

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

Earl Cabell Federal Bldg , 11th Fl
1100 Commerce Street, Room 1103
Dallas TX 75242

FIRST M & FIRST M LAST
STREET ADDRESS
DALLAS TX 75360

Department of the Treasury**Date:**

April 11, 2013

Social Security Number:

XXX-XX-XXXX

Tax Form:

1040

Tax Year(s):

201012 201112

Person to Contact:

IRS Contact Name

Contact Telephone Number:

XXX-XXX-XXXX

Employee Identification Number:

XX-XXXXX

Contact Hours:

7:30 a.m. - 4:00 p.m.

Dear FIRST M LAST:

Thank you for the information you provided about the amount you own for the above tax form and tax year(s). Based upon our review of the information:

- We did not revise our original proposed change(s) to your tax return(s) because
- We changed the amount of our proposed tax increase. We have enclosed a revised examination report showing our changes.
-

IF YOU AGREE with our proposed changes in the examination report, please sign, date, and return the report to us within 15 days from the date of this letter in the enclosed envelope.

To avoid interest and penalty charges that the law requires us to collect, we recommend that you pay the full amount now. Please make your check payable to the United States Treasury for the full amount owed shown on the examination report.

If you cannot pay the full amount at this time, please sign, date, and return the report and contact us to discuss payment arrangements.

IF YOU DISAGREE with the proposed changes in the examination report, we recommend that you request a conference with an appeals officer. Before requesting a conference, you must have provided the examiner all requested information. The appeals officer, independent of this office, will take a fresh look at your case. To request a conference with an appeals officer, please send us a list of the items you disagree with and why you disagree. We will transfer your case to the appeals office nearest you and they will contact you to schedule a conference.

If we conducted the examination entirely by mail, however, we would appreciate you first discussing our findings with the contact person whose name is shown at the top of the letter.

IF YOU DO NOT RESPOND within 15 days from the date of this letter, we will issue a notice of deficiency. A notice of deficiency is a legal notice stating the proposed tax increase. If you decide to appeal after we issue the notice of deficiency, you will need to file a petition with the United States Tax Court. If you decide to bypass the appeals office and petition the United States Tax Court after you receive the notice of deficiency, we will normally send your case to an appeals officer to try to resolve the issue before the United States Tax Court hears the case.

If you have any questions, please contact the person whose name and telephone number are shown at the top of this letter.

Thank you for your cooperation.

Sincerely yours,

IRS Contact Name
Tax Compliance Officer

Enclosures:

Examination Report
Envelope

Corrected Report

Form 4549 (Rev. May 2008)		Department of the Treasury-Internal Revenue Service Income Tax Examination Changes		Page <u>1</u> of <u>2</u>
Name and Address of Taxpayer FIRST M & FIRST M LAST STREET ADDRESS DALLAS TX 75360		Taxpayer identification Number XXX-XX-XXXX		Return Form No. 1040
		Person with whom examination changes were discussed	Name and Title:	
1. Adjustments to income		Period End 12/31/2010	Period End 12/31/2011	Period End
a. Sch C1 - Utilities		1,564.00		
b. Sch C1 - Travel		1,666.00		
c. Sch C1 - Car and Truck Expenses		10,083.00		
d. Itemized Deductions		4,822.00	6,297.00	
e.				
f.				
g.				
h.				
i.				
j.				
k.				
l.				
m.				
n.				
o.				
p.				
2. Total Adjustments		18,135.00	6,297.00	
3. Taxable Income Per Return or as Previously Adjusted		38,296.00	55,165.00	
4. Corrected Taxable Income		56,431.00	61,462.00	
Tax Method		TAX TABLE	TAX TABLE	
Filing Status		Joint	Joint	
5. Tax		7,626.00	8,371.00	
6. Additional Taxes / Alternative Minimum Tax				
7. Corrected Tax Liability		7,626.00	8,371.00	
8. Less Credits				
a. Child Care Credit		325.00		
b. Child Tax Credit		3,000.00	3,000.00	
c. Education Credit		1,949.00	2,970.00	
d.				
9. Balance (Line 7 less Lines 8a through 8d)		2,352.00	2,401.00	
10. Plus Other Taxes	a. b. c. d.			
11. Total Corrected Tax Liability (Line 9 plus Lines 10a through 10d)		2,352.00	2,401.00	
12. Total Tax Shown on Return or as Previously Adjusted		0.00	1,456.00	
13. Adjustments to	a. b. c. Addnl Child Tax Credit			
		(370.00)		
14. Deficiency- Increase in Tax or (Overassessment-Decrease in Tax) (Line 11 less Line 12 adjusted by Lines 13a through 13c)		2,722.00	945.00	
15. Adjustments to Prepayment Credits - Increase (Decrease)				
16. Balance Due or (Overpayment) - (Line 14 adjusted by Line 15) (Excluding interest and penalties)		2,722.00	945.00	

The Internal Revenue Service has agreements with state tax agencies under which information about federal tax, including increases or decreases, is exchanged with the states. If this change affects the amount of your state income tax, you should amend your state return by filing the necessary forms.

