

**Department of the Treasury
Internal Revenue Service**

PO BOX 145574
Stop 8201-G
Cincinnati OH 45250-3374

HILLSBORO OR 97123

Letter Date:

June 15, 2009

Taxpayer Identifying Number:

- -

Form:

1040

Tax Year(s):

December 31, 2007

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.

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 _____

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.	EQMS Auditing Standards (Rev. 5/95) – IRM Exhibit 4910-1 1. Consideration of Large, Unusual, or Questionable items 2. Probes for Unreported Income 3. Required Filing Checks 4. Examination Depth and Records Examined 5. Continue on Form 4700-A, B or C 6. Penalties Properly Considered 7. Workpapers Support Conclusions 8. Report Writing Procedures Followed 9. Time Span/Time Charged 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: Service Center Tax Examiners - Refer to Center Examination Quality Measurement System (CEQMS) Auditing Standards in IRM Exhibit 4010-2	
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D.	Examination Reminders 1. Proforma Worksheets utilized where applicable 2. Alternative minimum tax 3. Inspection of prior and subsequent year return, IRM 4215 4. Probe for unreported deductions and credits 5. Scope of Examination, IRM 4253.2 6. Automatic adjustments resulting from AGI change(s) 7. "Burned out" Tax Shelters - IRM 4236(13) 8. Amounts claimed for See/Special Fuels – IRC 6426/6421 9. Health Care Continuation Coverage Under COBRA-IRC 49908	Case Processing Reminders 1. Claim Case - Forms 2297 and 3363 2. Information Reports (IRM 4219) - Form 5346 3. FICA, Self-Employment or Tip Income Adjustments Forms 885-E, 885-F, and 885T 4. Inequities, Abuses, Loopholes - Form 3558 5. Inadequate Records Notices (IRM 4271) 6. 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)	