

Department
of the
Treasury

|Transmittal Number|Date of Issue
| 13-04 | 04/01/2013

|Originating Office|Form Number
|SE:S:CCS:CRC:EP | 3338C

IDRS
CORRESPONDEX
Internal
Revenue
Service

Title: Audit Reconsideration Acknowledgement Letter

Number of Copies | Distribution to: | Former Letter
Original | 1 to TP | 3338C (Rev 01-11)

OMB Clearance Number | Expires |
- | | IMF

Letters Considered in Revision:

Taxpayer Identification Number: []
Kind of Tax: []
Amount of Additional Tax: \$[] []
[] []
Tax Year(s): [] []
[] []

Dear []

We received your inquiry requesting a reconsideration of prior audit results for the tax year(s) shown above.

In order to begin the audit reconsideration process, you must submit supporting documentation for each disputed item from your original audit. You can find those items on the Form 4549, Income Tax Examination Changes, you received during the audit. If you did not receive your Examination Report, you may contact 1-800-829-1040 to obtain a copy. The supporting documents you provide must be complete enough for the examiner to make a fair determination. Also, the documents must be new information that the examiner has not already considered during the original audit.

If the information that you provide us supports a reduction to your tax liability, we will make the necessary adjustments to your account. Likewise, if the facts, circumstances, and tax laws do not support a reduction, we will not adjust your liability. We will send you a written explanation of the reason(s) for our determination.

A If you have not previously done so, please complete Form 12661,
A "Disputed Issue Verification" to tell us what items you are
A disputing. Attach any documentation that you have not previously
A submitted to support your position. Please submit Form 12661, your
A documentation, and a copy of the Examination Report to the address
A listed at the close of this letter.
A

B If you previously identified the disputed issues with an IRS Contact
B Employee, refer to the information in the following paragraphs that
B would be required to support your position. Please submit the
B documents as requested for each item in dispute to the address listed
B at the close of this letter.

B
C MARRIED FILING SEPARATE RETURN

C Please furnish your spouse's full name, current address, and
C social security number.

C
D HEAD OF HOUSEHOLD

D Acceptable documentation includes:

- D
D - If you were divorced or legally separated, a complete copy of
D divorce decree or separation agreement, including any modifications.
D - Copies of cancelled checks and receipts for the qualifying person's
D expenses such as mortgage payments, rent, utilities, repairs,
D insurance, food, clothing, and other personal expenses for 6 months.
D - Records to show who paid or contributed toward the support of the
D qualifying person(s) and the amount contributed by each person
D involved, including amounts received from governmental agencies such
D as food stamps or any payments made by any social service agency.
D - Copies of school records, driver's license and medical bills for
D the qualifying person to verify his or her place of residence for 6
D months.

D
E QUALIFYING CHILD FOR EARNED INCOME TAX CREDIT (EITC)

E Although not all-inclusive, acceptable documentation includes:

- E
E - Copies of documents that verify your relationship to the child, such
E as:
E Birth certificates or other official documents of birth that
E verify your relationship to the child
E Marriage certificates that verify your relationship to the child
E Letter from an authorized adoption agency
E Letter from an authorized placement agency or applicable court
E document
E - If the qualifying child was a student under age 24, copies of
E official school records showing they were a full-time student for at
E least five months during the tax year.
E - If the child was permanently and totally disabled at any time during
E the tax year, a letter from the child's doctor or other healthcare
E provider verifying the disability.
E - Copies of records that show your qualifying child lived with you for
E more than half the tax year. These records must be official and must
E show the name and address of each qualifying child. Some examples of
E records you could use are school records, doctor records, a landlord
E statement, or a letter from the clergy, etc. on official stationary.

E
F DEPENDENCY EXEMPTIONS

F The following tests must be met for an eligible Qualifying Child (QC)
F and Qualifying Relative (QR).

F
F - Qualifying Child (QC) Requirements:

F Although not all-inclusive, acceptable documentation includes:

- F - Birth and marriage certificates that verify your relationship to the
F child only if the child is not your natural or adopted child.