You may be subject to backup withholding if you underreport your interest, dividend, or patronage dividend income you earned and do not pay the required tax. The IRS may order backup withholding (withholding of a percentage of your dividend and/or interest income) if the tax remains unpaid after it has been assessed and four notices have been issued to you over a 120-day period.

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Employee Identification Number:

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Name of Taxpayer: FIRST M & FIRST M LAST		04/11/2013
Identification Number: XXX-XX-XXXX	Total	14.00.00

2010 - Form 6251 - Alternative Minimum Tax Computation

1. If filing Schedule A, enter taxable Income before exemptions; otherwise, enter adjusted gross Income	74,681.00
2. Total adjustment and preferences (excluding any NOL deduction)	11,513.00
3. Net operating loss deduction	0.00
4. Alternative tax net operating loss deduction	0.00
5. Alternative minimum taxable income (combine lines 1 thru 4)	86,194.00
6. Exemption amount	72,450.00
7. Subtract line 6 from line 5 (If zero or less, enter zero)	13,744.00
8. If capital gains are reported, see line 19 from continuation page (If FEIT worksheet for AMT Is used, enter amount from line 6 of that worksheet Instead)	
All others:	
If line 7 is \$175,000 or less (\$87,500 If MFS) multiply line 7 by 26%. Otherwise, multiply line 7 by 28% and subtract \$3,500 (\$1,750 If MFS) from the result	3,573.00
9. Alternative minimum tax foreign tax credit	0.00
10. Tentative minimum tax (line 8 less line 9)	3,573.00
11. Regular tax before credits (If Schedule J was used to figure tax, use the refigured amounts for lines 44 and 47 of Form 1040 without using Schedule J)	7,626.00
12. Alternative minimum tax	0.00

Exemption Worksheet (line 6 above)

A. Exemption amount based on filing status	72,450.00
B. Alternative minimum taxable income	86,194.00
C. Enter \$112,500 (\$150,000 if married filing jointly or qualifying widow(er), \$75,000 if married filing separately)	150,000.00
D. Subtract line C from line B	0.00
E. Multiply line D by 25%	0.00
F. Subtract line E from line A (if zero or less, enter zero)	72,450.00

Name of Taxpayer: FIRST M & FIRST M LAST	04/11/2013
Identification Number: XXX-XX-XXXX	Total 14.00.00

2010 - Form 6251 - Continuation, Tax Computation Using Maximum Capital Gain Rates

1. Amount from Form 6251 report, line 7 (If FEIT worksheet for AMT was used, enter amount from line 3 of that worksheet Instead)	13,744.00
2. Amount from line 6 Qualified Dividends and Capital Gain Tax Worksheet or line 13 Schedule D Tax Worksheet (refigured for AMT)	0.00
3. Amount from Schedule D line 19 (refigured for AMT)	0.00
4. Amount from line 2 If no Schedule D worksheet; otherwise. the smaller of the sum of line: 2 and line 3 or Schedule D worksheet line 10 (refigured for AMT)	0.00
5. Smaller of line 1 or line 4	0.00
6. Subtract line 5 from line 1	13,744.00
7. If line 6 is \$175,000 or less (\$87,500 if MFS) multiply line 6 by 26%; otherwise, multiply line 6 by 28% and subtract \$3,500 (\$1,750 if MFS) from the result	3,573.00
8. Enter: \$68,000 If married filing jointly or qualifying widow(er) \$34,000 If single or married filing separately \$45,550 if head of household	68,000.00
9. Amount from line 7 Qualified Dividends and Capital Gain Tax Worksheet or line 14 Schedule D Tax Worksheet	0.00
10. Subtract line 9 from line 8 (if zero or less. enter zero)	68,000.00
11. Smaller of line 1 or line 2	0.00
12. Smaller of line 10 or line 11	0.00
13. Subtract line 12 from line 11	0.00
14. Multiply line 13 by 15%	0.00
15. Subtract line 11 from line 5	0.00
16. Multiply line 15 by 25%	0.00
17. Total of lines 7.14 and 16	3,573.00
18. If line 1 is \$175,000 or less (\$87,500 if MFS) multiply line 1 by 26%; otherwise, multiply line 1 by 28% and subtract \$3,500 (\$1,750 if MFS) from the result	3,573.00
19. Smaller of line 17 or line 18. Enter here and on line 8 of Form 6251 report	3,573.00

