

**Internal Revenue Service  
Small Business and Self-Employed**

24000 Avila Road, Stop 5209  
SB/SE, A14:SB2:10 (2323)  
Laguna Niguel CA 92677

Date: August 28, 2009

DANA POINT CA 92629

**Department of the Treasury**

**Taxpayer Identifying Number:**

- -

**Tax Year:**

2007

**Form Number:**

1040

**Person to Contact:**

**Employee Identification Number:**

-

**Contact Telephone Number:**

- -

**Fax Number:**

- -

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

We have selected your federal income tax return for the year shown above for examination. We examine tax returns to verify the correctness of income, deductions, exemptions, and credits.

WHAT YOU NEED TO DO

Please call the individual listed above WITHIN 10 DAYS to schedule an appointment Please call between the hours of \_\_\_\_\_, Monday through Friday.

ISSUES TO BE REVIEWED: DURING THE EXAMINATION

Your examination will primarily be focused on the following issues:

1. Sch A- Employee Business Expenses
2. Sch C1 - Meals, and Entertainment, Travel
3. Sch Cl - Car and Truck Expenses, Utilities

WHAT TO BRING WITH YOU TO THE EXAMINATION

Attached to this letter is an Information Document Request that lists the items on your return to be examined and the supporting items you need to provide. Please include complete copies of your 2006 and 2008 individual income tax returns. You should organize your records according to the issues identified above. For additional information see the enclosed Publication 1, *Your Rights as a Taxpayer, and Notice 609, Privacy Act Notice*.

### WHY THE INFORMATION DOCUMENT REQUEST IS IMPORTANT

It is important that you read and fully understand the attached Information Document Request. It lists the items you should bring with you to the appointment. To ensure an efficient examination and to save you time; please organize the requested items according to the issues identified above in this letter. If you have any questions or need additional guidance, please feel free to contact us.

### WHAT TO EXPECT AT THE EXAMINATION

The examination is scheduled to last approximately 3.5 hours. During the examination, I will review the information you provide. My goal is to complete your examination at the initial meeting. However, depending on the results of the initial meeting and the supporting items you provide, I may ask you to provide additional information or schedule a follow-up meeting. When the examination is completed, you may owe additional tax, be due a refund, or there may be no change to your return.

### WHO MAY COME TO THE EXAMINATION

If you filed a joint return, you and/or your spouse may attend. You may also have someone represent you at the examination. If you will not attend with your representative, you must provide a completed Form 2848, *Power of Attorney*, or Form 8821, *Tax Information Authorization*, by the start of the examination. You can obtain these forms from our office; from our web site, [www.irs.gov](http://www.irs.gov), or by calling (800) 829-3676.

### WHAT WILL HAPPEN IF YOU DO NOT RESPOND

If you do not respond to this letter, we will issue an examination report showing additional tax due. Therefore, it is to your advantage to call and schedule an appointment. If you are uncertain about the records needed or the examination process, we will answer your questions when you call to schedule your appointment.

Sincerely,

Examining Officer

Enclosures:  
Information Document Request  
Publication 1  
Notice 609

|  |  |                                       |
|--|--|---------------------------------------|
| Form <b>4564</b><br>(Rev. September 2006)                                | Department of the Treasury - Internal Revenue Service<br><b>Information Document Request</b> | Request Number<br>1-0002              |
| To: (Name of Taxpayer and Company Division or Branch)                    |  | Subject<br>2007 Audit                 |
| Please return Part 2 with listed documents to requester identified below |  | SAIN number      Submitted to:        |
|  |  | Dates of Previous Requests (mmddyyyy) |

Description of documents requested

Tax Period(s): 200712

### **Schedule C - Car & Truck Expenses**

Repair receipts, inspection slips, or any other records to show total mileage driven for the year

Log books and other records verifying the business mileage claimed

If you did not keep a log or other formal records of your business mileage, reconstruct the business use of the vehicle. This information should include current mileage reading on the vehicle used for business purposes, mileage reading on the vehicle when you acquired it, mileage reading for January 1 and December 31 of the year being audited, and mileage distance between your residence and your business location. Also bring an appointment book or calendar of your business activities during the year

If you claimed actual expenses, invoices and cancelled checks for automobile expenses you incurred during the year. These include gas, oil, tires, repairs, insurance, interest, tags and taxes

For depreciation of actual expenses provide a bill of sale or other verification to establish the cost or other basis of the vehicle, including the trade-in of another vehicle

### **Schedule C - Travel, Meals and Entertainment**

Verification of the number of nights away from home overnight for business purposes. Include receipts or credit card statements for meals and actual lodging

A log or diary for travel costs incurred while away from home on business. This information should include transportation tickets, receipts, and cancelled checks. Note: Cancelled checks written to MasterCard, VISA, American Express, Discover, etc. are not sufficient to establish a