- F - If the qualifying child was a student under age 24, copies of official school records showing they were a full-time student for at least five months during the tax year.
- F - A doctor's (or other) healthcare statement to verify the child was permanently and totally disabled at any time during the tax year.
- F - Verification you paid more than half of the child's support during the tax year.
- F - A statement of account from a child support agency, a statement from any government agency verifying amounts you and/or your dependent received during the year, proof of lodging costs (rental agreement), proof of household expenses (utilities or repair bills), daycare or doctor bills for the child, or clothing bills for the child.
- F - Copies of records that show your qualifying child lived with you for more than half the tax year. These records must be official and must show the name and address of each qualifying child. Some examples of records you could use are school records, medical records, a landlord statement, or a letter from the clergy, etc.
- F - Qualifying Relative's (QR) Requirements:
Although not all-inclusive, acceptable documentation includes:
 - F - If the person is a blood relative, copies of birth or marriage certificates to verify your relationship.
 - F - If the person is not a blood relative, proof the person lived with you during the entire tax year. Some examples of records you could use are school records, doctor records, a landlord statement, or a letter from the clergy, etc.
 - F - Verification you paid more than half of the qualifying relative's support during the tax year: a statement of account from a child support agency, a statement from any government agency verifying amounts you and/or your dependent received during the year, proof of lodging costs (rental agreement), proof of household expenses (utilities or repair bills), daycare or doctor bills for the qualifying relative, or clothing bills for the qualifying relative.

G FORMS W-2, 1098, 1099

G Because your tax return did not report the same income or deductions as reported to the IRS by employers or trustees, you must provide verification of all income received from the following sources, including, but not limited to:

- G - Wages, salaries, tips, fees, commissions (copies of W-2's).
- G - Interest, dividends, unemployment compensation, proceeds from bartering, gambling winnings, prizes, awards, tips, disability income, etc. (copies of Forms 1098, 1099, 5498, W-2G).
- G - Pensions, annuities, royalties, estate or trust income and non-employee compensation (copy of Forms 1099R, 1099S, 1099MISC, K-1).
- G - Alimony received (a copy of divorce decree or separation agreement).
- G - Income earned from providing childcare or other self-employment (copies of records used to figure income).

H INDIVIDUAL RETIREMENT ARRANGEMENTS

H If you meet one of the exceptions to the 10% Penalty, please provide documentation that shows you met an exception. Some of the most common exceptions are:

- H
- H - Totally and Permanently Disabled
- H - Substantially Equal Payments received
- H - Distribution for Higher Education
- H - First Time Homebuyer
- H - Rollover to another Qualified Plan
- H - Death Benefit
- H - Qualified Domestic Relations Order (QDRO)

H
H Documentation can include, but is not limited to, bank statements,
H cancelled checks, corrected 1099-R, statement from medical
H practitioner explaining disability, and a copy of the Qualified
H Domestic Relations Order (QDRO).

H
I MOVING EXPENSES (Form 3903)

I Although not all inclusive, acceptable forms of documentation include:

- I
- I - Copies of cancelled checks and receipts verifying the amounts you
I paid to travel to your new home and to move your household goods and
I personal property.
- I - A statement from your employer showing the allowance or
I reimbursement paid to you for moving expenses. This statement
I should identify the amounts by kind of expense, such as automobile,
I train, plane and transportation of household goods and personal
I property.
- I - A statement from your employer as to whether the reimbursement was
I included on Form W-2.
- I - The names and relationship of household members who moved with you.
- I - The name and address of each employer you have worked for since
I moving to your new place of employment and the dates you were
I employed by each.
- I - Computations showing number of miles by direct route from your old
I residence to your new place of employment and from your old
I residence to your old place of employment.

I
J SELF EMPLOYMENT HEALTH INSURANCE (1040 page 1)

J Acceptable documentation includes:

- J
- J - Proof of amount paid for health insurance.
- J - If you or your spouse is an employee, copies of statement(s) from
J all of your employers as to your eligibility to participate in the
J employer's health plan at any time during the year.
- J - Proof the self-employment plan provides nondiscriminatory health
J insurance coverage to employees.

J
K ALIMONY PAYMENTS

K Acceptable documentation includes:

- K
- K - Complete copy of your divorce decree and any modifications, copies
K of your cancelled checks, money orders or pay statements showing
K wage garnishments, and information to verify that you are current
K with child support (if applicable). The social security number of
K the recipient is also required.