Name of Taxpayer: FIRST M & FIRST M LAST	04/11/2013
Identification Number: XXX-XX-XXXX	Total 14.00.00

2010 - Child Tax Credit and Form 8812 Additional Child Tax Credit

1. Amount of credit based on qualifying children	3,000.00
2. Modified AGI	94,083.00
3. Limitation based on filing status (\$110,000 if married filing jointly; \$75,000 if single, head of household, or qualifying widow(er); \$55,000 if married filing separate)	110,000.00
4. Subtract line 3 from line 2 (if zero or less, enter -0-)	0.00
5. Multiply line 4 by .05	0.00
6. Subtract line 5 from line 1 (if zero or less, no credit is allowed)	3,000.00
7. Corrected tax before allowable credits	7,626.00
8. Credit limitation	2,274.00
9. Subtract line 8 from line 7	5,352.00
10. Child tax credit (smaller of lines 6 or 9)	3,000.00

Form 8812 - Additional Child Tax Credit

1. Amount from line 1 above (or amount of credit after modified AGI reduction)	3,000.00
2. Child tax credit allowed (line 10 above)	3,000.00
3. Subtract line 2 from line 1 (if zero or less, no credit is allowed)	0.00
4a. Earned income	
4b. Nontaxable combat pay Included on line 4a	
5. If the amount on line 4a is more than \$3,000, subtract \$3,000 from line 4b (if line 4a is less than \$3,000, then line 5 equals zero)	
6. Multiply the amount on line 5 by 15%	
7. Enter the total of the withheld social security and Medicare taxes	
8. One-half of self-employment tax, plus FICA tax on tips and uncollected social security, Medicare, or RRTA taxes	
9. Total of line 7 and line 8	
10. Earned income credit and excess social security and RRTA taxes withheld	
11. Subtract line 10 from line 9 (If zero or less, enter -0-)	
12. Larger of line 6 or line 11	
13. Additional child tax credit (smaller of lines 3 or 12)	

Name of Taxpayer: FIRST M & FIRST M LAST

04/11/2013

Identification Number: XXX-XX-XXXX

Total

14.00.00

HOW TO PAY YOUR TAXES

If you agree with our examination, pay now by sending a check or money order payable to United States Treasury and your signed agreement. The enclosed report does not reflect any balance currently due on your account.

Why it is to your advantage to pay now:

- Decreases future interest charges
- Prevents assessment of failure to pay penalty
- Reduces payment of nondeductible interest
- Eliminates further contact with us

If you agree with our examination and cannot pay now:

- 1) Can you pay the full amount within 120 days? Yes No
 If yes, send in the signed agreement now and submit the balance due when you receive a bill. Checks should be made payable to United States Treasury.
 If no, you may be eligible for a payment plan.
- 2) If you would like us to consider an installment agreement, submit your written request or check the box below and return this flyer with your signed agreement.

I would like to pay \$_____per month.

(We encourage you to make your payments as large as possible to limit penalty and Interest charges.)

I would like my payment to be due on the_____ of the month.

(Please indicate a date between the 1st and 28th of the month.)

You will be charged a fee if your request is approved. DO NOT include the fee with this flyer. We will send you a bill for the fee When we approve your request.

Please provide a telephone number where we can contact you regarding your request.

Home: () _____

Work: () _____

ALSO, if you agree with our examination, PLEASE SIGN PAGE 2 OF THE REPORT (Form 4549) and return pages 1 and 2 to us.

- Interest and applicable penalties will continue to accrue until your balance is paid In full.
- All checks or money orders for payment should be made payable to United States Treasury.

