



Department of the Treasury
Internal Revenue Service
AUSTIN, TX 73301-0021

Letter Number: 3219(SC/CG)

Letter Date:

August 30, 2010

Taxpayer Identification Number:

[REDACTED]

Tax Form: 1040

Tax Year Ended and Deficiency

December 31, 2008 \$ 82,666

Contact Person: Office of W Brown

1-800-829-3009 (Toll Free)

1-877-477-0583 (FAX)

Contact Telephone Number:

Hours to Call:

7:00 AM to 8:00 PM

Last Date to Petition Tax Court:

November 29, 2010

Penalties/Additions to Tax

IRC Section 6662(a) \$16,533

10591

DAVID [REDACTED] H [REDACTED]
DAVID A H [REDACTED]

[REDACTED] TN [REDACTED]

Dear Taxpayer:

We have determined that there is a deficiency (increase) in your income tax as shown above. This letter is your NOTICE OF DEFICIENCY, as required by law. The enclosed statement shows how we figured the deficiency.

If you want to contest this determination in court before making any payment, you have until the **Last Date to Petition Tax Court** (90 days from the date of this letter or 150 days if the letter is addressed to you outside the United States) to file a petition with the United States Tax Court for a redetermination of the amount of your tax. You can get a petition form and the rules for filing a petition from the Tax Court. You should file the petition with the **United States Tax Court, 400 Second Street NW, Washington D.C. 20217**. Attach a copy of this letter to the petition.

The time in which you must file a petition with the court (90 days or 150 days as the case may be) is fixed by law and the Court cannot consider your case if the petition is filed late. As required by law, separate notices are sent to spouses. If this letter is addressed to both a husband and wife, and both want to petition the Tax Court, both must sign the petition or each must file a separate, signed petition.

The Tax Court has a simplified procedure for small tax cases when the amount in dispute is \$50,000 or less for any one tax year. You can also get information about this procedure, as well as a petition form you can use, by writing to the Clerk of the United States Tax Court at 400 Second Street NW, Washington, D.C. 20217. You should write promptly if you intend to file a petition with the Tax Court.

If you decide *not* to file a petition with the Tax Court, please sign and return the enclosed waiver form to us. This will permit us to assess the deficiency quickly and will limit the accumulation of interest. We've enclosed an envelope you can use. If you decide not to sign and return the waiver and you do not petition the Tax Court, the law requires us to assess and bill you for the deficiency after 90 days from the date of this letter (150 days if this letter is addressed to you outside the United States).

When you send information we requested or if you write to us about this letter, please provide a telephone number and the best time to call you if we need more information. Please attach this letter to your correspondence to help us identify your case. Keep the copy for your records.

The person whose name and telephone number are shown in the heading of this letter can access your tax information and help get you answers. You also have the right to contact the Taxpayer Advocate. You can call 1-877-777-4778 and ask for Taxpayer Advocate Assistance. Or you can contact the Taxpayer Advocate for the IRS Office that issued this Notice of Deficiency by calling 1-512-460-8300 or writing to:

**TAXPAYER ADVOCATE
AUSTIN IRS CENTER
STOP 1005 AUIRSC
PO BOX 934
AUSTIN, TX 78767**

Taxpayer Advocate assistance is not a substitute for established IRS procedures such as the formal appeals process. The Taxpayer Advocate is not able to reverse legally correct tax determinations, nor extend the time fixed by law that you have to file a petition in the United States Tax Court. The Taxpayer Advocate can, however, see that a tax matter that may not have been resolved through normal channels gets prompt and proper handling.

Thank you for your cooperation.

Sincerely yours,

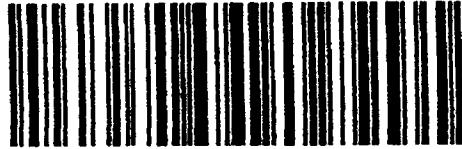
Commissioner
By



**James P Clifford
Director, Field Compliance Service
Austin**

Enclosures:
Copy of this letter
Statement
Waiver
Envelope
Publication 3498
Form 9465

Department of the Treasury
Internal Revenue Service
AUSTIN, TX 73301-0021



7161 7617 9281 5756 3945

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DAVID [REDACTED] H [REDACTED]
[REDACTED] TN [REDACTED]

0590

Dear Taxpayer:

The Restructuring and Reform Act of 1998 requires IRS to issue a copy of this notice to both you and your spouse. Generally, both you and your spouse are responsible, jointly and individually, for paying the full amount of any tax, interest, or penalties due on your joint return.

