



**Department of the Treasury**  
**Internal Revenue Service**  
P.O. Box 000  
Holtsville, PA 19255-0025

**Date:**

October 23, 2023

**Contact options:**Visit: [www.irs.gov/connect](http://www.irs.gov/connect)Scan: IRS Secure Messaging QR  
code below**Taxpayer ID number:****PC:**

0417

**EGC:**

5121

**Tax period:**

December 31, 2021

**Person to contact:**

Name:

ID number: 1001307083

Website: [www.irs.gov/connect](http://www.irs.gov/connect)

Telephone: 1-866-897-0161

Fax: 1-855-234-2608

Hours: 7:00AM-7:00PM Local Time

Dear

**We're auditing your federal income tax return and need a response from you.** We reviewed your Form 1040 for the tax period shown above and made proposed changes to your tax. As a result, we found that you owe a balance of \$14,034.73. This amount may include tax, penalties, and estimated interest due. You should pay the balance due now to avoid additional penalties and interest charges.

**What you need to do**

- Review the enclosed Form 4549, Report of Income Tax Examination Changes, and attached Form 886-A, Explanation of Items.
- Respond using one of the methods below to let us know by November 22, 2023, if you agree or disagree with our proposed changes.
  - **Secure Messaging:** You can register for IRS Secure Messaging at [www.irs.gov/connect](http://www.irs.gov/connect). After we accept your registration, you can upload your documents using the secure portal and exchange messages with your assigned examiner.. Visit [irs.gov/connect](http://irs.gov/connect) or scan the QR code to the right to see if you qualify.
  - **Mail:** You can mail your response in the enclosed envelope.
  - **Fax:** You can fax your response to the fax number at the top of this letter. Include your taxpayer identification number on each page.
- Include your telephone number with area code and the hours we can reach you if we need more information. If your address has changed, please include your current address.

**Letter 525-T (Rev. 11-2021)**

Catalog Number 70507C

**What to do if you agree with our proposed changes**

- Sign and date the enclosed Form 4549 and return it with the enclosed Form 14817, Reply Cover Sheet, using one of the methods shown above.
  - If you're due a refund, you should receive a check within eight weeks if you don't owe other taxes or debts we're required to collect.
  - If you owe additional taxes, make your check or money order payable to the United States Treasury. Write your taxpayer ID number, tax period and form number on the check.
  - If you can't pay the total amount due, pay as much as you can now to limit penalties and interest, and make payment arrangements to pay the rest over time. The enclosed Publication 3498-A, The Examination Process (Audits by Mail), describes payment options. You can also visit [www.irs.gov/payments](https://www.irs.gov/payments).

**What to do if you don't agree with our proposed changes**

- Sign the enclosed Form 886-A for the documentation you need to provide.
- Send clean, readable copies of your supporting records or information (including receipts, canceled checks, etc.) using one of the methods shown above.
- Include Form 14817, Reply Cover Sheet, with your response.
  - Don't send us original documents unless we specifically ask for them.
  - Refer to the Publication 3498-A, which describes the audit process and your appeal rights.

**What will happen if we don't hear from you**

If you owe additional tax and don't respond to this letter, we'll send you a Notice of Deficiency by certified mail which will state the proposed amount you owe with penalties and interest. This legal notice explains your right to file a petition with the United States Tax Court to challenge the amount without paying it first. We will still consider new information you may provide to us, but you will need to file a timely petition with the United States Tax Court to challenge the deficiency.

**What do do if you want someone to represent you**

If you want us to discuss this letter with your authorized representative, enclose a completed Form 2848, Power of Attorney and Declaration of Representative, with your reply.

Find tax forms or publications by visiting [www.irs.gov/forms](https://www.irs.gov/forms) or calling 800-TAX-FORM (800-829-3676).

If you have questions, you can contact us through IRS Secure Messaging at [www.irs.gov/connect](https://www.irs.gov/connect). You can also call the contact person shown on the first page of this letter.