Name of Taxpayer: FIRST M & FIRST M LAST	04/11/2013
Identification Number: XXX-XX-XXXX	Total 14.00.00

2010 TAX YEAR INTEREST COMPUTATION

Interest computed to	05/11/2013
Total Tax Deficiency	\$2,722.00
Plus Penalties*	
Failure to File - IRC 6651	\$0.00
Accuracy Related Penalty - IRC 6662	\$0.00
Accuracy Related Penalty - IRC 6662A	\$0.00
Civil Fraud - IRC 6663	\$0.00
Manually Computed Penalty	\$0.00
Total Penalties Subject to Interest	\$0.00
Tax Deficiency and Penalties Subject to Interest	\$2,722.00

Type	Effective Dates	Days	Rate	Interest
Compound	04/15/2011--09/30/2011	168	4%	\$50.58
Compound	10/01/2011--12/31/2011	92	3%	\$21.04
Compound	01/01/2012--12/31/2012	366	3%	\$85.07
Compound	01/01/2013--05/11/2013	131	3%	\$31.16

	Total Interest \$187.85
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Interest on penalties is computed from the due date of the return (including extensions) until the date of payment. The Interest shown on this report is estimated. Interest is computed from the due date of the return (including extensions) and will continue to accrue until the date paid in full. Interest on the failure to pay penalty is computed from the date of assessment and is therefore not considered in this report.

Name of Taxpayer: FIRST M & FIRST M LAST		04/11/2013
Identification Number: XXX-XX-XXXX	Total	14.00.00

2010 - SCHEDULE A - ITEMIZED DEDUCTIONS

	PER RETURN	PER EXAM	ADJUSTMENT
1. Medical, dental and Insurance premiums	0.00	0.00	0.00
2. 7.5% of adjusted gross income	6,058.00	7,056.00	
3. Net medical and dental expenses	0.00	0.00	0.00
4. Taxes	3,950.00	3,950.00	0.00
5. Home Interest expense	6,185.00	6,185.00	0.00
6. Qualified mortgage insurance premiums	469.00	469.00	0.00
7. Investment interest	0.00	0.00	0.00
8. Other Interest expense	0.00	0.00	0.00
9. Total Interest expense	6,654.00	6,654.00	0.00
10. Contributions	1,235.00	1,235.00	0.00
11. Casualty and theft losses	0.00	0.00	0.00
12. Miscellaneous deductions	14,000.00	9,445.00	4,555.00
13. 2% of adjusted gross Income	1,615.00	1,882.00	
14. Excess miscellaneous deductions	12,385.00	7,563.00	4,822.00
15. Other miscellaneous deductions	0.00	0.00	0.00
16. Total itemized deductions (Sum of lines 3, 4, 9, 10, 11, 14, and 15)	24,224.00	19,402.00	4,822.00

Name of Taxpayer: FIRST M & FIRST M LAST		04/11/2013
Identification Number: XXX-XX-XXXX	Total	14.00.00

2011 - Form 6251 - Continuation, Tax Computation Using Maximum Capital Gain Rates

1. Amount from Form 6251 report, line 7 (If FEIT worksheet for AMT was used, enter amount from line 3 of that worksheet Instead)	22,787.00
2. Amount from line 6 Qualified Dividends and Capital Gain Tax Worksheet or line 13 Schedule D Tax Worksheet (refigured for AMT)	0.00
3. Amount from Schedule O line 19 (refigured for AMT)	0.00
4. Amount from line 2 If no Schedule D worksheet; otherwise, the smaller of the sum of line 2 and line 3 or Schedule D worksheet line 10 (refigured for AMT)	0.00
5. Smaller of line 1 or line 4	0.00
6. Subtract line 5 from line 1	22,787.00
7. If line 6 is \$175,000 or less (\$87,500 if MFS) multiply line 6 by 26%: otherwise, multiply line 6 by 28% and subtract \$3,500 (\$1,750 if MFS) from the result	5,925.00
8. Enter: \$69,000 if married filing jointly or qualifying widow(er) \$34,500 if single or married filing separately \$46,250 if head of household	69,000.00
9. Amount from line 7 Qualified Dividends and Capital Gain Tax Worksheet or line 14 Schedule D Tax Worksheet	0.00
10. Subtract line 9 from line 8 (If zero or less, enter zero)	69,000.00
11. Smaller of line 1 or line 2	0.00
12. Smaller of line 10 or line 11	0.00
13. Subtract line 12 from line 11	0.00
14. Multiply line 13 by 15%	0.00
15. Subtract line 11 from line 5	0.00
16. Multiply line 15 by 25%	0.00
17. Total of lines 7, 14 and 16	5,925.00
18. If line 1 is \$175,000 or less (\$87,500 if MFS) multiply line 1 by 26%; otherwise, multiply line 1 by 28% and subtract \$3,500 (\$1,750 if MFS) from the result	5,925.00
19. Smaller of line 17 or line 18. Enter here and on line 8 of Form 6251 report	5,925.00

IRS Letter 692 Sample Tax Notice

This sample is provided by TaxAudit, the nation's leading tax representation firm.

