

TIN Mismatches:

How to Respond to IRS Notices
CP2100 and CP2100A





Introduction

A Taxpayer Identification Number (TIN) is an identification number used by the Internal Revenue Service (IRS) to identify individuals and business entities. It is required information on all tax returns filed with the IRS.

A Social Security number is one form of a TIN and is used by most people when filing federal and state taxes. An Employer Identification Number (EIN), also known as a federal tax identification number, is another type of TIN typically used by business entities.

Mismatches occur when a TIN doesn't match the government database. If the records don't align, this is an incorrect TIN. Mismatches can happen for several reasons – from typos and transposed numbers to unreported name changes with a marriage or divorce. If an error occurs, the IRS will send the employer (e.g., the payer) a CP2100 or CP2100A Notice. Correcting the issue can be time consuming and burdensome.





Understanding the CP2100 or CP2100A Notice

The IRS sends out CP2100 and CP2100A notices twice a year – an initial mailing in September and October and a second mailing in April of the following year. The notices inform employers that the information return is missing a TIN, has an incorrect name or a combination of both.

Each notice has a list of payees (e.g., employees or independent contractors), or the persons receiving certain types of income payments, with identified TIN issues. Employers need to compare the accounts listed on the notice with their account records and correct or update their data, if necessary. This can also include correcting backup withholding on payments made to payees.

The notices also inform employers that they are responsible for backup withholding. Payments reported on the information returns listed above are subject to backup withholding if:

- **The employer doesn't have the payee's TIN when making the reportable payments.**
- **The employer doesn't certify their TIN as required for reportable interest, dividend, broker, and barter exchange accounts**
- **The IRS tells the employer that the payee gave an incorrect TIN, and the payee doesn't certify their TIN as required.**
- **The IRS tells the employer to begin backup withholding because the payee didn't report all their interest and dividends on their tax return.**

Employers are responsible for the amount they failed to backup withhold – and penalties may apply.

If a CP2100 or CP2100A Notice is received, the first step is to determine what is the actual problem. It could be a minor issue like transposed numbers. If this is the case, the payer can simply fix the records, and sending the payee a B Notice isn't necessary. For more complex issues, a B Notice will be needed.



Responding to the First Notice

Employers must send a First B Notice and a Form W-9 to a payee after receiving the first CP2100 or CP2100A Notice requesting a correct Name/TIN combination. Businesses have 15 business days from the date of the CP2100A or CP2100 Notice – or the date it was received (whichever is later) – to send a B Notice to a payee.

Before sending, it's important to verify that all information on the form is correct, including date, account number and backup withholding rate. When employers receive corrected information from the payee, they should revise their records.

Responding to the Second Notice

Employers must send a second B Notice to a payee after receiving a second CP2100 or CP2100A Notice within a three calendar-year period. This second notice tells the payee to contact the IRS or SSA to obtain the correct Name/TIN combination. As with the first notice, employers have 15 business days to send the second.

The second notice should not include a Form W-9. The employer must receive validation of the payee's Name/TIN combination from SSA or IRS after sending the second B Notice.

In both cases, it's important to note that if the payee doesn't return the signed W-9 Form within 30 days after the first or second notice, the employer should start backup withholding. After that, if the W-9 is received, the employer should stop backup withholding within 30 days.

Employers do not have to mail a second B Notice if a second CP2100 or CP2100A Notice is received in the same calendar year as the first notice. Employers may disregard the second CP2100 or CP2100A notice, even if it relates to a different tax year than the first notice.

Employers also do not have to mail a second B Notice if the second CP2100 or CP2100A Notice is received in a different calendar year than the first as long as both notices relate to the same payee's account for the same calendar year.



Penalties for Errors Can Be Steep

Penalties can quickly add up to thousands of dollars. The amount of the penalty can be as high as \$280 per item identified on a CP2100 or CP2100A Notice. If the failure to file correct information is due to intentional disregard, the penalty is at least \$570 per item identified on a CP2100 or CP2100A Notice, with no maximum penalty.

Prior to assessing penalties, the IRS will issue Notice 972CG Notice of Proposed Civil Penalty to payers. Payers then have 45 days to respond to the notice to abate proposed penalties. If the payer replies in time and establishes reasonable cause, the IRS may waive or reduce the proposed penalty.



How Do I Know which B Notice to Send?

If this is the first CP2100 or CP2100A Notice you have received with respect to this account, you must provide the payee with **(1) the First B Notice** and **(2) a copy of Form W-9** (or acceptable substitute).

If this is the second CP2100 or CP2100A Notice you have received within three calendar years with respect to this account, you must provide the payee with the Second B Notice. Do not include a Form W-9.

In either case, you may also provide an optional reply envelope. Your outside mailing envelope must be clearly marked “IMPORTANT TAX INFORMATION ENCLOSED” or “IMPORTANT TAX RETURN DOCUMENT ENCLOSED.”



Boost Accuracy with Annual Tax Filings

Fortunately, there are ways to reduce the chance of receiving CP2100 or CP2100A Notices. The ideal tool for verifying recipient data before filing W-2s with the SSA and 1099s with the IRS is a web-based TIN Matching service like that which is offered by efile4Biz. By seamlessly incorporating a TIN Matching service into your tax-filing process, payers can prevent missing TINs or incorrect name/TIN combinations and, in turn, rejected forms, no-match letters and potential IRS penalties.

This allows employers to learn of any discrepancies beforehand, which they can verify with the recipient and correct before forms are e-filed. The ideal time to use a TIN Matching service is pre-season, so May through December.

Get started today!

