

IRS Notice Decoder Guide

A Simple 4-Step Guide to Understanding and Responding to IRS Notices

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Don't Panic — Decode It

If you've opened an IRS envelope and felt that sinking feeling, take a deep breath. Most IRS notices are not audits or threats—they're requests for information or reminders of something that needs attention. The key is to understand what the notice means and respond on time.

This guide walks you through a simple 4-step process to decode, confirm, and respond to any IRS notice confidently.

Key Idea

The IRS sends thousands of notices each day. Responding quickly and clearly turns a stressful letter into a manageable task.

Step 1: Read — Don't React

When you first open a notice, resist the urge to panic or assume the worst. The IRS uses dozens of different forms and codes, but each notice follows a pattern. It tells you what the issue is, what action is needed, and by when.

Here's how to start:

- Look at the top right corner for the notice number (like CP14 or LT11).
- Read the bold text near the top—it explains why the notice was sent.
- Note the response deadline; most are 30 days from the notice date.
- Keep the envelope and all pages together for reference.

Common IRS Notices and What They Mean

Below are some of the most common IRS notices small business owners receive. Most follow predictable patterns and can be resolved quickly once you understand what they mean and when to respond.

Notice	What It Means	Typical Deadline / Action
CP14	Balance due on a recent return	21 days to pay or respond
CP501	First reminder of balance due	21 days to pay
CP503	Second reminder; IRS still waiting	10 days to pay
CP504	Final notice before levy	30 days to respond or risk enforced collection
LT11 / Letter 1058	Intent to levy and right to a hearing	30 days to request a Collection Due Process hearing
CP2000	Proposed change based on third-party info (W-2 or 1099)	30 days to agree or disagree
CP90 / CP297	Final levy notice	Immediate — contact IRS or CPA immediately
CP523	Default on an installment agreement	30 days to reinstate or resolve
CP71	Annual reminder of unpaid balance	No response required unless balance disputed

Pro Tip

Keep the original envelope with every IRS notice. The postmark date is your proof of when the response period starts.

Pro Tip

Open IRS mail immediately—even if it's unpleasant. Deadlines are short, but most problems are fixable when handled early.

Step 2: Confirm the Facts

Before responding, verify that the IRS information matches your records. Sometimes, a notice results from missing data, timing differences, or misapplied payments. Checking the facts helps you determine whether the notice is accurate.

To confirm accuracy:

- Compare the IRS figures with your filed return and payment records.
- Check the IRS's Electronic Federal Tax Payment System (EFTPS) for your deposits.
- Request your IRS transcripts to confirm reported income and balances.
- If something seems off, don't guess—call your CPA before replying.

Example

A Gainesville restaurant owner received a CP14 notice for \$2,100. It turned out a payroll tax deposit posted one day late. After confirming the payment, the IRS adjusted the account—no penalties applied.

Step 3: Take Action Before the Deadline

Once you've confirmed the facts, take the appropriate next step before the notice deadline. Ignoring an IRS notice is the only mistake that guarantees trouble. Acting quickly protects your rights and shows good faith.

Common next steps:

- If correct, pay the amount due using the instructions provided.
- If you disagree, send a written explanation with supporting documents.
- If you can't pay in full, request a payment plan or other resolution.
- Always send responses by certified mail with return receipt.

Pro Tip

Even if you disagree with the IRS, respond before the deadline. Silence limits your options and can trigger enforced collection.

Step 4: Prevent Future Surprises

Once the current notice is resolved, take steps to avoid future ones. Regular monitoring and timely filing prevent small issues from turning into major IRS problems.

Ways to stay ahead:

- Set up IRS online account access to view balances and transcripts.
- File all returns on time, even if you can't pay immediately.
- Make estimated tax or payroll deposits automatically through EFTPS.
- Review your IRS account or transcripts quarterly with your CPA.

Example

A Gainesville contractor who used to get multiple IRS notices each year eliminated them entirely after setting up quarterly transcript reviews and auto-deposits through EFTPS.

Bring It Back to Peace of Mind

Most IRS notices are solvable if handled promptly and calmly. The goal is not perfection—it's communication and consistency. By reading carefully, confirming facts, and responding on time, you can turn an intimidating letter into a resolved issue and move forward with confidence.

Let's Talk

If you've received an IRS notice and aren't sure what it means, don't guess. I can help you decode it, respond properly, and prevent future issues.

Jim Payne, CPA

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Schedule a confidential IRS Notice Consultation today at TaxRepGainesville.com or call (352) 373-5553.