Individual Income Tax Return and Instructions* Form 1120X, *Amended U.S. Corporation Income Tax Return and Instructions*Publication 3498-A, *The Examination Process (Examinations by Mail)*