

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

Topic 652 - Notice of Underreported Income – CP–2000

The IRS compares information returns filed on forms W–2, 1098, 1099, etc., with income and deductions reported on prior returns. If you forgot to report any income, payments, or credits or overstated certain deductions on a prior year return, you will receive a Notice of Underreported Income CP–2000. The notice number CP–2000 appears on page 1 in the upper right-hand corner.

The notice informs you of the proposed changes to income, payments, credits, or deductions; and the amount due to IRS. It is normally a five to six page letter. The size of the notice varies according to the number of issues identified in your return.

The first page of the CP–2000 is called the "Summary Page". It provides a brief summary of the notice and instructions on how to respond. It also provides you the opportunity to agree or disagree with the proposed changes.

You are provided with the changes proposed by the IRS, the amounts shown on your return, the amounts reported to IRS, and the amount of tax you owe or the amount of refund you are entitled to. The notice computes the tax liability based on the income changes. It can propose additional tax you owe or show a refund due to you.

The notice summarizes the income, payments, credits and deductions reported to IRS by payers, but not identified or fully included on your income tax return. It provides you the name of the payer, the payer's identifying number, what kind of document was issued (Form W–2 or Form 1099), and the social security number of the person it was issued to. Be sure that you review this information and verify its accuracy.

A taxpayer response page is also included. It has boxes for you to indicate whether you agree, or disagree with the proposed changes. It also has an area for you to authorize someone in addition to yourself to discuss and give information to the IRS pertaining to the notice. This page should be attached to your response.

If you agree that the tax changes are correct, sign the response and return it in the enclosed envelope. You may pay the amount due within 30 days from the date of notice to avoid further interest charges, or you may send the signed consent without payment. If you wish to pay for the amount due plus additional interest. You may request a payment arrangement to pay the proposed amount you wish to pay in installments, please complete and return the installment request form enclosed in the notice and return it with your response. You will be contacted later with payment information. If an installment agreement is approved, you will be charged a fee.

If you DO NOT agree with part or any of the notice, DO NOT SIGN THE NOTICE. Instead, check Option 2 or 3, on the response page. Explain why you do not agree in a signed statement, attach the statement and any supporting documents you want us to consider. Send your response page, and send it to us. Include your phone number with area code and the best time of day to call.

Do not file an amended return, [Form 1040X](#) (PDF), to correct items you do not agree with. These are only proposed changes. Your tax liability is not yet assessed. However, if a Form 1040X is appropriate, return it with your response page.

You must respond within 30 days of the date of the notice. If you live outside of the United States you must respond within 60 days of the date of the notice. An envelope will be enclosed for your convenience. Please use this envelope for your response. If you use the envelope, please send your response to the address listed in the upper left hand corner on page 1. Send your responses to the address on the notice and please attach a copy of the notice (CP–2000, CP–2501 or a statutory notice of deficiency).

If we do not hear from you within the 30 or 60 day period, a statutory notice of deficiency will be issued and additional interest will be charged.

After responding to the notice, if your tax matter has not been resolved to your satisfaction, you may contact the IRS Underreporter by calling the number listed on your notice.