



Department of The Treasury  
Internal Revenue Service  
{ADDRESS LINE 1}  
{ADDRESS LINE 2}

IF YOU WRITE OR CALL US, refer to this information:

Notice Number: 972CG  
Date of This Notice:  
Taxpayer Identification Number:                      Form:  
Tax Period:                      Penalty Reference Code:

|||||

{taxpayer name}  
{address line one}  
{address line two}  
{city/state/zip}

For General Information,  
please call: 1-800-829-1040 TOLL FREE

**We're Proposing a Penalty For Your Tax Year 19XX Information Returns**

**ACTION REQUIRED**

Our records show that you didn't file certain information returns as the law requires for the tax period shown above. The law allows us to charge you a penalty for not filing information returns correctly. We're proposing a penalty in the amount of \$ \_\_\_\_\_. We won't charge interest on this penalty until after we send you a bill.

Please read this entire notice carefully. It explains why we proposed the penalty and what you should do if you agree or disagree with our proposal. Our explanation of the proposed penalty begins on page 2.

**HOW YOU SHOULD RESPOND TO THIS NOTICE**

Please review your records related to filing the returns listed on page 2.

--If you AGREE to the full amount of the proposed penalty, do all of the following:

1. Check box (A) on the last page of this notice.
2. Sign and date the consent to the penalty assessment.
3. Enclose your payment in full, if possible. Make your check or money order payable to the *Internal Revenue Service*.
4. Check the box to show if you have or have not enclosed a payment.
5. Return the last page of this notice with your payment in the enclosed envelope.

--If YOU DON'T AGREE with our findings or believe you have a reason why we shouldn't charge all or part of this penalty, do all of the following:

1. Check box (B) or (C) on the last page of this notice.
2. Enclose a signed statement explaining why you disagree.
3. Include any supporting documents you wish us to consider.
4. If you agree to part of penalty, enclose your payment, if possible. Make your check payable to the *Internal Revenue Service*.
5. Check the box to show if you have or have not enclosed a payment.
6. Return the last page of this notice with your statement and documents in the enclosed envelope. Please include a telephone number, including the area code, and the best time to call you.

It's important that we receive your completed response within 45 days from the date of this notice. You have 60 days to respond if you live outside of the United States. If we don't hear from you within this period, we'll conclude that the proposed penalty is correct. Then we'll send you a bill called "Notice of Penalty Charge" for the amount of the proposed penalty. We'll charge interest from the date of the Notice of Penalty Charge to the date we receive the amount you owe in full. You may contest the Notice of Penalty Charge by sending us proof that the penalty is incorrect.

If you have any questions about this notice, you may write to us at the return address on this notice. If you prefer, you may call the telephone number shown above for general information about this notice. However, the office at the address shown on this notice is most familiar with your case.

IRS information: service center name, TIN, penalty reference code(s), tax period, date of this notice, notice #)

These information returns were not filed correctly according to our records.

1st name line of payor	Form (1099-INT,MISC,DIV,ETC)	Transmitter Control Code:
2nd name line of payor	Number received:	( )
1st address line of payor	Number amended:	Proposed Penalty Type:
2nd address line of payor	Date received:	(late filing, magnetic Media,
	How received: (paper or tape)	missing or incorrect TINs)
1st name line of payor	Form (1099-INT,MISC,DIV,ETC)	Transmitter Control Code:
2nd name line of payor	Number received:	( )
1st address line of payor	Number amended:	Proposed Penalty Type:
2nd address line of payor	Date received:	(late filing, magnetic Media,
	How received: (paper or tape)	missing or incorrect TINs)

**Explanation of Penalty**

We propose a penalty for each Form 1098, 1099, W-2G, or W-2 that you didn't file correctly by the due date (including extensions). This penalty may also apply if we sent timely filed returns back to you for changes and you didn't return them to us in the time we requested.

The penalty is:

- \$15 for each return filed within 30 days after the due date, up to a maximum of \$75,000 per year (\$25,000 for small businesses as defined below),
- \$30 for each return filed more than 30 days after the due date but by August 1, up to a maximum of \$150,000 per year (\$50,000 for small businesses), or
- \$50 for each return filed after August 1.

The maximum penalty we can charge is \$50 per information return, up to \$250,000 per year (\$100,000 for small businesses).

**Lower Penalty for Small Businesses**

The lower maximum penalties stated above for small businesses apply if a business had average gross receipts of \$5 million or less for the three most recent tax years (or time in business, if shorter) ending before the calendar year the information returns were due. For example, if we charged you a penalty for 1992 information returns due in 1993, the three most recent tax years are 1992, 1991, and 1990. If the penalty on the notice you received is more than the maximum penalty for small businesses, we'll reduce the penalty based on evidence you give us that you're a small business as we define it here.