[Visit TaxAudit.com](https://www.TaxAudit.com)

Name of Taxpayer: FIRST M & FIRST M LAST	04/11/2013
Identification Number: XXX-XX-XXXX	Total 14.00.00

2011 - TAX YEAR INTEREST COMPUTATION

Interest computed to	05/11/2013
Total Tax Deficiency	\$945.00
Plus Penalties*	
Failure to File - IRC 6651	\$.00
Accuracy Related Penalty - IRC 6662	\$.00
Accuracy Related Penalty - IRC 6662A	\$.00
Civil Fraud - IRC 6663	\$.00
Manually Computed Penalty	\$.00
Total Penalties Subject to Interest	\$.00
Tax Deficiency and Penalties Subject to Interest	\$2,722.00

Type	Effective Dates	Days	Rate	Interest
Compound	04/15/2012--06/30/2012	76	3%	\$5.91
Compound	07/01/2012--09/30/2012	92	3%	\$7.20
Compound	10/01/2012--12/31/2012	92	3%	\$7.25
Compound	01/01/2013--03/31/2013	90	3%	\$7.17
Compound	04/01/2013--05/11/2013	41	3%	\$3.28

	Total Interest \$30.81
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Name of Taxpayer: FIRST M & FIRST M LAST		04/11/2013
Identification Number: XXX-XX-XXXX	Total	14.00.00

2011 - SCHEDULE A - ITEMIZED DEDUCTIONS

	PER RETURN	PER EXAM	ADJUSTMENT
1. Medical, dental and Insurance premiums	0.00	0.00	0.00
2. 7.5% of adjusted gross income	8,048.00	8,048.00	
3. Net medical and dental expenses	0.00	0.00	0.00
4. Taxes	6,506.00	6,506.00	0.00
5. Home Interest expense	8,327.00	8,327.00	0.00
6. Qualified mortgage insurance premiums	0.00	0.00	0.00
7. Investment interest	0.00	0.00	0.00
8. Other Interest expense	553.00	553.00	0.00
9. Total Interest expense	8,880.00	8,880.00	0.00
10. Contributions	1,189.00	1,189.00	0.00
11. Casualty and theft losses	0.00	0.00	0.00
12. Miscellaneous deductions	19,212.00	12,915.00	6,297.00
13. 2% of adjusted gross Income	2,146.00	2,146.00	
14. Excess miscellaneous deductions	17,066.00	10,769.00	6,297.00
15. Other miscellaneous deductions	0.00	0.00	0.00
16. Total itemized deductions (Sum of lines 3, 4, 9, 10, 11, 14, and 15)	33,641.00	27,344.00	6,297.00

Form 886-A (Rev. January 1994)886-A	EXPLANATION OF ITEMS	Schedule number of exhibit
Name of Taxpayer FIRST M & FIRST M LAST	Taxpayer Identification Number XXX-XX-XXXX	Year/Period Ended 2010 2011

Other Unreimbursed Employee Expenses

Tax Period	Per Return	Per Exam	Adjustment
2010	\$13,850.00	\$9,295.00	\$4,555.00
2011	\$19,083.00	\$12,786.00	\$6,297.00

Since you did not establish that the business expense shown on your tax return was paid or incurred during the taxable year and that the expense was ordinary and necessary to your business, we have disallowed the amount shown.

Sch C1 - Utilities

Tax Period	Per Return	Per Exam	Adjustment
2010	\$2,250.00	\$686.00	\$1,564.00

Since you did not establish that the business expense shown on your tax return was paid or incurred during the taxable year and that the expense was ordinary and necessary to your business, we have disallowed the amount shown.

Sch C1 - Travel

Tax Period	Per Return	Per Exam	Adjustment
2010	\$2,250.00	\$584.00	\$1,666.00

To be allowed a deduction for any traveling expense, you must furnish information to prove:

- (a) the amount of the expense,
- (b) the time and place of the travel,
- (c) the business purpose of the travel, and
- (d) the time the expense was paid or incurred.

Because you have not established all of the above, we have disallowed your deduction.

Sch C1 - Car and Truck Expenses

Tax Period	Per Return	Per Exam	Adjustment
2010	\$10,895.00	\$812.00	\$10,083.00

Since you did not establish that the business expense shown on your tax return was paid or incurred during the taxable year and that the expense was ordinary and necessary to your business, we have disallowed the amount shown.