Internal Revenue Service
Small Business and Self-Employed

Department of the Treasury
100 SW Main St, Room 1200
MS 0143 KW
Portland OR 97204

Date:
April 22, 2013
Taxpayer Identification Number
XXX-XX-XXXX
Tax Year:
2011
Form Number:
1040

Person to Contact:
IRS Contact Name

Employee Identification Number:
XXXXXXXX
Contact Telephone Number:
XXX-XXX-XXXX
Fax Number:
XXX-XXX-XXXX

FIRST M LAST
STREET ADDRESS
PORTLAND OR 97266-1177

Dear FIRST M LAST:

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

I have scheduled an appointment for you as shown below. If you are unable to keep this appointment, please call me at the contact number above within 10 days.

Appointment Information

Tax Year: 2011

Place: 100 SW Main St,
Portland OR 97204
Ext. 57171

Date: 05/13/2013

Day: Monday

Time: 9:00 AM

Room Number: 1300

Issues To Be Reviewed During The Examination

Your examination will primarily be focused on the following issues:

1. Sch C1 - Rent/Lease - Other Business Property

2. Sch C1 - Depreciation and Sec. 179 Expense

3. Sch C1 - Car and Truck Expenses

What To Bring With You To The Examination

Attached to this letter is Form 4564, *Information Document Request*, that lists the items on your return we will examine and the supporting items you need to provide. Please bring copies of your 2010 and 2012 individual income tax returns. 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 the letter. If you have any questions or need additional guidance, please feel free to contact me.

What To To Expect At The Examination

Generally an examination is scheduled to last approximately 2 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.

A video presentation, "Your Guide to an IRS Audit", is available at http://www.irsvideos.gov/audit. The video explains the examination process and will assist you in preparing for your audit.

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 be attending with your representative, you must provide a completed Form 2848, *Power of Attorney and Declaration of Representative*, or Form 8821, *Tax Information Authorization*, before the examination. You can get these forms from our office, from our website, www.irs.gov, or by calling 1-800-829-3676.

What Will Happen If You Do Not Respond

If you do not respond to this letter, we will issue an examination report based on the information available to us, which will result in additional tax due. Therefore, it is to your advantage to keep your appointment and to provide the requested records. If you are uncertain about the records needed or the examination process, please call me.

Sincerely,

IRS Contact Name
Examining Officer
XXXXXXX

Enclosures:
Form 4564
Publication 1
Notice 609

Please bring records to support the following items reported on your tax return for 2011 **.**

- ☐ Automobile Expenses
- ☐ Bad Debts
- ☐ Capital Gains and Losses
- ☐ Casualty Losses
- ☐ Contributions
- ☐ Credit for Child and Dependent Care Expenses
- ☐ Education Expenses
- ☐ Employee Business Expenses
- ☐ Energy Credit
- ☐ Exemptions (Child/Children, Other)
- ☐ Filing Status
- ☐ Income
- ☐ Interest Expenses
- ☐ Medical and Dental Expenses
- ☐ Miscellaneous Expenses
- ☐ Moving Expenses
- ☐ Rental Income and Expenses
- ☐ Sale or Exchange of Residence
- ☐ Taxes
- ☐ Uniform, Equipment, and Tools
- ☐
- ☐
- ☐
- ☐
- ☐
- ☐

Schedule C

- ☒ Books and records about your income, expenses, and deductions
- ☒ Workpapers used in preparing your return
- ☐ Savings account passbooks, brokerage statements, and other information related to foreign and domestic investments
- ☐ Bank statements, canceled checks, and duplicate deposit slips covering the period from__________to__________.
- ☒ Information on loans, repayments, and other nontaxable sources of income

- ☐ All Business Expenses
- ☐ Bad Debts
- ☒ Car and Truck Expenses
- ☐ Commissions
- ☐ Cost of Goods Sold
- ☒ Depreciation
- ☐
- ☐ Gross Receipts
- ☐ Insurance
- ☐ Interest
- ☐ Legal and Professional Services
- ☒ Rent
- ☐ Repairs
- ☐
- ☐ Salaries and Wages
- ☐ Supplies
- ☐ Taxes
- ☐ Travel and Entertainment
- ☐
- ☐
- ☐

Schedule F

- ☐ Books and records about your income, expenses, and deductions
- ☐ Workpapers used in preparing your return
- ☐ Savings account passbooks, brokerage statements, and other information related to foreign and domestic investments
- ☐ Bank statements, canceled checks, and duplicate deposit slips covering the period from__________to__________.
- ☐ Information on loans, repayments, and other nontaxable sources of income

- ☐ All Farm Expenses
- ☐ Depreciation
- ☐ Feed Purchases
- ☐ Fertilizers and Lime
- ☐ Gross Receipts
- ☐ Insurance
- ☐ Inventories
- ☐ Labor Hired
- ☐ Machine Hire
- ☐ Other Farm income
- ☐ Repairs and Maintenance
- ☐ Supplies Purchases
- ☐ Taxes
- ☐
- ☐

Form **4564** (Rev. September 2006)	Department of the Treasury - Internal Revenue Service **Information Document Request**	Request Number 0001

To: *(Name of Taxpayer and Company Division or Branch)* FIRST M LAST *Please return Part 2 with listed documents to requester identified below*	Subject 2011 Tax Year Return SAIN number | Submitted to: FIRST M LAST Dates of Previous Requests (mmddyyyy)

Description of documents requested

Tax Period(s): 201112

Table of Contents:

- **General Information**
- **Specific Items Requested for the Examination**
- **Record Organization Instructions**

General Information:

We have set an appointment for you for 5/13/2013 @ 9:00 am. Please call the number below to confirm that you will be attending the appointment If this date and time is inconvenient for you we will gladly reschedule.