Please Fold Here

Do Not Detach

AUR Control Number: 70032-8574

Letter Number: 3219(SC/C6)
Letter Date: 08/30/2010

Please be sure our address below shows through the envelope window.

Please make any corrections to your address below.

{COVS}

DAVID [REDACTED] H [REDACTED]
[REDACTED] TN [REDACTED]

INTERNAL REVENUE SERVICE
AUSTIN IRS CENTER
STOP 6692 AUSC
AUSTIN, TX 73301-0021



Page 1

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Explanation Section

How to Review This Section

1. Compare your records with the records we received under **Information Reported to IRS**.
2. Review the **Reasons for the Changes** to see why we changed your return.
3. Proceed to **Changes to Your Return** to see how your new tax was calculated.
4. Once you have fully reviewed the **Explanation Section**, please complete and return the **Response Form** in the envelope provided.

1. Information Reported to IRS that differs from the amounts shown on your return.

This section tells you specifically what income information IRS has received about you from others (including your employers, banks, mortgage holders, etc.). The information listed below does not match the information you listed on your tax return. Use this table to compare the data IRS has received from others to the information you listed on your tax return to understand where the discrepancy, or difference, occurred. To assist you in reviewing your income amounts, the table may include both reported and unreported amounts from the same payer.

If this information is correct, your tax increase is \$ 82,666 plus all applicable penalties, interest and payment adjustments such as federal tax withholding, excess social security tax withheld, etc. If you pay in full by July 07, 2010, you'll owe \$ 104,191.

INTEREST Account Information	Amount Reported to IRS by Others	Amount Included on Your Return	Difference
#001 SSN: [REDACTED] Form 1099-INT ACCT: [REDACTED] [REDACTED] TN [REDACTED]	\$ 300	\$ 0	\$ 300
INTEREST Total	\$ 300	\$ 0	\$ 300

NONEMPLOYEE COMPENSATION Account Information	Amount Reported to IRS by Others	Amount Included on Your Return	Difference
#002 EIN: [REDACTED] Form 1099-MISC DESC: SALES DATE: 04-14-2009 [REDACTED] [REDACTED] TX [REDACTED]	\$ 225,404	\$ 0	\$ 225,404
#003 EIN: [REDACTED] Form 1099-MISC ACCT: [REDACTED] [REDACTED] TX [REDACTED]	\$ 55,512	\$ 0	\$ 55,512
NONEMPLOYEE COMPENSATION Total	\$ 280,916	\$ 0	\$ 280,916

2. Reasons for the Changes

This section provides explanations to help you understand the proposed changes to your tax return.

The paragraphs that follow provide explanations for:

- the items listed in Section 1. *Information Reported to IRS*
- the changes to your tax computation listed in Section 3. *Changes to Your Return*
- the penalty and interest charges listed in Section 3. *Changes to Your Return*
- *Payment Instructions*
- *Additional Information* that will help you understand this notice and what action you need to take to resolve the tax discrepancy

Within each subsection below, the paragraphs are organized by topic to help you review them.

These paragraphs explain the items listed in Section 1. *Information Reported to IRS.*

Other Income

General

MISIDENTIFIED INCOME

If any of the income shown on this notice is not yours, send us the name, address, and social security number of the person who received the income. Please notify the payers to correct their records to show the name and social security number of the person who actually received the income, so that future reports to us are accurate.

FORM W-2 OR 1099 NOT RECEIVED

The law requires you to report your income correctly. If your payers did not send you a yearly income statement (Form W-2, Form 1099, etc.), you must use the information you have (pay stubs, monthly income statements, deposit slips, etc.) to estimate the total amount of income you received during the year.

Deductions

Other Deductions

EXEMPTION DEDUCTION REDUCED

We reduced the exemption deduction claimed on your return because your adjusted gross income (AGI) is more than the allowable amount for a full deduction:

- * \$159,950.00 for filing status Single.
- * \$239,950.00 for filing status Married Filing Jointly or Qualifying widow(er).
- * \$119,975.00 for Married Filing Separately.
- * \$199,950.00 for Head of Household.

