



Department of the Treasury  
Internal Revenue Service

Date:

Taxpayer ID number:

Form:

Tax period(s) ended:

Person to contact:

Contact telephone number:

Contact fax number:

Dear

### Follow Up Notice

#### Why you are receiving this letter

We reviewed your response to Letter 5039 sent to you on [DATE]. Your response didn't fully address all steps of the Form 14420, *Verification of Reported Income*, nor did it fully explain your unusually low portion of gross receipts from non-card sources of income, including cash and checks.

Either you didn't provide a response to, or clarification is needed for, the following step(s) of the Form 14420:

- Step 1: Form 1099-K verification
- Step 2: Dollar estimates of annual gross sales and annual authorized purchase transactions
- Step 3: Sharing of card terminal(s) with other persons or businesses (only if applicable; however, if there are such persons or businesses listed in the table, please ensure you provide explanations on how they relate to your own in Step 3)
- Step 4: Sales tax
- Step 5: Additional information to explain why non-card sources of income, including cash and checks, seem to account for a lower portion of your reported gross receipts than expected for your type of business and location, given the amount of card payments you received.

Based on the information you provided, there is still an unusually high portion of gross receipts from card payments and other Form 1099-K reportable transactions. Your type of business consistently has between [ ]% and [ ]% of gross receipts from card payments and other Form 1099-K reportable transactions.

Based on the amount reported on your Form(s) 1099-K, we expect your business to report between \$ and \$ in gross receipts. Comparing this range to your reported gross receipts, we identified a difference of \$ to \$, which is potentially underreported. This amount may be attributable to unreported non-card sources of income, including cash and checks.

**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 non-card sources such as cash and checks. Enclosed is a copy of your response to our previous notice. Please review and ensure its accuracy.

You can use the enclosed blank Form 14420 to complete the outstanding items identified above and make any corrections to your previous response.

Whenever you write, please include this letter with your telephone number, including the area code, and the hours we can reach you entered in the spaces provided below.

Name of person to contact \_\_\_\_\_

Home telephone number (     ) \_\_\_\_\_ Hours \_\_\_\_\_

Work telephone number (     ) \_\_\_\_\_ Hours \_\_\_\_\_

Return the completed Form 14420 within 30 days from the date of this letter in the return envelope we provided, as well as a copy of this letter.

**What happens next**

We'll review the information you provide and contact you after we complete our review to either:

- Request additional information or clarification.
- Send a follow-up letter stating that no further action is required.
- Propose an adjustment to your tax amount due.

Failure to respond may result in further compliance action.

For additional information regarding Form 1099-K, *Merchant Card and Third Party Network Payments*, you can refer to the information available on [www.irs.gov](http://www.irs.gov) by searching key words, "Third Party Reporting Information Center."

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

Thank you for your cooperation.

Sincerely yours,

[SIGNATURE\_NM]  
[SIGNATURE\_TTL]

- Enclosures:
- Form 14420
  - Form 14420 Instructions
  - Publication 3498-A, *The Examination Process (Examinations by Mail)*
  - Copy of taxpayer's response to previous notice
  - Copy of this letter
  - Return envelope