Please provide full copies of your 2010, 2011, and 2012 tax returns and any amended returns for these years.

Please be prepared to answer general questions about your business during the examination.

If you filled out a planner or organizer when completing your return, please provide a copy. Please be prepared to discuss exactly what you gave your preparer and what you told your preparer during the preparation of your tax return.

You should be aware that it is common for us to expand the scope of the exam to include additional issues and/or additional tax years. You will also be given additional time to provide the documents.

Our office is a secure location you must go through security prior to the appointment. Please bring a photo ID. There are several parking garages in the vicinity (such as SW 1st and Jefferson).

Information due by 05/13/2013 At next appointment [X] Mail in [ ]

From:	Name and Title of Requester	Employee ID number	Date (mmddyyyy)
	IRS Contact NamTax Compliance Officer	XXXXXXXXXX	04/22/2013
	Office Location: 100 SW Main St, Room 1200 MS 0143 KW Portland, OR 97204		Phone: XXX-XXX-XXXX Fax: XXX·XXX·XXXX

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Specific Items Requested for the Examination

Schedule C: Car & Truck Expenses

Please provide documentation verifying the amount of car and truck expenses shown on your return. Please include:

- If you took the standard mileage rate please provide log books and other records verifying the business mileage claimed as well as repair receipts shown the odometer readings for the vehicle(s). Also include documentation showing any interest expense or parking paid.
- If you took actual expenses please provide log books and other records verifying the business mileage claimed as well as repair receipts shown the odometer readings for the vehicle(s). Please also include documentation supporting ALL of the actual expenses claimed for the car, regardless of what line item you put them on the return.
- 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
- 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.

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Also bring an appointment book or calendar of your business activities during the year

Schedule C: Depreciation

Please provide documentation verifying the basis of the assets being depreciated and the depreciation method Please include:

- A copy of your depreciation schedule
- If you purchased the business in 2011, please provide the sales agreement.
- Purchase invoices, settlement sheets, receipts and any other evidence to verify ownership of the assets. You should also be able to provide the date you first placed the asset in service and began taking depreciation by providing a copy of the tax return indicating when the property was placed in service.
- A computation of how the depreciable basis was determined if different from the cost basis of the assets. This includes the actual proof of the amount paid and date for the asset and/or improvements to the asset
- Records, logbooks, etc. showing total business and personal use of the depreciable assets. If the asset had any personal use, please provide written documentation of how you determined the amount of business use vs. the amount of personal use. We need to have you establish that you did place the asset in service. We also need to have documentation (receipts, invoice, contracts, etc) that show the amount paid and the date. If the Section 179 deduction includes improvements, repairs, adjustments to the original purchase price, please provide documentation showing the date and amount.

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- Cancelled checks and/or receipts for capital improvements. If the basis of the asset you are depreciating includes any improvements, additions or adjustments, please provide proof of the amount and the date. This can include, but is not limited to, actual receipts, contracts, work orders with proof of payment or any other type of documentation. Cancelled checks will be considered, but we must see a clear connection to the asset being depreciated.

Schedule C: Rent or Lease Expenses

Please provide documentation showing that you personally paid the rent expense shown on your return. Please provide copies of leases or rental agreements, cancelled checks, and statements for rent paid or owed during the year.

Record Organization Instructions

It is your responsibility to have your records in order before the audit. It is also your responsibility to support the amounts originally placed on your tax return. You must justify that you were entitled to claim/omit an item.

Please have all your records organized according to issue in month order. Please attach a summary sheet to the front outlining each of the expenses and the amount. Then place your records behind the summary sheet in the order that they appear.

Example:

Advertising Expenses

Information due by 05/13/2013 At next appointment [X] Mail in [ ]

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Description of documents requested

Tax Period(s): 201112

01/01/XX	Flyers	$10
02/01/XX	Print Ad	$11
Total		$21
Amount on Return		$50

Reason for difference: Input one item twice. Recently discovered another was a personal expense and not deductible.

If you use an accounting software program to track your income and expenses, please print a summary report for all accounts related to the specific items being audited. Arrange your source documentation (cancelled checks, receipts, invoices, etc.) by item behind your accounting software account summary reports.

A summary sheet alone is insufficient to substantiate your expenses. The source documentation that was used to make entries into the above programs or ledgers is necessary for every exam.

The more organized and better prepared you are the faster the exam process will proceed.

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