K
L MEDICAL AND DENTAL EXPENSES (Schedule A)

L Acceptable documentation includes:

L

- L - Copies of cancelled checks, receipts or statements for all medical savings accounts, medical and dental expenses (including medical insurance) showing the person for whom each expense was incurred, along with any insurance or employer reimbursement records. Submit a copy of your medical insurance handbook or policy describing the benefits and reimbursement policy, and verification of premium cost.
- L - For prescription drug expenses, copies of statements or receipts showing the amount paid and the date purchased.
- L - For other expenses (including equipment, capital improvements, transportation and lodging) proof of payment and statements to show cost and medical requirement.

L
M STATE AND LOCAL INCOME TAXES/STATE TAX RETURN (Schedule A)

M Acceptable documentation includes:

- M - Copies of state or local returns for the years involved.
- M - Copies of cancelled checks and receipts for taxes paid during the year.
- M - W-2 or other statement showing state and local income tax withheld during the year.
- M - Documentation to support state and local taxes paid on a motor vehicle, aircraft, boat, home, or home building materials if claimed in addition to the table amount. If actual value used, submit computation and support for purchase of large items.

M
N REAL ESTATE AND PERSONAL PROPERTY TAXES (Schedule A, C, E, or F)

N Acceptable documentation includes:

- N - Verification of your legal ownership of the property.
- N - Copies of cancelled checks, mortgage statements or receipts for taxes paid. Submit a copy of your property tax bill and documentation for any property tax rebates or refunds.
- N - A copy of the settlement statement if real property was sold or purchased during the year.
- N - Verification of any special assessments deducted as taxes and an explanation of their purpose.

N
O INTEREST PAID (Schedule A, C, E, or F)

O Acceptable documentation includes:

- O - Copies of mortgage interest statements, equity credit lines/loans, land and mortgage contracts, and amortization schedules for any outstanding loans. Submit copies of cancelled checks, receipts or other evidence of payments made for the year(s) under examination.
- O - Copies of statements from financial institutions, investment brokerages or persons to verify your total investment interest deduction.

O
P CONTRIBUTIONS (Schedule A)

P Acceptable documentation includes:

- P - If the contribution was less than \$250.00, copies of your cancelled checks and receipts for contributions to churches or other organizations.
- P - If you contributed more than \$250.00 to a single organization, an acknowledgement/statement or receipt from the organization showing the date of the contribution, amount of the contribution, a

P description of any goods or services received, and an estimate of
P the value of the goods and services received, or if the goods and
P services provided are solely intangible religious benefits, then a
P statement to that effect.

P - If the contribution was other than money, the name and address of
P the charitable organization and the description of the item(s)
P contributed. A copy of the appraisal of the fair market value of
P each item on its contribution date and its original cost.

P - If you claimed expenses for attending a convention or similar
P activity, a statement showing you were an official representative
P of the organization. Also, another form of documentation is the
P organization's reimbursement policy, expense receipts and an
P itinerary or agenda for the activity.

P

Q CASUALTY AND THEFT LOSS (Schedule A)

Q Acceptable documentation includes:

Q

Q - If your property was insured, a copy of the insurance report
Q showing the date and nature of the loss or damage to the property.
Q This report should also show the amount of damage, amount of
Q coverage carried, and the date and amount of the claim paid by
Q insurance, or the amount of the claim pending.

Q - If your property was not insured, copies of the fire or police
Q department reports on losses from the fire, theft, or accident.

Q - Photographs or videos showing the extent of the loss, if available.

Q - An appraisal from a qualified estimator or adjuster showing the fair
Q market value of the property before and after the casualty or
Q showing an estimate of the damages.

Q - Verification of the cost or other basis of the property, the date it
Q was acquired, and the actual cost of repairs.

Q

R BUSINESS USE OF HOME - FORM 2106 EXPENSE (Employee Business Expenses
R on Schedule A)

R Acceptable documentation includes:

R

R - A statement from your employer stating that you are required to
R maintain an office in your home.

R - Copies of cancelled checks and receipts verifying expenses incurred,
R such as interest, taxes, insurance, repairs and utilities.

R - A calculation of the total square footage of your home and the total
R square footage used for business.

R - Copies of the documents that establish the cost or other basis of
R the home, including the value of the land.

R

S LEGAL, TAX, AND INVESTMENT COUNSEL FEES (Schedule A)

S Acceptable documentation includes:

S

S - Copies of cancelled checks, receipts, and statements showing the
S amount of the payment and the purpose of the expense.