Sincerely,

Michael Birsner  
Operations Manager, Examination

Enclosures:

Form 4549

Form 886-A

Envelope

Publication 3498-A

Form 14817

Form <b>4549</b> (December 2020)		Department of the Treasury-Internal Revenue Service <b>Report of Income Tax Examination Changes</b>		
Name and address of taxpayer		Taxpayer identification number		Return form number 1040
		Person with whom examination changes were discussed.	Name and title	
1. Adjustments to income		Period Ended 12/31/2021	Period Ended	Period Ended
a. Itemized Deductions		30,236.00		
b.				
c.				
d.				
e.				
f.				
g.				
h.				
i.				
j.				
k.				
l.				
m.				
n.				
o.				
p.				
<b>2. Total adjustments</b>		30,236.00		
3. Taxable income per return or as previously adjusted		268,427.00		
<b>4. Corrected taxable income</b>		298,673.00		
Tax method		SCHEDULE D		
Filing status		Single		
5. Tax				
6. Additional taxes/Alternative minimum tax		79,079.00		
7. Corrected tax liability		79,079.00		
<b>8. Less credits</b>				
a.				
b.				
c.				
d.				
<b>9. Balance (line 7 less lines 8a through 8d)</b>		79,079.00		
<b>10. Plus other taxes</b>				
a. Additional Medicare Tax		1,207.00		
b.				
c.				
d.				
11. Total corrected tax liability (line 9 plus lines 10a through 10d)		80,286.00		
12. Total tax shown on return or as previously adjusted		69,703.00		
13. Adjustments to:				
a.				
b.				
c.				
14. Deficiency-Increase in tax or (overassessment-decrease in tax) (line 11 less line 12 adjusted by lines 13a through 13c)		10,583.00		
15. Adjustments to prepayment credits - increase (decrease)				
<b>16. Balance due or (overpayment) - (line 14 adjusted by line 15) (excluding interest and penalties)</b>		10,583.00		

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 payments), if the tax remains unpaid after it has been assessed and four notices have been issued to you over a 120-day period.

# IRS Letter 525 Sample Tax Notice

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

Visit [TaxAudit.com](http://TaxAudit.com)

Name of taxpayer	Taxpayer identification number	Return form number	
		1040	
<b>17. Penalties, additions to tax, and additional amounts -- IRC sections</b>	<b>Period Ended</b> 12/31/2021	<b>Period Ended</b>	<b>Period Ended</b>
a. Accuracy-IRC 6662	2,116.60		
b.			
c.			
d.			
e.			
f.			
g.			
h.			
i.			
j.			
k.			
l.			
m.			
n.			
<b>18. Total penalties, additions to tax, and additional amounts</b>	2,116.60		
<b>19. Summary of taxes, penalties and interest</b>			
a. Balance due or (overpayment) taxes - (line 16, page 1)	10,583.00		
b. Penalties and additions (line 18) - computed to 10/23/2023	2,116.60		
c. Interest** (IRC § 6601) - estimated and computed to 11/22/2023	1,335.13		
d. Amount due or (refund) - (sum of lines a, b, and c)	14,034.73		

\*\*Interest, as provided by law, will be charged on any unpaid amount until it is paid in full.

Other information

See Attached 886-A

Examiner's signature	Employee ID XXXXXXXXXX	Office Brookhaven Service Center	Date 10/23/2023
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Consent to Assessment and Collection-I do not wish to exercise my appeal rights with the Internal Revenue Service or to contest in the United States Tax Court the findings in this report. Therefore, I give my consent to the immediate assessment and collection of any increase in tax and penalties, and accept any decrease in tax and penalties shown above, plus additional interest as provided by law. It is understood that this report is subject to acceptance by the Area Director, Area Manager, Specialty Tax Program Chief, or Director of Field Operations.

**Note: If a joint return was filed, BOTH taxpayers must sign**

Signature of taxpayer	Date	Signature of taxpayer	Date
By		Title	Date

Form <b>886-A</b> (May 2017)	Department of the Treasury - Internal Revenue Service <b>Explanation of Items</b>	Schedule number or exhibit
Name of taxpayer	Tax Identification Number <i>(last 4 digits)</i>	Year/Period ended 2021

Thank you for your correspondence received on 10/3/2023. We received one Form 1098T for tax year 2021 to verify the mortgage interest statement and we adjusted to the allowable amount of interest based on the verified documentation provided. If you have additional documentation, we will review your file again and update to the allowable amount and as verified.

We received Form 1098 for       Credit Union  
 Origination date 10-26-20  
 Outstanding Balance of 243,654  
 Interest paid of \$7,329.00.

If you had additional loans and interest in 2021 or refinanced a loan in 2021, please send the related Form(s) 1098 Yearly Mortgage Interest Statement showing the beginning and ending balances, total interest paid, and origination dates.

Include any closing documents or refinanced loan documents showing the relevant dates, and amounts to aide in our review.

If you did not retain the necessary documentation, contact the service provider for copies.

The attached documentation shows the current changes as note above.

Please review the attached reports and Form 4549. If you agree with the current report, or are unable to provide additional documentation, please sign, date, and return the Form 4549 so we may close your case file.

