

For more information see <http://kaufmann-cpa.com/newsletters/underreported-income.html> (David Kaufmann, CPA, not the IRS!)

CP 2000 Frequently Asked Questions (FAQs)

Why did I receive this notice?

Notice CP 2000 shows proposed changes to your income tax return. This proposal is based on a comparison of the income, payments, credits, and deductions reported on your tax return with information on these items reported to us by employers, banks, businesses, and other payers. The CP 2000 also reflects any corrections we made to your original return when we processed it.

Note: If we made any changes, we would have sent you a notice at that time.

Is this a bill?

No. We're asking you to verify the income, credits, and deductions reported on your tax return because they're different from the information we received from other sources. We may even be proposing a decrease to your tax. The CP 2000 is only a proposal that offers you an opportunity to disagree, partially agree, or agree with the proposed changes. We haven't charged any additional tax at this time.

Why did it take you so long to contact me about this?

Tax years generally end on Dec. 31, but we don't receive information from employers, banks, businesses, and other payers until much later. Once we receive all the tax returns and payer information, our computer system compares the information you reported with the information the payers provided. This process is very complicated and takes a long time to complete. We're working hard to shorten the time it takes to contact taxpayers. You may be contacted as early as 12 months from the date you file your tax return.

What do I need to do?

Review the information in the column marked "Shown on Return" and compare it with the information shown in the column marked "Reported to IRS (or Proposed by IRS)." Did you receive the income? If you received the income, was it reported on your tax return? IRS employees search the tax return and try to locate all income. Sometimes, however, several income items are combined and the employees can't determine the source. If it wasn't reported on your tax return, was it an oversight? If so, don't file an amended return to report the income. Just check box "A" on the CP 2000 response page and return it with your check or money order made payable to the United States Treasury. If you agree with the increase but you can't pay the entire balance due, you may be able to request an installment agreement. If you didn't report the income for another reason, please explain.

Should I call with my response or mail it in?

Your response may be as simple as directing us to a line on your original return where you included the income with another income source. If this is the case, please call the following phone number and provide the information to the Customer Service Representative with whom you speak. If the notice was generated from Brookhaven, Ogden, or Philadelphia the number is 800-829-8310. If from Atlanta, Austin, or Fresno the number is 800-829-3009. It may be necessary to write if the issue is more complicated and you disagree with some or all of the proposed changes. In that case, write a complete explanation of the reasons you disagree. Also, attach copies of any relevant documents. These may include copies of Form 1099, Miscellaneous Income, Form W-2c, Corrected Wage and Tax Statement, letters received from payers explaining any changes or corrections, or any other items that support your position. If you have an unusual tax situation, attach a written statement explaining the reasons you're reporting specific income items in a certain manner or why you're not reporting the income at all.

I need more time to find my records and go through them all. Will you allow me additional time to respond?

Note about penalties: Many penalties can be reduced or eliminated if there is reasonable cause. For more information call 1-720-493-4804. (David Kaufmann, CPA, not the IRS!)

For more information see <http://kaufmann-cpa.com/newsletters/underreported-income.html> (David Kaufmann, CPA, not the IRS!)

It's important that you respond to the CP 2000 by the due date shown on the notice. If you don't, we'll assume the proposed changes are correct and continue processing the proposal ultimately to an assessment. If you find you can't respond by the due date on the notice because you need more time to research your records, please call the toll free number at the top of your notice. We'll update our records to show you've requested an extension. Generally, we'll allow an extension 30 days beyond the response date shown on the notice. We may also provide additional time to respond if you have unusual circumstances. It's important to remember that additional interest and any applicable penalties will accrue on the account during the period of the extension if the tax increase is correct.

Do I have to pay the interest? Can you remove it?

The law requires us to charge interest on any tax that isn't paid by the return due date (Internal Revenue Code Section 6601). The IRS Restructuring and Reform Act of 1998, however, requires us to notify taxpayers of the proposed discrepancies within 18 months of the original filing date in order to charge normal interest. We may need to adjust the interest charge if we make initial contact after that time.

The law allows us to reduce or remove interest on tax increases attributable to errors or delays we made in the performance of ministerial acts (Tax Reform Act of 1986 - Ministerial Act provision). A ministerial act is a procedural, mechanical, or processing act that doesn't involve the exercise of judgment and occurs even though you did everything we required you to do. If you believe you qualify for abatement of interest based on this provision, you should include your reasons in your response.

The law doesn't permit us to reduce or remove interest for reasonable cause. Reasonable cause only applies to penalties and refers to an acceptable explanation of circumstances that prevented you from paying the tax when it was due.

What should I do to avoid problems like this in the future?

It's always in your best interest to keep good records of the income you receive throughout the year. By keeping records, you'll know if you've received all your payment information from employers, banks, and other payers. Note that some states pay taxable unemployment benefits and report them to you on Form 1099-G, *Unemployment Benefits*, so be sure to keep that information as well. It's also important to keep accurate information on any mortgage interest you've paid. This information is reported on Form 1098, *Mortgage Interest Statement*.

When you receive these documents, review them and make sure the payers have your most current address.