## The Payroll Source

IRS information: service center name, TIN, penalty reference code(s), tax period, date of this notice, notice #)

These information returns were not filed correctly according to our records.

1st name line of payor	Form (1099-INT,MISC,DIV,ETC)	Transmitter Control Code:
2nd name line of payor	Number received:	( )
1st address line of payor	Number amended:	Proposed Penalty Type:
2nd address line of payor	Date received:	(late filing, magnetic Media,
	How received: (paper or tape)	missing or incorrect TINs)
1st name line of payor	Form (1099-INT,MISC,DIV,ETC)	Transmitter Control Code:
2nd name line of payor	Number received:	( )
1st address line of payor	Number amended:	Proposed Penalty Type:
2nd address line of payor	Date received:	(late filing, magnetic Media,
	How received: (paper or tape)	missing or incorrect TINs)

### Explanation of Penalty

We propose a penalty for each Form 1098, 1099, W-2G, or W-2 that you didn't send to us on magnetic media as the law requires. The law requires you to file on magnetic media if you file more than 250 returns. The penalty for not filing on magnetic media is \$50 for each return over 250 that you filed on paper. For example, if you filed 300 paper returns that should have been filed on magnetic media, we would apply the penalty to 50 of them. The maximum penalty we can charge is \$50 per information return, up to \$250,000 per year (\$100,000 for small businesses as defined below).

According to our records, you didn't receive an undue hardship waiver to exempt you from filing returns on magnetic media for 19XX. If you feel that we shouldn't charge this penalty because to file on magnetic media would have caused you an undue hardship, you must send us:

1. An estimate, including the cost of preparation, of what it would have cost you to file paper returns, and
2. An estimate, including the cost of preparation, of what it would have cost you to file on magnetic media, and
3. Cost estimates from two computer service bureaus showing the cost of return preparation.

If you cannot show that an undue hardship existed, you must be able to show reasonable cause to have the penalty waived.

### Lower Penalty for Small Businesses

The lower maximum penalty stated above for small businesses applies if a business had average gross receipts of \$5 million or less for the three most recent tax years ending before the calendar year in which the information returns were due (or time in business, if shorter). For example, if we charged you a penalty for 1992 information returns due in 1993, the three most recent tax years are 1992, 1991, and 1990. If the penalty on the notice you received is more than the maximum penalty for small businesses, we'll reduce the penalty based on evidence you give us that you are a small business as we define it here.

(IRS Information: service center name, TIN, penalty reference code(s), tax period, date of this notice, notice #)

### Summary of Proposed Penalty

The summary below shows the information returns on which we proposed the penalty and the amount of penalty for each penalty type. The number of returns shown in the summary may be less than the number you filed because of allowances made in computing the penalty.

**PROPOSED PENALTY AMOUNT: \$XXX,XXX**

TYPE OF RETURNS	PENALTY TYPE AND AMOUNT						
	Late Filing	Number of Returns	Magnetic Media	Number of Returns	Payee Tax ID Number	Number of Returns	Total Penalty Amount
1099-DIV 1099-B	\$XXX,XXX \$XXX,XXX	nn,nnn nn,nnn	\$XXX,XXX \$XXX,XXX	nn,nnn nn,nnn	\$XXX,XXX \$XXX,XXX	nn,nnn nn,nnn	\$XXX,XXX XXX,XXX
<b>Totals</b>	<b>\$XXX,XXX</b>	<b>nn,nnn</b>	<b>\$XXX,XXX</b>	<b>nn,nnn</b>	<b>\$XXX,XXX</b>	<b>nn,nnn</b>	<b>\$XXX,XXX</b>

**Proposed Penalty--** This amount may be less than the total of the individual penalty amounts shown above if more than one type of penalty applies to any of the returns you filed. For example, if you filed a return late and with a missing taxpayer identification number, we'll show the returns in both penalty columns. However, the maximum we will charge is \$50 for that return. The proposed penalty may also be reduced because the total applicable penalty exceeded the \$250,000 per year maximum allowed by law.

**Late filing Penalty --** This penalty applies to returns filed after the due date. It may also apply to returns filed by the due date but not filed correctly.

**Magnetic Media penalty --** This penalty applies to the number of paper returns over 250 that you filed.

**Payee Tax Identification Number penalty --** This penalty applies to returns filed with a missing or incorrect taxpayer identification number.

