

Department of the Treasury
Internal Revenue Service
PO BOX 145574
Stop 8201-G
Cincinnati OH 45250-3374

Letter Date:
June 15, 2009
Taxpayer Identifying Number:
- -
Form: **Tax Year(s):**
1040 December 31, 2007

HILLSBORO OR 97123

Person to Contact:

PC: **EGC:**
Contact Identification Number:

Contact Telephone Number:
1-800- - ET
Contact Fax Number:
1- - -
Contact Hours:
7:00AM - 7:00PM

Dear Taxpayer:

We are examining your 2007 federal income tax return. We need you to provide us with additional information to substantiate the items checked below that you claimed on your return.

- | | | |
|---|---|---|
| <input type="checkbox"/> Filing Status and Exemptions | <input checked="" type="checkbox"/> Schedule A - Itemized Deduction | <input type="checkbox"/> Tax Credits |
| <input type="checkbox"/> Head of Household | <input checked="" type="checkbox"/> Medical & Dental Expense | <input type="checkbox"/> Foreign Tax Credit |
| <input type="checkbox"/> Exemptions | <input type="checkbox"/> Interest You Paid | <input type="checkbox"/> Earned Income Credit |
| <input type="checkbox"/> Adjustments to Income | <input checked="" type="checkbox"/> Gifts to Charity | <input type="checkbox"/> Child Care Credit |
| <input type="checkbox"/> Alimony Paid | <input type="checkbox"/> Casualty & Theft Losses | <input type="checkbox"/> Education Credit |
| <input type="checkbox"/> Moving Expense | <input checked="" type="checkbox"/> Unreimbursed Employee Expense | <input type="checkbox"/> Adoption Credit |
| <input type="checkbox"/> | <input checked="" type="checkbox"/> Other Miscellaneous Deductions | <input type="checkbox"/> Credit for the Elderly or Disabled |
| <input type="checkbox"/> | <input type="checkbox"/> Schedule C - Gross Receipts | <input type="checkbox"/> |
| | <input type="checkbox"/> Schedule C - Expenses | |
| | <input type="checkbox"/> | |

Please see the enclosed explanation of the documentation you need to provide, and send it to us within 30 days from the date of this letter. Send copies of your supporting records and/or information to the contact person whose name and address are shown in the letter heading. This information could include receipts, canceled checks, or other explanatory material. It is important that we receive all requested information and it is readable. Please also complete and return any enclosed questionnaire(s). We have enclosed an envelope for your use.

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We will review the information that you send us and take one of the following actions:

1. If the information you send fully addresses our questions, we will make no changes to the tax you reported on your return. You will not need to take any further action.
2. If the information does not fully address our questions, we will send you a letter with an examination report explaining the proposed changes to your tax. If you agree with the changes, sign and return the examination report.

If you have any questions about this letter you can call the contact person at the telephone number shown in the letter heading who will be able to assist you. If this number is outside your local calling area or is not a toll-free number, there will be a long-distance charge to you.

It is important that you reply by mail or by fax within 30 days from the date of this letter. If you reply by mail, please use the enclosed envelope or address your reply envelope to the Internal Revenue Service at the address shown in the heading of this letter. If you reply by fax, please use the number shown in the heading of this letter. Whether responding by mail or fax, please be sure to identify the contact person whose name is shown in the heading of this letter and include a copy of this letter.

If you do not reply, we will disallow the questioned items and will send you a letter and examination report showing our proposed changes to your tax.

Use the spaces below to indicate a telephone number, including area code, and the best time for us to call you should we need more information. You may want to keep a copy of the letter and any information you send to us for your records.

Home Telephone Number: () _____ - _____ Best time to call: _____
Work Telephone Number: () _____ - _____ Best time to call: _____

We've also enclosed Publication 3498-A, *The Examination Process*, for your information.

Thank you for your cooperation.

Sincerely,

Operations Manager, Examination

Enclosures:

Copy of this letter
Publication 3498-A

Envelope

Questionnaire(s)

Form 886-A

Form **13825**
(October 2008)

Department of the Treasury – Internal Revenue Service

Employee Business Expense Questionnaire

Please provide the following information and return a copy of this page with your reply (complete one for each Form 2106/2106-EZ attached to your return)

(1) SSN shown on Form 2106/2106-EZ _____

(2) Provide the address where you reported for work.

(3) Your job description and responsibilities (If you are assigned a territory, please indicate the geographic area here).

(4) Please explain how the figures on the return were determined.

(5) Were you assigned to different locations during the year? Yes No
If yes, please indicate the locations and dates you were there.

(6) List any business trips taken or conventions attended during the year.

(7) Describe the types of records maintained for travel and transportation expenses.