Once your AGI exceeds the amount shown above for your filing status, the allowable exemption deduction is reduced.

Tax & Credits**Taxable Income****NEGATIVE TAXABLE INCOME**

The taxable income per return (TXI) on this notice differs from your original return. This notice reflects the actual amount of your taxable income to ensure proper credit for deductions and exemptions.

Other Taxes**Self-Employment Tax - Schedule SE****SELF-EMPLOYMENT TAX ON SELF-EMPLOYMENT (SE) INCOME**

Self-Employment(SE) income generally includes nonemployee compensation and other income from part-time or full-time work and is subject to Self-Employment Tax. We figured the Self-Employment Tax on the net SE income reported on your return and/or on the underreported SE income. Self-Employment Tax consists of Social Security Tax of 12.4% and Medicare Tax of 2.9%. (Even if you have paid the maximum amount of Social Security Tax, you are still liable for additional Medicare Tax.) The deduction for one-half of the Self-Employment Tax is based on the change we made to your Self-Employment Tax. If you were an employee, you will be liable for income tax and the employee's share of Social Security (6.2%) and Medicare taxes (1.45%). Your social security account will be credited with the amount of Self-Employment income shown on this notice.

Penalty & Interest Charges**Penalties**

ACCURACY PENALTY FOR SUBSTANTIAL TAX UNDERSTATEMENT - IRC SECTION 6662(d)
If we increase your tax, and the increase exceeds 10% of the corrected tax and is also equal to or greater than \$5,000, the law requires an accuracy-related penalty due to substantial understatement of tax. The penalty is 20% of your tax increase. The penalty may be reduced or not charged if you:

- * Provide the substantial authority (such as, Internal Revenue Code, Regulations, Revenue Rulings, Revenue Procedures, etc.) you used to decide how to treat your income or deduction, or
- * Tell us where on your return you clearly show the facts supporting your treatment of the income or deduction, or
- * Submit a signed statement that clearly outlines the facts supporting your treatment of the understated income.

Interest Charges**INTEREST PERIOD - IRC SECTION 6601**

We are required by law to charge interest on unpaid tax from the due date of the tax return to the date the tax is paid in full. The law requires that interest continue to be charged on the unpaid balance, including penalties, until paid in full.

For More Information about Your Penalty & Interest Charges**DETAILED PENALTY/INTEREST COMPUTATION**

If you require a detailed penalty or interest computation for this notice, please call the toll-free telephone number listed on page 1.

Additional Information**FORMS, SCHEDULES, OR ASSISTANCE AVAILABILITY**

If you need forms or schedules to respond to this notice, you may get them by:

- * Visiting local offices and some public libraries,
- * Calling 1-800-TAX-FORM (1-800-829-3676), or
- * Visiting the IRS Web site at www.irs.gov

If you have questions about this notice you may:

- * Call the telephone number provided on the notice,
- * Visit your local Taxpayer Assistance Center or Low Income Clinic (refer to www.irs.gov for locations), or
- * Obtain professional assistance (Attorney, Certified Public Accountant, Enrolled Agent, Tax Preparer/Practitioner, etc).

3. Changes to your Return

Note: We only show the items that have been affected by the information we received in the following chart. All other items are correct as shown on your return. Unless noted, line numbers always refer to the line number on your tax return.

Changes to Your Income and Deductions	Shown on Return	Reported to IRS, or as Corrected	Difference
INTEREST	\$ 0	\$ 300	\$ 300
NONEMPLOYEE COMPENSATION	\$ 0	\$ 280,916	\$ 280,916
Income Net Difference			\$ 281,216
SELF-EMPLOYMENT TAX DEDUCTION	\$ 0	\$ 10,086	\$ 10,086
Exemption Amount, line 42	\$ 7,000	\$ 6,393	\$ -607
(*1)Deductions Net Difference			\$ 9,479
Total Change to Taxable Income			\$ 271,737