S

T MISCELLANEOUS DEDUCTIONS (Schedule A)

T Acceptable documentation includes:

T

T - An itemized listing of all items claimed.

T - Verification of the deductions claimed.

T

U CREDIT FOR CHILD AND DEPENDENT CARE EXPENSES (Form 2441)

U Acceptable documentation includes:

U

- U - If you were divorced or legally separated, a complete copy of your divorce decree or separation agreement (including any modifications). Also include the dates you had custody of the child and dates the other parent had custody of the child.
- U - The name, address and social security number of each person or organization you paid for childcare or for the care of a disabled dependent. Also submit copies of cancelled checks and receipts documenting the expenditures. If you do not have cancelled checks, provide a statement from each person or organization showing the name, address, period of care and amount paid.
- U - If you paid the expenses for a disabled dependent, a doctor's statement showing that the dependent was physically or mentally unable to care for himself or herself.
- U - A statement from your employer outlining any dependent care benefits paid.

U

V FOREIGN TAX CREDIT (Form 1116)

V Acceptable documentation includes:

V

- V - Copies of receipts or statements showing foreign source income and foreign income taxes paid or withheld from your earnings. Provide translations of the necessary words so that the following items are clear.
 - V Type of foreign tax paid or accrued;
 - V Date of payment or accrual;
 - V Exchange rate used to convert foreign currency to U.S. dollars; and
 - V Amount of payment
- V - A complete copy of the tax return(s) filed with foreign authorities covering the same periods as your U.S. tax return. Clearly indicate the tax liability and refund (or balance due) on the foreign return.
- V - A list and verification of the foreign taxes paid or accrued that relate to tax years other than the one being examined. Provide copies of foreign tax returns for those years.
- V - A schedule showing how you computed the credit carryback or carryover, if applicable.

V

W FEDERAL INCOME TAX WITHHOLDING/EXCESS FICA

W Acceptable documentation includes:

W

- W - Copies of all Forms W-2, W-2G, or 1099 to verify withholding or excess FICA withheld by employers or trustees.

W

X CAR AND TRUCK (Employee Business Expenses on Schedule A, or Schedule C, E, or F Expenses)

X Acceptable documentation includes:

X

- X - Copies of repair receipts, inspection slips, and other records showing total mileage for the year.
- X - Copies of logbooks and other records to support business mileage claimed.
- X - A copy of your appointment book or calendar of business activities for the year.
- X - If you are claiming actual expenses, copies of paid bills, invoices and cancelled checks or automobile expenses. These would include

X

X gas, oil, tires, repairs, insurance, interest, tags, taxes, parking
X fees and tolls.
X - A copy of the bill of sale or other verification to establish cost
X or other basis in the vehicle, including the trade-in of another
X vehicle.

X
Y EDUCATION EXPENSES (Employee Business Expenses on Schedule A)
Y Acceptable documentation includes:

Y
Y - A statement from your employer explaining whether you needed the
Y education to keep your job, salary or status. Explain how the
Y education helped maintain or improve the skills needed in your job
Y and how much reimbursement you received. Break down the
Y reimbursement by category of expense.
Y - Copies of cancelled checks and receipts to verify amounts
Y you spent for tuition, books, transportation and other educational
Y expenses. If you were away from home overnight for educational
Y purposes, provide expense verification for your meals, lodging and
Y travel.
Y - Documents such as transcripts, course descriptions and catalogs
Y showing your period of enrollment in the educational institution
Y and the principal subjects studied.
Y - Complete information about any scholarship or fellowship grants,
Y including amounts you received during the year.

Y
Z EMPLOYEE BUSINESS EXPENSES (Verification of Reimbursement or No
Z Reimbursement)

Z Acceptable documentation from your employer includes:

Z
Z - A copy of your job description or a brief outline of your duties.
Z - A copy of the reimbursement policy or a statement that there is no
Z reimbursement policy.
Z - Verification of whether or not reimbursement is included on your
Z W-2, and if it is, where the reimbursement is reported to.
Z - The amount and kind of expense reimbursed, charged or provided.
Z - The specific expenses not covered by reimbursement policy.
Z - The name of the territory assigned to you and the dates and
Z locations of temporary jobs.
Z - Copies of the expense vouchers submitted to your employer.
Z - Copies of logs, diaries or other records of expenses showing all
Z expenses incurred, job locations, and dates you were at each
Z location.