Please respond within 30 days of the date of this letter with the requested documentation or the signed Form 4549.

Thank you for your time and attention to this matter.

Form <b>886-A</b> (May 2017)	Department of the Treasury - Internal Revenue Service <b>Explanation of Items</b>	Schedule number or exhibit
Name of taxpayer	Tax Identification Number <i>(last 4 digits)</i>	Year/Period ended 2021

**Home mortgage interest and points From Form 1098**

Tax Period	Per Return	Per Exam	Adjustment
2021	\$37,565.00	\$7,329.00	\$30,236.00

We have adjusted your interest expense to the amount verified as paid.

We adjusted your mortgage interest expense as shown in the attached computation. For tax years 2018 through 2025, interest is limited to the amount paid on no more than \$750,000 (\$375,000 in case of married filing separately) of new mortgage acquisition indebtedness incurred after December 15, 2017, unless the Binding Contract Exception applies. For indebtedness incurred on or before December 15, 2017, interest is limited to the amount paid on no more than \$1,000,000 (\$500,000 in case of married filing separately) of mortgage acquisition indebtedness.

Under the Binding Contract Exception, a taxpayer who enters into a written binding contract before December 15, 2017, to close on the purchase of a principal residence before January 1, 2018 and who purchases such residence before April 1, 2018, is subject to the \$1,000,000 (\$500,000 if married filing separately) limitation. Additionally, the loan must be secured by your main home or second home, not exceed the cost of the home, and meet other requirements.

It is determined that all of the underpayment of tax is a substantial understatement of income tax, since the resulting understatement of tax exceeds the greater of 10 percent of the tax required to be shown on the return or \$5,000 (\$10,000 if a corporation). Consequently, there is added to the tax an amount equal to 20 percent of such underpayment of tax pursuant to Section 6662 of the Internal Revenue Code.

Name of Taxpayer:		10/23/2023
Identification Number:	Total	24.30.00

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**2021 - Qualified Dividends and Capital Gain Tax Worksheet**

1. Enter the taxable income from Form 1040 or 1040 SR, line 15, or the amount from Foreign Earned Income Tax Worksheet, line 3, if filing Form 2555	298,673.00
2. Enter the qualified dividends from Form 1040 or 1040-SR, line 3a	6.00
3. If filing Schedule D, enter the smaller of line 15 or line 16 of Schedule D, but do not enter less than -0-. Otherwise, enter the amount from Form 1040 or 1040-SR, line 7	0.00
4. Add lines 2 and 3	6.00
5. Subtract line 4 from line 1. If zero or less, enter -0-	298,667.00
6. Enter:	
\$40,400 if single or married filing separately;	
\$80,800 if married filing jointly or qualifying widow(er); or	
\$54,100 if head of household	40,400
7. Enter the smaller of line 1 or line 6	40,400
8. Enter the smaller of line 5 or line 7	40,400
9. Subtract line 8 from line 7. This amount is taxed at 0%	0.00
10. Enter the smaller of line 1 or line 4	6.00
11. Enter the amount from line 9	0.00
12. Subtract line 1 from line 10	6.00
13. Enter:	
\$445,850 if single;	
\$250,800 if married filing separately;	
\$501,600 if married filing jointly or qualifying widow(er); or	
\$473,750 if head of household	445,850.00
14. Enter the smaller of line 1 or line 13	298,673.00
15. Add lines 5 and 9	298,673.00
16. Subtract line 15 from line 14. If zero or less, enter -0-	6.00
17. Enter the smaller of line 12 or line 16	6.00
18. Multiply line 17 by 15% (.15)	1.00
19. Add lines 9 and 17	6.00
20. Subtract line 19 from line 10	0.00
21. Multiply line 20 by 20% (.20)	0.00
22. Figure the tax on the amount on line 5. If the amount on line 5 is less than \$100,000, use the Tax Table to figure this tax. If the amount on line 5 is \$100,000 or more, use the Tax Computation Worksheet	79,078.00
23. Add lines 18, 21, and 22	79,079.00
24. Figure the tax on the amount on line 1. If the amount on line 1 is less than \$100,000, use the Tax Table to figure this tax. If the amount on line 1 is \$100,000 or more, use the Tax Computation Worksheet	79,080.00
25. Tax on all taxable income. Enter the smaller of line 23 or line 24 Also include this amount on Form 1040 or 1040-SR, line 16 or Foreign Earned Income Tax Worksheet, line 4, if applicable	79,079.00

Name of Taxpayer:		Page	of
Identification Number:	Total	Tax Period Ending: 12/31/2021	

### Accuracy-Related Penalties under IRC 6662

**20 Percent Penalty--Internal Revenue Code Section 662(a)**

It has been determined that the underpayment of tax shown in line 5 below is attributable to one or more of the following:

- (1) Negligence or disregard of rules or regulations;
- (2) Substantial understatement of income tax;
- (3) Substantial valuation misstatement (overstatement);
- (4) Transaction lacking economic substance.