Changes to Your Tax Computation	Shown on Return	As Corrected By IRS	Difference
Taxable Income, line 43	\$ -17,900	\$ 253,837	\$ 271,737
Tax, line 44	\$ 0	\$ 62,495	\$ 62,495
Self-Employment Tax, line 57	\$ 0	\$ 20,171	\$ 20,171
Total Tax, line 61	\$ 0	\$ 82,666	\$ 82,666
Net Tax Increase			\$ 82,666

Summary of Proposed Changes	
Amount of Tax Increase	\$ 82,666
Accuracy-Related Penalty, IRC Section 6662(a)	\$ 16,533
Interest, IRC Section 6601, From 04/15/2009 To 07/07/2010	\$ 4,992
Total Amount You Owe	\$ 104,191

(*1)Increases to Deductions result in a decrease to Taxable Income.

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FORM 5564 (Rev. June 1992)	Department of the Treasury — Internal Revenue Service NOTICE OF DEFICIENCY - WAIVER	Symbols AUSTIN TX 6692 AUSC
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Name and Address of Taxpayer(s) DAVID [REDACTED] H [REDACTED] [REDACTED] TN [REDACTED]	08/30/2010
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Kind of Tax Individual Income	<input type="checkbox"/> Copy to Authorized Representative
Tax Year Ended December 31, 2008	DEFICIENCY
	Increase in Tax \$82,666 Penalties

10590

IRC Section 6662(a) \$16,533



I consent to the immediate assessment and collection of the deficiencies (increase in tax and penalties) shown above, plus any interest. Also, I waive the requirement under section 6532 (a) (1) of the Internal Revenue Code that a notice of claim disallowance be sent to me by certified mail for any overpayment shown on the attached report.

I understand that the filing of this waiver is irrevocable and it will begin the 2-year period for filing suit for refund of the claims disallowed as if the notice of disallowance had been sent by certified or registered mail.

Signature		
		Date
	By	Title

Note: If you consent to the assessment of the deficiencies shown in this waiver, please sign and return this form to limit the interest charge and expedite our bill to you. Please do not sign and return any prior notices you may have received. Your consent signature is required on this waiver, even if fully paid.

Your consent will not prevent you from filing a claim for refund (after you have paid the tax) if you later believe you are so entitled; nor prevent us from later determining, if necessary, that you owe additional tax; nor extend the time provided by law for such action.

If you later file a claim and the Service disallows it, you may file suit for refund in a District Court or in the United States Claims Court, but you may not file a petition with the United States Tax Court.

Who Must Sign: If you filed jointly, both you and your spouse must sign. Your attorney or agent may sign this waiver provided that action is specifically authorized by a power of attorney which, if not previously filed, must accompany this form.

If this waiver is signed by a person acting in a fiduciary capacity (for example, an executor, administrator, or a trustee), Form 56, Notice Concerning Fiduciary Relationship, should, unless previously filed, accompany this form.

If you agree, please sign and return this form; keep one copy for your records.

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Department of the Treasury
Internal Revenue Service
AUSTIN, TX 73301-0021

Letter Number: 3219(SC/CG)

Letter Date:

August 30, 2010

Taxpayer Identification Number:

[REDACTED]

Tax Form: 1040

Tax Year Ended and Deficiency

December 31, 2008 \$ 82,666

Contact Person: Office of W Brown

1-800-829-3009 (Toll Free)

1-877-477-0583 (FAX)

Contact Telephone Number:

Hours to Call:

7:00 AM to 8:00 PM

Last Date to Petition Tax Court:

November 29, 2010

Penalties/Additions to Tax
IRC Section 6662(a) \$16,533

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TN [REDACTED]

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Thank you for your cooperation.

Sincerely yours,

Commissioner
By



**James P Clifford
Director, Field Compliance Service
Austin**

Enclosures:
Copy of this letter
Statement
Waiver
Envelope
Publication 3498
Form 9465

[REDACTED] TN [REDACTED]

[REDACTED] [REDACTED]

Kind of Tax Individual Income	<input type="checkbox"/> Copy to Authorized Representative
Tax Year Ended December 31, 2008	DEFICIENCY
	Increase in Tax \$82,666 Penalties
	IRC Section 6662(a) \$16,533

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Signature		Date
		Date
	By	Title

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If you agree, please sign and return this form; keep one copy for your records.

FORM 5564 (Rev. 6-02)

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