Z
0 GAS, FUEL AND OIL (Employee Business Expenses on Schedule A, or
0 Schedule C, E, or F Expenses)

0 Acceptable documentation includes:

0
0 - Copies of cancelled checks and receipts for gas, fuel, and oil
0 expense.
0 - Documentation that verifies the amount of the Gas Tax Credit claimed
0 was also reported as income.

0
1 INSURANCE EXPENSE (Employee Business Expenses on Schedule A, or
1 Schedule C, E, or F Expenses)

1 Acceptable documentation includes:

1
1 - Copies of all insurance policies for which you deducted premiums.

- 1 - Copies of cancelled checks for insurance paid, or invoices for
1 insurance owed.
- 1
- 2 JOB HUNTING (Schedule A)
- 2 Acceptable documentation includes:
- 2
- 2 - A copy of the log or diary showing your job hunting activity and
2 copies of cancelled checks or receipts showing expenses paid,
2 including payments to employment agencies.
 - 2 - A statement from your employer showing the amount of reimbursement,
2 if any.
 - 2 - Documents to establish the type of job you were seeking.
- 2
- 3 RENTAL EXPENSES (Schedule C or F)
- 3 Acceptable documentation includes:
- 3
- 3 - Copies of cancelled checks and receipts to verify all rental
3 expenses claimed.
 - 3 - A copy of the lease or rental agreement, cancelled checks, and
3 statements for rent paid or owed during the year.
- 3
- 4 ENTERTAINMENT, MEALS, GIFTS AND OTHER EXPENSES (Employee Business
4 Expenses on Schedule A, or Schedule C Expenses)
- 4 Acceptable documentation includes:
- 4
- 4 - Copies of the records and receipts for entertainment expense and
4 meals you claimed. The records must have been made timely and must
4 show the name(s) and business relationship of the person(s)
4 entertained. The records also must show the date, place and purpose
4 of the entertainment and the amount of the expenditure.
 - 4 - For entertainment facilities, copies of the records showing the
4 expenses you incurred. Show total use, and business use of the
4 facility if you maintained it.
 - 4 - For business gifts, copies of records and receipts showing the cost
4 of the gifts you provided, the persons to whom the gifts were given,
4 and their business relationship.
- 4
- 5 TRAVEL, LODGING, AND OTHER EXPENSES (Employee Business Expenses on
5 Schedule A, or Schedule C Expenses)
- 5 Acceptable documentation includes:
- 5
- 5 - Copies of documents showing that this travel was related to your
5 business.
 - 5 - Copies of transportation tickets, receipts, and cancelled checks to
5 substantiate the expenses you claimed.
 - 5 - Copies of lodging receipts and verification of the number of days
5 away from home overnight for business purposes.
 - 5 - Copies of brochures, activity schedules, and agendas for all
5 conventions, cruises or meetings.
- 5
- 6 UNIFORMS, EQUIPMENT AND TOOLS (Employee Business Expenses on
6 Schedule A)
- 6 To substantiate this expense, you must provide the following:
- 6
- 6 - A statement describing the items claimed and an explanation of how
6 they related to your employment.
 - 6 - A statement from your employer stating whether or not the expense

6 was required. Also, provide your employer's description of the
6 reimbursement policy and the amount reimbursed on the allowance
6 paid; and

6 - Copies of cancelled checks and receipts verifying expenses.

7 BAD DEBTS FROM SALES OR SERVICES (Schedule C)

7 Acceptable documentation includes:

7 - Verification of your debt, such as a note or contract establishing
7 the debtor-creditor relationship.

7 - The full name and the last known address of the debtor.

7 - Evidence of your efforts to collect the debt.

7 - Evidence of the collectibility of the debt in the year claimed.

7 - Evidence that the debt previously was included in your income.

8 COPIES OF ALL FORMS 1099 FOR COMMISSIONS PAID (Schedule C or F)

8 Acceptable documentation includes:

8 - If Forms 1099 were not issued, the names, addresses, and social
8 security numbers for recipients of commissions.

8 - Copies of contracts or other written agreements for contract labor.

8 - Copies of cancelled checks and all other records to verify amounts
8 paid to each person in each contract.

9 COST OF GOODS SOLD (Schedule C)

9 Acceptable documentation includes:

9 - Copies of the physical inventory sheets for both the beginning and
9 ending inventory for the year.