Therefore, an addition to tax is imposed as provided by Section 6662(a) of the Internal Revenue Code.

1. Total underpayment, excluding underpayment attributable to Section 6662A and/or Section 6676 penalty issues, if any	10,583.00
2. Less: Underpayment attributable to non-penalty issues	0.00
3. Less: Underpayment attributable to 40% Section 6662 penalty issues	0.00
4. Less: Underpayment attributable to civil fraud penalty issues	0.00
5. Underpayment to which Section 662(a) applies (Line 1 less the sum of lines 2, 3, and 4)	10,583.00
6. Applicable penalty rate	20.00%
7. Section 662(a) accuracy-related penalty (Line 5 times line 6)	2,116.00
8. Less: Previously assessed/previously agreed Section 6662(a) penalty	0.00
9. Total section 6662(a) accuracy-related penalty (Line 7 less line 8)	2,116.00

**40 Percent Penalty -- Internal Revenue Code Section 662(h); 6662(i); 6662(j)**

It has been determined that the underpayment of tax shown on line 5 below is attributable to one or more of the following:

- (1) Gross valuation misstatement (overstatement);
- (2) Non-disclosed transaction lacking economic substance;
- (3) Undisclosed foreign financial assets.

Therefore, an addition to tax is imposed as provided by Section 662(h); 6662(i); or 6662(j) of the Internal Revenue Code.

1. Total underpayment, excluding underpayment attributable to Section 6662A and/or Section 6676 penalty issues, if any	10,583.00
2. Less: Underpayment attributable to non-penalty issues	0.00
3. Less: Underpayment attributable to 20% Section 6662 penalty issues	10,589.00
4. Less: Underpayment attributable to civil fraud penalty issues	0.00
5. Underpayment to which 40% Section 6662 penalty applies (Line 1 less the sum of lines 2, 3, and 4)	0.00
6. Applicable penalty rate	40.00%
7. 40% Section 6662 accuracy-related penalty (Line 5 times line 6)	0.00
8. Less: Previously assessed/previously agreed 40% Section 6662 penalty	0.00
9. Total 40% section 6662 accuracy-related penalty (Line 7 less line 8)	0.00



Name of Taxpayer:		10/23/2023
Identification Number:	Total	24.30.00

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### HOW TO PAY YOUR TAXES

If you agree with the adjustments and balance due on Form 4549 - Income Tax Changes, please return a signed copy including pages 1 and 2. The enclosed report does not reflect any balance currently due on your account.

You have payment options for your tax liability. Please note that interest and applicable penalties will accrue until your balance is paid in full. Paying now will decrease or stop future interest charges and prevent assessment of failure to pay penalties.

Payment options include the following:

- Pay now by including a check or money order payable to the United States Treasury with your signed copy of Form 4549.
- Download the IRS2Go Mobile App and make a payment whenever you like from your mobile device. (Processing fees may apply.)
- If you can pay the full amount within 120 days, return the signed agreement now and submit the balance due when you receive the bill.

Additional payment options are available by visiting [www.IRS.gov/payments](http://www.IRS.gov/payments):

- Apply for a payment plan. (Fees may apply.) You may also apply by completing the section below, "Payment Plan Request."
- Pay online via a checking/savings account
- Locate retail partners for cash payments. (Processing fees apply.)
- Pay by credit card (Processing fees apply.)

#### Payment Plan Request

Submit your written request or check the box below and return this flyer with your signed agreement

I would like to pay \$ \_\_\_\_\_ per month. (Make your payments as large as possible to limit penalty and interest.)

