



Date:

Taxpayer identification number:

Form:

Tax period(s) ended:

Person to contact:

Contact telephone number:

Contact hours:

Contact fax number:

Notification of Possible Income Underreporting

Why you are receiving this letter

Your gross receipts may be underreported. Your return, when compared to your total payments from Form(s) 1099-K, *Merchant Card and Third Party Network Payments*, reflects an unusually high portion of gross receipts from card payments and other Form 1099-K reportable transactions. Businesses of your type in comparable locations consistently report a larger portion of gross receipts from non-card sources, including cash and checks. Given the amount of Form 1099-K reportable transactions attributed to your business, a larger amount of noncard revenue would be expected.

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 Form(s) 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 payments 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

You must respond within 30 days from the date of this letter, regardless of whether you believe you filed correctly or would like to report additional gross receipts. Failure to furnish a complete, accurate response may result in further compliance action.

Also review all information used in preparing your tax return to make sure you are fully reporting receipts from all sources, including non-card sources such as cash and checks, in addition to the payments reported to us on Form 1099-K.

Consider the following when composing your response:

- Sales from all sources, including goods and services, are properly accounted for in your gross receipts.
- Sales from all payment types, including card payments, cash, checks, and other non-card amounts, are included in your gross receipts.
- The percentage of cash, check, and other non-card amounts your business accepts as payment for goods and/or services as it relates to your gross receipts as reported.
- The percentage of online sales your business transacts in relation to total sales.
- Whether you share your card terminal with any other persons or businesses during the tax year in question. If so, what portion of your total Form 1099-K payments is attributable to those persons/businesses?
- Whether or not you included sales tax in your gross receipts and took the appropriate deduction.
- Any situations unique to your business which may explain why the amount of gross receipts from noncard payments, such as cash and checks, is unusually low.

Based on your review, if you want to amend your 20 [] Form [] to report additional gross receipts, complete and submit the attached Form [].

If you believe you filed your tax return correctly, provide a written explanation telling us why the amount of your gross receipts from non-card payments, including cash and checks, appears unusually low.

When you write, 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 _____

What happens next

We'll review the information you provide and contact you to either:

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

For additional information regarding Form 1099-K, you can refer to the information available on 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 shown above.

Thank you for your cooperation.

Sincerely yours,

[Signature_Name]
[Signature_Title]

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)*