9 - Copies of receipts, cancelled checks, purchase journals or
9 summaries, and all other records for materials, supplies and other
9 costs incurred to raise, produce or purchase goods for resale.

9 - Copies of cancelled checks, contracts and other records to verify
9 the amount paid to each person or contractor. The names, addresses,
9 and social security numbers of persons paid.

9 - The description and computation of the cost of the inventory items
9 withdrawn for personal use. Include gifts to family and friends, and
9 items for personal consumption.

a COST OF LIVESTOCK OR OTHER ITEMS BOUGHT FOR RESALE (Schedule F)

a Acceptable documentation includes:

a - Copies of the physical inventory sheets for both the beginning and
a ending inventory for the year.

a - Copies of the receipts, cancelled checks and purchase journals or
a summaries for goods purchased for resale.

a - The description and computation of the cost of inventory items
a withdrawn for personal use. Include gifts to family and friends, and
a items for personal consumption.

b DEPRECIATION/SECTION 179 (Schedule C or F)

b Acceptable documentation includes:

b - Copies of the purchase invoices, settlement sheets, receipts, and
b any other evidence to verify ownership of the assets.

b - A computation of how you determined the depreciable basis of the
b assets. Provide a detailed depreciation schedule for all assets.

- b - Copies of records and log books showing the total business and personal use of the depreciable assets.
- b - For real property, verification of your ownership of the property, the date acquired, the cost of the property, the land allocation, and the cost of improvements or additions to the property.

b
c DEPRECIATION OF RENTAL PROPERTY (Schedule E)
c Acceptable documentation includes:

- c - Evidence to verify your ownership of the property, the date acquired, the cost, and the computation of basis, if different from cost. Also, submit a calculation showing allocation of basis to land and to buildings, and another to show the cost of improvements and additions to the property.
- c - A schedule of depreciation computed for the current and prior year.

c
d GROSS RECEIPTS (Schedule C or F)
d Acceptable documentation includes:

- d - A brief history of your business operations.
- d - Copies of all books, journals, ledgers and workpapers used to determine gross receipts.
- d - Copies of all bank statements and deposit slips, both business and personal, savings and checking, for the 14 month period from December through January of the year in question.
- d - Records of all savings and invested funds, for the year. This would include such investment vehicles as money market accounts, certificates of deposit, and other items.
- d - Copies of records and documentation of all other business and personal receipts. These might be loans, insurance proceeds, inheritances, salaries, employer reimbursements, gifts, social security benefits, and transfers between bank accounts.
- d - Copies of purchase invoices or closing statements for acquisitions and dispositions of business and personal capital items. This includes real estate, automobiles, and machinery and equipment.

d
e MACHINE AND LABOR HIRE (Schedule C or F)
e Acceptable documentation includes:

- e - Copies of all Forms 1099 for machine expenses paid.
- e - If Forms 1099 were not issued to persons who were paid for machine work, list the names, addresses, and social security number of those persons.
- e - Copies of cancelled checks, invoices, and other records to verify amount paid.

e
f OFFICE IN THE HOME (Schedule C Expenses)
f Acceptable documentation includes:

- f - Copies of statements from third parties, if applicable, showing you were required to provide an office in your home or elsewhere.
- f - Copies of cancelled checks or receipts verifying expenses incurred such as interest, taxes, insurance, and utilities.
- f - Copies of records to support the cost basis for depreciation.
- f - Verification of the square footage of the home and the total square footage in the area used for business.

f

g PENSION OR PROFIT SHARING PLANS

g Acceptable documentation includes:

- g
g - Copies of cancelled checks and other documents verifying the
g establishment of the plan and contributions to the plan for the
g year.

g
h RENTAL INCOME (Schedule E)

h Acceptable documentation includes:

- h
h - Evidence to verify your ownership of the property.
h - Copies of receipts, lease agreements and other records showing the
h total amount of rent you received.
h - A statement from a real estate agent showing the fair rental value
h for similar properties in the same geographic area. If any of the
h units were occupied rent-free or below fair rental value during the
h year, provide an explanation.
h - Tell us the total number of days the unit was rented, and the
h number of days you used the unit for personal purposes.
h - If the property was converted from a personal residence to rental
h property, give the date of the conversion.