If you deducted an amount for vehicle expenses on Form 2106 or 2106-EZ also provide the following:

Number of cars available for business and personal use and number of licensed drivers in the family
Number of Cars _____ Number of Drivers _____

Describe the use of the car for vacations or other personal trips.

Distance to and from your home to your job and the number of days you report to work each week.
Number of Miles (one way) _____ Number of days/week you travel to work _____

Form 886-A (Rev. January 1994)	EXPLANATIONS OF ITEMS	Schedule number or exhibit
Name of Taxpayer &	Tax Identification Number - -	Year/Period ended 2007

Medical and Dental Expenses

- 1. Send copies of canceled checks, receipts or statements for all medical savings accounts, medical and dental expenses (including medical insurance) showing the person for whom each expense was incurred, along with any insurance or employer reimbursement records. Send a copy of your medical insurance handbook or policy describing the benefits and reimbursement policy and verification of premium costs.
- 2. For prescription drug expenses, send copies of statements or receipts showing the prescription numbers, names of drugs, costs and date purchased.
- 3. For other expenses, (including capital improvements, equipment, transportation and lodging) send proof of payment and statement to show costs and medical requirement.

Contributions

- 1. Send copies of canceled checks and receipts for contributions to charitable organizations.
- 2. If the contribution was other than money, send (the name and address of the charitable organization and the description of the items contributed. If an appraisal is required by Form 8283, Non-Cash Charitable Contributions, send a copy of the appraisal showing the fair market value of each item on its contribution date. In addition, send evidence of its original cost.
- 3. If you claimed expenses for attending a convention or similar activity, provide a statement showing you were an official representative of the organization. Also provide the organization's reimbursement policy, expense receipts and an itinerary or agenda for the activity.

Schedule A Deductions, Lines 20, 21, 22 and Employee Business Expenses

Please provide an explanation, receipts and records to substantiate any amounts that you have entered on Schedule A lines 20, 21, and 22.

For the amount claimed on Form 2106 or Form 2106-EZ, please submit the following:

- 1. A copy of your employer's reimbursement policy or a letter from the employer explaining what expenses are reimbursed. The letter should also indicate whether it is an "accountable" or "non-accountable" reimbursement plan.
- 2. If your employer does not have a reimbursement policy, please provide a letter from your employer indicating what expense(s), if any, are reimbursed or that no reimbursement is authorized.
- 3. A statement as to whether or not reimbursement is included on your W-2, and, if so, where on the W-2 the reimbursement is reported.
- 4. A copy of all receipts for any expenses claimed greater than \$75.
- 5. Receipts for any lodging expenses claimed.
- 6. Copies of logs, diaries or other records showing all expenses incurred, job locations and dates you were at each location. For meals and entertainment, these records should detail the business purpose and business relationship.
- 7. Verification of total millage on the Vehicle(s). This can be from two repair receipts, inspection slips or any other records showing total mileage for the year.
- 8. For uniforms, equipment and tools: send a statement from your employer stating whether or not the expense was reimbursed. Provide your employer's description of the reimbursement policy and the amount you were reimbursed. Send copies of cancelled checks and receipts verifying expenses.
- 9. For education expenses: send a statement from your employer explaining whether you needed to incur the expense in order to keep your job, salary or status. Explain in writing how the education helped you maintain the skills needed in your job and how much reimbursement you received. Send copies of receipts and cancelled checks to verify amounts you spent for book(s), transportation, and other educational expenses.
- 10. For legal, taxes, and investment counsel fees: send copies of cancelled checks, receipts, and statements showing the amount paid and the purpose of the expense,
- 11. A completed copy of the attached questionnaire.

Examination Workpapers

Taxpayer's name, address, SSN HILLSBORO, OR, 97123	Date 06/13/2009	Year(s) 2007	
	Examiner Grade 07		
	Taxpayer(s)	Home Phone	Work Phone
	Reviewer		

A.	Initial Interview 1. Examination technique: <input type="checkbox"/> Undeliverable mail <input checked="" type="checkbox"/> Correspondence <input type="checkbox"/> Interview with: <input type="checkbox"/> No Show	Representative - Power of Attorney Name <input type="checkbox"/> Yes <input type="checkbox"/> No
	2. Receipt of Publication 1 <input checked="" type="checkbox"/> 3. Appeal rights and Privacy Act Explained <input checked="" type="checkbox"/> 4. Innocent spouse (Pub. 971) <input type="checkbox"/> 5. Continue on Form 4700-A, B or C	B. Closed No Change Issue <input type="checkbox"/> Letter 590 <input type="checkbox"/> Letter 1156 <input type="checkbox"/> Other Examiner

