



OFFICE OF THE CHIEF COUNSEL

DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
WASHINGTON, D.C. 20224

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Dear \_\_\_\_\_ :

I am responding to your letter to the Commissioner dated May 2, 2012, in which you asked whether doctors who accept Medicare assignments could offset their incomes by the difference between the amounts they charge and the amounts they actually receive from Medicare and from Medicare patients.

Doctors typically are cash basis taxpayers. Generally, these taxpayers include in income only amounts they actually receive. Although unpaid accounts receivable can be deductible in certain circumstances, they are deductible only to the extent that they have been included in income. A cash basis taxpayer will not have included them in income. Therefore, this uncollected amount, having not been included in income, may not be claimed as a deduction.

I hope this information is helpful. If you have any questions, please contact me or \_\_\_\_\_ at \_\_\_\_\_.

Sincerely,

Christopher F. Kane  
Chief, Branch 3  
Associate Chief Counsel  
(Income Tax & Accounting)