h
i SALARIES AND WAGES PAID (Schedule C)

i Acceptable documentation includes:

- i
i - Copies of the employment tax returns (Forms 940, 941 or 943) to
i support your deduction for salaries and wages paid to employees.
i - Copies of Forms W-2, W-4, and 1099 for all employees.
i - Copies of payment records, including cancelled checks, for
i salaries and wages paid.

i
j SALE OF REAL AND PERSONAL PROPERTY (Schedule D)

j Acceptable documentation includes:

- j
j - A copy of the bill of sale or closing/settlement statement for the
j purchase of the property.
j - Copies of the verification of the capital improvements made to the
j property, such as receipts, bills and/or contracts.
j - A copy of the closing statement and the records showing the terms
j and expenses of the sale.
j - If the property was repossessed or foreclosed, a copy of the income
j tax return for the year of the original sale. Also, copies of all
j contracts or legal documents involved, and verification of the
j repossession or foreclosure costs.
j - Copies of documents to verify the purchase cost and sales price of
j other capital assets sold.

j
k STOCK SALES (Schedule D)

k Acceptable documentation includes:

- k
k - Copies of brokerage vouchers and monthly statements establishing the
k purchase price, the sales price, and the dates of transactions.
k - If you sold securities on which you had a return of capital or stock
k splits, copies of your records showing distributions received during
k the holding period. For worthless securities, provide verification
k of the dissolution or liquidation and the amount of the liquidating
k distribution.

k

l STUDENT LOAN INTEREST (1040 page 1)

l Acceptable documentation includes:

l

- l - Copies of the student loan contract (original and refinanced), interest paid statements and cancelled checks or receipts to verify payments.
- l - Copies of transcripts for all years that you incurred student loans.
- l - Copies of receipts for all education costs, such as tuition, fees, room and board, books, and equipment.
- l - Statements for all nontaxable sources of income from:
 - l All employer-provided educational assistance programs
 - l Withdrawals from any educational Individual Retirement Account
 - l U.S. savings bond interest that is nontaxable because you paid qualified higher education expenses
 - l Qualified scholarships
 - l Veterans educational assistance benefits
 - l Any other nontaxable payments received for educational expenses
- l - Copies of all tax returns for years that you incurred student loans.

l

m MEDICAL SAVINGS ACCOUNT (1040 page 1)

m Acceptable documentation includes:

m

- m - Copies of statements from all employers showing the total number of employees and total contributions made to your medical savings account (if a joint return, both spouses).
- m - A copy of all health insurance plans.
- m - Copies of cancelled checks or other verifications of contributions.

m

n SALE OF PERSONAL RESIDENCE (Schedule D)

n Acceptable documentation includes:

n

- n - Copies of closing statements for the sale of the residence and for the cost of the residence when it was purchased.
- n - Copies of cancelled checks and receipts for improvements made to the residence that was sold.
- n - A copy of documentation for any casualty loss deduction previously claimed.
- n - A copy of documentation for any other sales of personal residence(s) within the previous 2 years.
- n - If the residence was converted to rental or business use, give the date of the conversion and the date it reverted to personal use.
- n - A copy of your income tax return for the last year the home was used for business before the sale.
- n - Copies of all Forms 2119 from prior years to verify the adjusted basis of the residence sold.

n

o []

o

p []

p

q TIPS

q If you have information about your tip income that is different from the information we received from your employers, please submit one or more of the following:

q

- q - Tip Diary

q - A statement/letter from your employer stating that the tips didn't
q relate to employment, or that you are not a directly tipped
q employee, depending on your present situation

r SELF-EMPLOYMENT TAX

r If you believe you are exempt from this tax, please submit the
r following information:

- r - A copy of your Form 4361, or
- r - A copy of your Form 4029

r If the amount on line 21 of your Form 1040 income tax return is not
r from self-employment, please submit a statement explaining the type of
r income you received, and a copy of the Form 1099, or some other record
r you have from the payer that explains the income.

s FIRST-TIME HOMEBUYER CREDIT

s In order to verify the property is your residence, the listed items
s below are acceptable documentation (at least two items are required):