Information due by \_\_\_\_\_ At next appointment  Mail in

|              |  |                         |                               |
|--------------|--|-------------------------|-------------------------------|
| <b>From:</b> | Name and Title of Requester<br>_____<br>_____, Tax Compliance Officer                                  | Employee ID number<br>- | Date (mmddyyyy)<br>08/28/2009 |
|              | Office Location:<br>24000 Avila Road, Stop 5209<br>SB/SE, A14:SB2:10 (2323)<br>Laguna Niguel, CA 92677 |                         | Phone: - - -<br>Fax: - - -    |

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business expense, even if they are business cards. You must keep the actual receipts or the monthly credit card statements showing each expense in detail

Records and receipts for entertainment expenses you claimed. These records must show the name and business relationship of the person you entertained, purpose of the entertainment, place, date of the entertainment, and the amount of the expenditure

Records and receipts showing the cost of business gifts, persons to whom the gifts were made, and the business relationship

For entertainment facilities, records showing expenses incurred and the total use and business use of the facility. These records must show the name and business relationship of the person you entertained, purpose of the entertainment, place, date of the entertainment, and the amount of the expenditure

Itinerary of business trips away from home (e.g. conventions, training, etc.)

**Schedule C - Utilities**

Verification of amount paid for utilities expense. (e.g., cancelled checks, receipts, invoices, etc.)

Copy of bills showing the name of person responsible for payments and the address where the service is provided

**Sch A-Employee Business Expenses**

Statement from your employer showing reimbursement policy (or statement that there is no reimbursement policy); amount and kind of expense reimbursed, charged, or provided; specific

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| Dates of Previous Requests (mmddyyyy)   |  |             |               |                                       |  |

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expenses not covered by reimbursement policy; territory assigned to you; dates and locations of temporary jobs; and a brief outline of your duties. Your employer should also state whether or not reimbursement is included on your W-2 as Wages, Tips, or Other Compensation.

Copies of expense vouchers submitted to your employer

Logs, diaries, or other records of expenses not reimbursed by your employer

Please bring the items listed below which apply:

**Automobile Expenses**

Repair receipts, inspection slips, or any other records showing total mileage for the year

Log books and other records verifying the business mileage claimed

If you did not keep a log or other formal record of your business mileage, reconstruct the business use of the vehicle, including current mileage reading on the vehicle used for business purposes, mileage reading on the vehicle when you acquired it, the mileage reading for January 1 and December 31 of the year being audited, and mileage distance between your residence and your business location. Also, bring an appointment book or calendar of your business activities during the year.

If you claimed actual expenses, bring paid bills, invoices, and cancelled checks for your automobile expenses including gas, oil, tires, repairs, insurance, interest, tags and taxes.

For depreciation of actual expenses, provide a bill of sale or other verification to establish the cost or other basis of the vehicle, including the trade-in of another vehicle.

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### Entertainment, Meals, Gifts and Other Expenses

Records and receipts for entertainment expenses you claimed. These records must have been made timely and must show the names and business relationship of the persons entertained, the purpose of the entertainment, the place where the entertainment occurred, the date of the entertainment, and the amount of the expenditure.

For entertainment facilities, records showing expenses incurred, and total use and business use of the facility if you maintained it, in addition to the information requested in the paragraph above

For business gifts: records and receipts showing the cost of the gifts you provided, the persons to whom the gifts were made, and their business relationship

Receipts and other records for meals claimed

### Travel, Lodging and Other Expenses

Itinerary of business trips away from home (e.g. conventions, training, etc.)

Transportation tickets, receipts, cancelled checks, etc., to substantiate the expenses claimed

Verification of the number of days away from home overnight for business purposes. Receipts and any other records for meals and actual lodging

Brochures, activity schedules, agendas, etc., for all conventions, cruises or meetings

Proof of how this travel was related to your business

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**Business Use of Home**

Provide documentation as to what method was used to determine business percentage and allocation of expense. Commonly used method to determine the business percentage: divide the area (length multiplied by width) used exclusively for bUusiness by the total square footage of your home.

Cancelled check and/or receipts to verify expenses incurred such as mortgage interest statement, property tax, insurance and utility bills

Provide records to support the cost basis if depreciation is part of the computation (e.g. closing documents from escrow papers for the purchase of the home and property tax statements)

Documentation (e.g. receipts, cancelled checks and sales invoices) verifying office supply expenses, rent, utilities and business phone line

Appointment book to identify exclusive and regular customer/client contact, if any

**Education Expenses**

Documents such as transcripts, course descriptions, catalog, etc., showing period of enrollment in educational institution, principal subjects studied, and description of educational activity

Cancelled checks and receipts to verify amounts you spent for tuition and books, meals and lodging while away from home overnight for educational purposes, travel and transportation, and other educational expenses

Statement(s) from your employer explaining whether the education was necessary for you

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to keep your job, salary, or status; how the education helped maintain or improve skills needed in your job; how much education expense reimbursement you received, identified by kind of expenses; type of certificate and subjects taught, if a teacher

Complete information about any scholarship or fellowship grants, including amounts you received during the year

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