

Instructions for completing Form 14420, *Verification of Reported Income*

Please complete this form in its entirety and return it within the timeframe noted in the accompanying letter.

Step 1:

Important: Note that for filers of Forms 1120, 1120-S, and 1065, all Form 1099-K information captured in Step 1 should correspond **ONLY** to the business with the EIN identified at the top of Page 1. For individual Form 1040 filers however, the Form 1099-K information captured in Step 1 should correspond to all sole proprietorships (i.e., Schedule Cs) filed with the Form 1040. This should include Forms 1099-K with different Taxpayer Identification Numbers (e.g., a spouse's SSN or EIN) that relate to sole proprietorships for which a Schedule C was filed with the return. If an individual tax return filer is also a partner or shareholder in a partnership or S-Corp, Forms 1099-K related to those entities should not be included on Form 14420.

In this step, verify that information from each Form 1099-K represented in the table matches with what has been provided to you independently, and that the information is accurate. Note that if more than five Forms 1099-K have been provided to the IRS for you or your business (as per the note above), the bottom row in Step 1 will reflect the aggregate gross amount of payments from the fifth and subsequent Forms 1099-K, as ordered by gross payment amounts.

In the last column of the table, check "Yes" for each row where the data provided is accurate and the Form 1099-K captures payments made to you or your business. Check "No" for any rows where the data provided is inaccurate or the Form 1099-K does not capture payments made to you or your business. For any rows where you check "No," explain the inaccuracy or inaccuracies identified in the "Comments for Step 1" box provided.

If you received a Form 1099-K from any Filer not listed in the five rows, enter the Filer's name, Filer's federal ID number (if known), reported Merchant Category Code and industry, and reported gross amount in the table and return a copy of the Form 1099-K with this worksheet.

If you shared/leased your card terminal with/to business(es) which received some or all of the payments captured on these Form(s) 1099-K, note this in the "Comments for Step 1" box provided and complete Step 3.

If a listed Merchant Category Code (MCC) in column 3 of the table is not representative of your business' primary industry, indicate so in the "Comments for Step 1" box provided and describe your business' primary industry. Additionally, inform your merchant acquirer that your MCC classification requires change.

Step 2:

In this step, provide dollar estimates of your annual gross sales from each of the channels and products noted in Steps 2a – 2c, as well as an estimate of your number of annual authorized purchase transactions (Step 2d). For Step 2a, please note that you should only include online, phone and catalogue sales for which customers paid using cards. Your number of annual authorized purchase transactions will be available either on your yearly merchant acquirer statements or by adding together the authorized purchase transactions from the twelve monthly statements. If you have relationships with multiple merchant acquirers, capture here the sum of annual authorized purchase transactions across all merchant acquirers.

This information will allow us to better understand your business and may help explain why the portion of your gross receipts from card sales and other Form 1099-K reportable transactions is higher than expected.

If you are a sole proprietor and filed more than one Schedule C for this tax year, provide the sum of these dollar amounts and transaction counts across all of your businesses.

Provide comments as necessary in the “Comments for Step 2” box.

Step 3:

Only complete this step if you shared/leased your card terminal(s) with/to other persons or businesses at some time during the tax year. In the table provided, list the names, taxpayer identification numbers and dollar amounts of merchant card receipts attributable to these persons or businesses. Also indicate whether or not you filed a Form 1099 (i.e., a Form 1099-K or a Form 1099-MISC) for these persons or businesses. Use the “Comments for Step 3” box to provide a brief explanation of how these persons or businesses are related to your business.

Note: If you shared/leased your card terminal(s) with more than four other persons or businesses, provide details on the fifth and subsequent persons/businesses on a separate sheet.

Step 4:

In this step, declare whether sales tax has been included in the Gross Receipts line reported on your tax return. Also indicate whether you have taken a deduction for sales tax on your tax return.

Provide comments as necessary in the “Comments for Step 4” box.

Step 5:

In this step, provide any other information to explain why the gross receipts reported on your tax return are lower than expected based on your card payments and other Form 1099-K reportable transactions. Take care to explain why the amount of non-card sources of income, including cash and checks, *as a portion of your gross receipts* may be lower than expected for your type of business. A comment box is provided to capture this information. If additional space is required, please attach your response on a separate sheet.

Step 6:

In this step, provide the taxpayer's contact information, including name, title, telephone number, and contact hours. If a preparer has been engaged to complete the form, provide their contact information as well.