C.	<p>EQMS Auditing Standards (Rev. 5/95) – IRM Exhibit 4910-1</p> <table style="width: 100%;"> <tr> <td style="width: 50%;">1. Consideration of Large, Unusual, or Questionable items</td> <td style="width: 50%;">6. Penalties Properly Considered</td> </tr> <tr> <td>2. Probes for Unreported Income</td> <td>7. Workpapers Support Conclusions</td> </tr> <tr> <td>3. Required Filing Checks</td> <td>8. Report Writing Procedures Followed</td> </tr> <tr> <td>4. Examination Depth and Records Examined</td> <td>9. Time Span/Time Charged</td> </tr> <tr> <td>5. Continue on Form 4700-A, B or C</td> <td></td> </tr> </table> <p>Was consideration given to all applicable auditing standards? YES If no, indicate the standard(s) not given consideration, and the reasons why consideration was not given:</p> <p>Service Center Tax Examiners - Refer to Center Examination Quality Measurement System (CEQMS) Auditing Standards in IRM Exhibit 4010-2</p>	1. Consideration of Large, Unusual, or Questionable items	6. Penalties Properly Considered	2. Probes for Unreported Income	7. Workpapers Support Conclusions	3. Required Filing Checks	8. Report Writing Procedures Followed	4. Examination Depth and Records Examined	9. Time Span/Time Charged	5. Continue on Form 4700-A, B or C	
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3. Required Filing Checks	8. Report Writing Procedures Followed										
4. Examination Depth and Records Examined	9. Time Span/Time Charged										
5. Continue on Form 4700-A, B or C											

D.	<p>Examination Reminders</p> <ol style="list-style-type: none"> Proforma Worksheets utilized where applicable Alternative minimum tax Inspection of prior and subsequent year return, IRM 4215 Probe for unreported deductions and credits Scope of Examination, IRM 4253.2 Automatic adjustments resulting from AGI change(s) "Burned out" Tax Shelters - IRM 4236(13) Amounts claimed for See/Special Fuels – IRC 6426/6421 Health Care Continuation Coverage Under COBRA-IRC 49908 	<p>Case Processing Reminders</p> <ol style="list-style-type: none"> Claim Case - Forms 2297 and 3363 Information Reports (IRM 4219) - Form 5346 FICA, Self-Employment or Tip Income Adjustments Forms 885-E, 885-F, and 885T Inequities, Abuses, Loopholes - Form 3558 Inadequate Records Notices (IRM 4271) Special Handling Notice 3198
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E.	Required Filing Checks - IRM 4034	CHECK COMPLETED			COMMENT IN	
		YES	NO	N/A	F4700 SUPPLEMENT	F4700 BUSINESS SUPPLEMENT
			1. All Required Returns (of THIS T/P)			
	Prior					
	Subsequent					
	Compliance Items					
	Information Returns					
	Questionable W-4's					
	Forms 8300					
	Any Other Returns					
	2. All related returns (of ANOTHER T/P)					

Continuation of Examination Work Papers

(items to be considered, explored, verified)	Tax Period	Per Return	Corrected	Adjustment	WP Index
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H	Batch History				
R	Advise TP: Process/Rights				

Pre-Audit:
06/15/2009 Advise taxpayer of examination process and appeal rights.
Receipt of publication 3498, The Examination Process
Power of Attorney considered.

Conclusions:
06/15/2009 : Taxpayer notices and publications sent with Letter 566

S	Penalty Consideration				
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Pre-Audit:
6/13/2009-T205-CN-
Does not apply under IRC 6651
ES- Does not apply under IRC 6654
ACC REL Does not apply under IRC 6662
POA - None

AA	SchA-medical expenses	200712	\$9,065.00	\$0.00	\$9,065.00
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Pre-Audit:
6/13/2009-T205-CN- FC- questioning medical expenses, contributions and EBE on Schedule A.

Conclusions:
6/13/2009-T205-CN- FC- send 566, 886-A and questionnaire. FC

AB	Contributions	200712	\$12,164.00	\$0.00	\$12,164.00
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Pre-Audit:
6/13/2009-T205-CN- FC- questioning medical expenses, contributions and EBE on Schedule A.

Conclusions:
6/13/2009-T205-CN- FC- send 566, 886-A and questionnaire. FC

AC	Miscellaneous-subject to 2%	200712	\$5,103.00	\$0.00	\$5,103.00
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Pre-Audit:
6/13/2009-T205-CN- FC- questioning medical expenses, contributions and EBE on Schedule A.

Conclusions:
6/13/2009-T205-CN- FC- send 566, 886-A and questionnaire. FC

Continuation of Examination Work Papers

(items to be considered, explored, verified)	Tax Period	Per Return	Corrected	Adjustment	WP Index
ZZZ Statutory-Standard Deduction	200712	\$0.00	\$11,750.00	(\$11,750.00)	