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: (    ) \_\_\_\_\_

Name of Taxpayer:		10/23/2023
Identification Number:	Total	24.30.00

2021 **TAX YEAR INTEREST COMPUTATION**

Interest computed to	11/22/2023
Total Tax Deficiency	\$10,583.00
Plus Penalties*	
Failure to File - IRC 6651	\$0.00
Accuracy Related Penalty - IRC 6662A	\$2,116.00
Accuracy Related Penalty - IRC 6662A	\$.00
Civil Fraud - IRC 6663	\$.00
Manually Computed Penalty	\$.00
Total Penalties Subject to Interest	\$2,116.00
Tax Deficiency and Penalties Subject to Interest	\$12,699.00

Type	Effective Dates	Days	Rate	Interest
Compound	04/15/2022--06/30/2022	76	4%	\$105.51
Compound	07/01/2022--09/30/2022	92	5%	\$162.39
Compound	10/01/2022--12/31/2022	92	6%	\$197.59
Compound	01/01/2023--09/30/2023	273	7%	\$707.57
Compound	10/01/2023--11/22/2023	53	8%	\$162.07

	\$1,335.13
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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:		10/23/2023
Identification Number:	Total	24.30.00

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**2021 - 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	23,776.00	23,776.05	
3. Net medical and dental expenses	0.00	0.00	0.00
4. Taxes	10,000.00	10,000.00	0.00
5. Home interest expense	37,565.00	7,329.00	30,236.00
6. Qualified mortgage insurance premiums	0.00	0.00	0.00
7. Investment interest	0.00	0.00	0.00
8. Other interest expense	0.00	0.00	0.00
9. Total interest expense	37,565.00	7,329.00	30,326.00
10. Contributions	1,012.00	1,021.00	0.00
11. Casualty and theft losses	0.00	0.00	0.00
12. Other miscellaneous	0.00	0.00	0.00
13. Total itemized deductions (Sum of lines 3, 4, 9, 10, 11, and 12)	48,577.00	18,341.00	30,236.00

Name of Taxpayer:		10/23/2023
Identification Number:	Total	24.30.00

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**2021 - SCHEDULE D - CAPITAL GAINS AND LOSSES**

**Part I Short-Term Capital Gains and Losses—Assets Held One Year or Less**

<b>1</b>	Short-term capital gain or loss	1,668.00
<b>2</b>	Short-term capital loss carryover	0.00
<b>3</b>	Net Short-term Gain or Loss (Add line 1 and 2)	1,668.00

**Part II Short-Term Capital Gains and Losses—Assets Held One Year or Less**

<b>4</b>	Long-term capital gain or loss	(65,616.00)
<b>5</b>	Long-term capital gain or loss carryover	0.00
<b>6</b>	Net long-term Gain or Loss (Add line 4 and 5)	(65,616.00)

**Part III Summary**

<b>7</b>	Sum of lines 3 and 6 - Net Capital Gain or Loss	(63,948.00)
<b>8</b>	Capital loss limitation	(3,000.00)
<b>9</b>	Capital Gain or Loss - As Corrected	(3,000.00)
<b>10</b>	Capital Gain or Loss - Per Return	(3,000.00)
<b>11</b>	Line 9 less line 10 - Adjustment to Income	0.00

**CORRECTED CARRYOVER**

<b>12</b>	Short-term Carryover to Subsequent Year	0.00
<b>13</b>	Long-term Carryover to Subsequent Year	(60,948.00)

**28% RATE GAIN COMPUTATION**

<b>1</b>	Tentative 28% rate gain (total of lines 1 thru 4 from worksheet)	0.00
<b>2</b>	Long-term capital loss carryover	0.00
<b>3</b>	Net short-term capital loss	0.00
<b>4</b>	Allowable 28% rate gain (sum of lines 1 thru 3) (if -0- or less, enter -0-)	0.00

**SECTION 1250 GAIN COMPUTATION**

<b>1</b>	Tentative Section 1250 gain (line 13 from worksheet)	0.00
<b>2</b>	Tentative 28% rate gain	0.00
<b>3</b>	Net short-term capital loss	0.00
<b>4</b>	Long-term capital loss carryover	0.00
<b>5</b>	Sum of lines 2 thru 4 (if less than -0-, enter as positive amount) (if -0- or greater, enter -0-)	0.00
<b>6</b>	Allowable Section 1250 gain (line 1 less line 5) (if -0- or less, enter -0-)	0.00

Form <b>14817</b> (September 2021)	Department of the Treasury - Internal Revenue Service <b>Reply Cover Sheet</b>
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**Attach this Cover Sheet to the Top of Your Reply**



Date

To  
Internal Revenue Service, Correspondence Examination

From

Provide a telephone number, including area code and best time for a tax examiner to call

Telephone number

Best time to call (*hours*)

If you have a new address, complete Form 8822, Change of Address, and include it with your reply. You can download this form at [www.irs.gov](http://www.irs.gov) or request a copy by calling 1-800-TAX-FORM (1-800-829-3676).

You can upload your reply using your computer or mobile device at [www.irs.gov/examreply](http://www.irs.gov/examreply) or by scanning the IRS Secure Upload QR Code:

Use this form as the first page of any uploaded documents.

Comments

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