- s - A copy of your current driver's license or other state-issued ID
s showing your home address.
- s - A copy of a recent pay statement (within the last two months)
s showing your name and home address.
- s - A copy of a recent bank statement (within the last two months)
s showing your name and home address.
- s - A copy of a current automobile registration showing your name and
s home address.
- s - Confirmation of a change of address from the U.S. Post Office
s showing your former and new address.
- s - A contract from a moving company for your receipt of transported
s household items, showing points of origination and destination.

s To verify the details of the home purchase, you must provide ALL of
s the following documents:

- s 1. A copy of the final closing contract, settlement or Form HUD-1
s statement showing the property address, the seller(s) and
s buyers(s) names, and the purchase price; and,
- s 2. A copy of your most recent monthly mortgage statement. If your
s purchase was financed through a private mortgage and monthly
s statements are not available, provide a copy of a cancelled check
s (front and back) from a payment made within the last three
s months. If your purchase was a cash sale, provide proof you paid
s for the property such as a copy of your cancelled check(s) (front
s and back) or other method of payment; and,
- s 3. If the home you purchased was newly-constructed, a copy of the
s occupancy permit.

t Special Rule for Long-Time Resident Credit

t In order to verify that you are eligible for the Long-Time Resident
t Credit, please provide the items listed below:

t To verify the property is your new residence, provide a copy of at
t least two of the items listed below:

- t - A copy of your current driver's license or other state-issued ID

- t showing your name and home address.
- t - A copy of a recent pay statement (within the last two months)
- t showing your name and home address.
- t - A copy of a recent bank statement (within the last two months)
- t showing your name and home address.
- t - A copy of a current automobile registration showing your name and
- t home address.
- t - Confirmation of a change of address from the U.S. Post Office
- t showing your former and new address.
- t - A contract from a moving company for your receipt of transported
- t household items, showing points of origination and destination.

t To verify the details of the home purchase you must provide ALL of

t the following documents:

- t 1. A copy of the final closing contract, settlement or Form HUD-1
- t statement showing the property address, the seller(s) and
- t buyer(s) names, and the purchase price; and,
- t 2. A copy of your most recent monthly mortgage statement. If your
- t purchase was financed through a private mortgage and monthly
- t statements are not available, provide a copy of a cancelled check
- t (front and back) from a payment made within the last three
- t months. If your purchase was a cash sale, provide proof you paid
- t for the property such as a copy of your cancelled check(s) (front
- t and back) or other method of payment; and,
- t 3. If the home you purchased was newly-constructed, a copy of the
- t occupancy permit is also required.

t To verify that you lived in the prior residence for 5 consecutive

t years during the 8 years prior to the date you purchased your new

t primary residence, please provide at least 2 of the following:

- t - A copy of the final closing contract showing the buyer(s) names,
- t date of purchase, and property address of your prior residence.
- t - Copies of tax statements and cancelled checks showing real estate
- t tax payments for the property for at least 5 consecutive years; the
- t information should show the address of the property.
- t - Copies of annual mortgage interest statements for 5 consecutive
- t years.
- t - Any other information which shows your ownership of the prior
- t residence, and that you used it as a principal residence for 5
- t consecutive years. This may include copies of homeowner insurance
- t policies, statements from utility companies, or school records
- t which show your name(s) and address.

t The supporting documents for each disputed adjustment must be

t complete enough for the examiner to make a fair and accurate

t determination. Also, the examiner must not have considered the

t information previously.

Submit only photocopies of all documents used for verification.

DO NOT SEND ORIGINALS. When possible, attach a copy of the

Form 4549, Income Tax Examination Changes, you received during

the audit.

When we receive your supporting documentation for audit

reconsideration, we may temporarily stop the collection activity on

the account. However, if you are currently in an installment agreement, you must continue to make payments. Submit your supporting documentation within 30 days. If the documentation does not support your position, we will resume collection and notify you accordingly.

Please submit your documentation, along with this letter, to the Audit Reconsideration Unit at the following service center address:

[]

u You can also fax your documents with page one of this letter to
u [] (not toll-free). Please list your taxpayer
u identification number and the tax period on each page.
u

If you have questions, you can call us at []
between the hours of [] and [].

Print your telephone number and the best time for us to call you if we need more information in the spaces below. Keep a copy of this letter and copies of any information you send us for your records.

Home Telephone Number: () _____ Best Time to call: _____
Work Telephone Number: () _____ Best Time to call: _____

Thank you for your cooperation.

Sincerely yours,

Enclosure(s):
v Form 12661
Publication 3598
w []