If you believe you have an acceptable reason why we should not charge any part of the Total Penalty Amount shown above, please send us an explanation. If you give us an acceptable explanation for only part of the Total Penalty Amount shown, we'll send you a bill for any unexplained penalty amounts.

## The Payroll Source

IRS information: service center name, TIN, penalty reference code(s), tax period, date of this notice, notice #)

These information returns were not filed correctly according to our records.

1st name line of payor	Form (1099-INT,MISC,DIV,ETC)	Transmitter Control Code:
2nd name line of payor	Number received:	( )
1st address line of payor	Number amended:	
2nd address line of payor	Date received:	Proposed Penalty Type:
	How received: (paper or tape)	(late filing, magnetic Media, missing or incorrect TINs)
1st name line of payor	Form (1099-INT,MISC,DIV,ETC)	Transmitter Control Code:
2nd name line of payor	Number received:	( )
1st address line of payor	Number amended:	
2nd address line of payor	Date received:	Proposed Penalty Type:
	How received: (paper or tape)	(late filing, magnetic Media, missing or incorrect TINs)

### Explanation of Penalty

We propose a penalty for each information return you filed that had a missing or incorrect taxpayer identification number. The penalty is \$50 for each Form 1098, 1099, W-2G or W-2 you sent to us with a missing or incorrect TIN.

The maximum penalty we can charge is \$50 per form, up to \$250,00 per year (\$100,000 for small businesses as defined below).

We've enclosed a list of the information returns you filed that had missing or incorrect TINs. You should check this list against your records to see if you have an acceptable reason why we shouldn't charge the penalty.

The enclosed Publication 1586, Reasonable Cause Regulations and Requirements as they Apply to Missing and Incorrect TINs, explains what actions you must have taken in order to show reasonable cause for missing or incorrect TINs. You should also check the list and follow the guidelines in Publication 1586 to make any required solicitations (requests for TINs) to payee. This may help you establish reasonable cause to avoid penalties in future years.

Publication 1586 also contains:

- Information and guidance needed to comply with the reporting requirements for the Omnibus Budget Reconciliation Act of 1989 and gives special attention to the requirement for requesting TINs from payees.
- Regulations that apply to information returns reporting and the penalties for not filing as the law requires, and
- Regulations which explain how to have the penalties waived based on reasonable cause.

### Lower Penalty for Small Businesses

The lower maximum penalty stated above for small businesses applies if a business had average gross receipts of \$5 million or less for the three most recent tax years ending before the calendar year in which the information returns were due (or time in business, if shorter). For example, if we charged you a penalty for 1992 information returns due in 1993, the three most recent tax years are 1992, 1991, and 1990. If the penalty on the notice you received is more than the maximum penalty for small businesses, we'll reduce the penalty based on evidence you give us that you are a small business as we define it here.

(IRS information: service center name, TIN, penalty reference code(s), tax period, date of this notice, notice#)

Response to Proposed Penalty for Your Tax Year 19XX Information Returns

Please check the box below that applies to you. Return this page in the enclosed envelope and make sure the Internal Revenue Service address appears through the window. We've enclosed an extra copy of this page of the notice so that you will have a complete copy for your records.

Please check only one box:

- [ ] (A) TOTAL AGREEMENT WITH THE PROPOSED PENALTY -- I consent to the immediate assessment and collection of the penalty amount shown in this notice, plus interest. I Have [ ] Have not [ ] enclosed a payment.

Signature \_\_\_\_\_ Date \_\_\_\_\_

- [ ] (B) PARTIAL AGREEMENT WITH THE PROPOSED PENALTY -- I agree with PART of the proposed penalty shown in this notice. I have attached a signed statement and supporting documents explaining which items I disagree with and why I disagree, or why I feel you shouldn't charge part of the proposed penalty. I Have [ ] Have not [ ] enclosed a payment.

- [ ] (C) TOTAL DISAGREEMENT WITH THE PROPOSED PENALTY -- I disagree with all of the proposed penalty shown in this notice. I've attached a signed statement and supporting documents explaining why the proposed penalty is incorrect, or an acceptable reason why you shouldn't charge this proposed penalty.

Telephone number: ( ) \_\_\_\_\_ Best hours to call: \_\_\_\_\_ (include area code)

Please Do Not Detach

TIN Ck digit NC MFT(13 or 55) TINVal. Chk 9212 640 0000995000

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Internal Revenue Service
Service Center Name
1st Address line
2nd Address line

TIN Date of notice
Taxpayer Name
1st Address line
2nd Address line