

Internal Revenue Service

1973 North Rulon White Blvd.
Mail Stop 4388
Ogden UT 84201-0040

Date: August 6, 2007

A. E.
14 20TH STREET
MIDDLE R MN 5673

Department of the Treasury

Taxpayer Identification Number:

Form:

1040

Tax Period Ended and Tax Deficiency:

December 31, 2005

\$8,323.00

Person to Contact:

Mr. Parizek

PC 0277

EGC 5291

Contact Telephone Number:

1-866-899-9083

Employee Identification Number:

29-61699

Refer Reply to:

S:C:CS:O:C:E

Last Date to Respond to this letter:

September 5, 2007

Contact Fax Number:

1-801-620-2391

**We have not Received Your Federal Income Tax Return
and We Need You to File Your Return**

Why We're Sending You This Letter

We are sending you this letter because we previously asked you to send us your federal income tax return (Form 1040, 1040A, or 1040EZ) for the tax period(s) shown above, but a response has not been received. Since we don't have a record of receiving a response from you, we have figured your tax and proposed penalties based on the information your employers, banks, and other payers reported on Forms W-2, W-2P, 1099, etc. We explain the tax and penalties in the enclosed report.

We Need the Following Information from You

You have three options available to you:

1. If you agree with the tax and penalties shown in the report, please sign, date and return one copy of the report along with payment for the entire balance due. Interest will continue to be charged until the balance is paid in full. If you can't pay the full amount at this time, please call us to discuss how you can pay what you owe.
2. If you don't agree with the tax and penalties and want us to reconsider this matter, please provide a written statement within 30 days from the date of this letter, explaining the reason why you didn't file a return and other related information.
3. If you decide to file a return at this time, please send it to the above address. To help us identify your case, please include this letter with your return. Be sure to include all supporting schedules. We have enclosed a copy of this letter for your records and an envelope for your convenience.

Name and Address of Taxpayer A. E 14 20TH STREET MIDDLE R MN 5673	Taxpayer Identification Number	Return Form No: 1040
	Person with whom examination changes were discussed.	Name and Title:

	Period End 12/31/2005	Period End	Period End
1. Adjustments to Income			
a. Nonemployee Compensation	35,341.00		
b. SE AGI Adjustment	(2,497.00)		
c. Standard Deduction	(600.00)		
d. Exemptions	(400.00)		
e.			
f.			
g.			
h.			
i.			
j.			
k.			
l.			
m.			
n.			
o.			
p.			
2. Total Adjustments	31,844.00		
3. Taxable Income Per Return or as Previously Adjusted	(7,200.00)		
4. Corrected Taxable Income	24,644.00		
Tax Method	TAX TABLE		
Filing Status	Single		
5. Tax	3,329.00		
6. Additional Taxes / Alternative Minimum Tax			
7. Corrected Tax Liability	3,329.00		
8. Less Credits			
a.			
b.			
c.			
d.			
9. Balance (Line 7 less lines 8a through 8d)	3,329.00		
10. Plus Other Taxes			
a. Self Employment Tax	4,994.00		
b.			
c.			
d.			
11. Total Corrected Tax Liability (line 9 plus line 10a through 10d)	8,323.00		
12. Total Tax Shown on Return or as Previously Adjusted	0.00		
13. Adjustments to:			
a.			
b.			
c.			
14. Deficiency-Increase in Tax or (Overassessment -Decrease in Tax) (Line 11 less 12 adjusted by lines 13a plus 13b)	8,323.00		
15. Adjustments to Prepayment Credits - Increase (Decrease)			
16. Balance Due or (Overpayment) (Line 14 adjusted by Line 15) (Excluding interest and penalties)	8,323.00		

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

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

Name Of Taxpayer: A R
Identification Number:

Total 08/06/2007
8.30.00

2005 - SCHEDULE SE - COMPUTATION OF SELF-EMPLOYMENT TAX

Primary

A E

1. Self-employment income	35,341.00
2. Multiply line 1 by 92.35%	32,637.41
3. Farm Optional Method Income	0.00
4. Non Farm Optional Method Income	0.00
5. Earnings subject to self-employment tax (sum of 2, 3, 4)	32,637.41
6. Maximum earnings subject to social security	90,000.00
7. Social Security wages and tips from W-2	0.00
8. Unreported tips from Form 4137	0.00
9. Sum of lines 7 and 8	0.00
10. Line 6 less line 9	90,000.00
11. Multiply the smaller of line 5 or 10 by 12.40%	4,047.04
12. Multiply line 5 by 2.90%	946.48
13. Self-Employment Tax (sum of lines 11 and 12)	4,993.52

Secondary

1. Self-employment income	0.00
2. Multiply line 1 by 92.35%	0.00
3. Farm Optional Method Income	0.00
4. Non Farm Optional Method Income	0.00
5. Earnings subject to self-employment tax (sum of 2, 3, 4)	0.00
6. Maximum earnings subject to social security	90,000.00
7. Social Security wages and tips from W-2	0.00
8. Unreported tips from Form 4137	0.00
9. Sum of lines 7 and 8	0.00
10. Line 6 less line 9	0.00
11. Multiply the smaller of line 5 or 10 by 12.40%	0.00
12. Multiply line 5 by 2.90%	0.00
13. Self-Employment Tax (sum of lines 11 and 12)	0.00

Name of Taxpayer: A E
Identification Number:

Total

08/06/2007

8.30.00

EXPLANATION OF THE DELINQUENCY PENALTY

Since your income tax return was not filed within the time limit prescribed by law and/or the tax was not paid, and you have not shown that such failure was due to reasonable cause, an addition to the tax is charged as shown below, in accordance with Section 6651(a)(1) and/or Section 6651(a)(2) of the Internal Revenue Code.

2005 - DELINQUENCY PENALTY

1. Delinquency penalty abated		0.00
2. Date return due	04/15/2006	
3. Date return filed	08/06/2007	
4. Failure to File penalty rate	0.225	
5. Failure to Pay penalty rate	0.080	
6. Total corrected tax liability (including disallowed prepayment credits)		8,323.00
7. Allowable payments on or prior to due date of return		0.00
8. Net Amount Due (line 6 less line 7)		8,323.00
9. Failure to File Penalty - line 8 multiplied by line 4		1,872.68
10. Minimum penalty if over 60 days delinquent		100.00
11. Failure to File Penalty - Greater of line 9 or line 10		1,872.68
12. Previously assessed Failure to File Penalty		0.00
13. Net Failure to File Penalty - line 11 less line 12		1,872.68
14. Failure to Pay Penalty - line 8 multiplied by line 5		665.84
15. Previously assessed Failure to Pay Penalty		0.00
16. Net Failure to Pay Penalty - line 14 less line 15	*	665.84
17. Total Delinquency Penalty - Sum of line 13 and 16		2,538.52

- If an amount appears as the Failure to Pay Penalty, the amount only reflects the addition to tax under Internal Revenue Code section 6651(a)(2) through the date of this notice. The addition to tax will continue to accrue from the due date of the return at a rate of 0.5 percent each month, or fraction thereof, of nonpayment, not exceeding 25 percent.

Name Of Taxpayer: A E
Identification Number:

Total

08/06/2007

8.30.00

2005 - EXPLANATION OF THE ESTIMATED TAX PENALTY

Since you did not pay sufficient estimated tax, addition to the tax is charged as shown below, in accordance with Section 6654(a) of the Internal Revenue Code.

1. Total corrected tax liability, Form 4549, line 11 (Tax Per Return, if a return was filed)					8,323.00
2. Withholding taxes					0.00
3. Line 1 less line 2 (if less than 1,000.00 estimated penalty does not apply)					8,323.00
4. 90% of line 1					7,490.70
5. Prior year tax liability (110% of tax if AGI was more than \$150,000. or if MFS more than \$75,000.)					0.00
6. The smaller of line 4 or 5 (as adjusted)					7,490.70
7. Payment Due Date	Apr 15, 2004	Jun 15, 2004	Sep 15, 2004	Jan 15, 2005	
8. Payment Required	1,872.68	1,872.68	1,872.68	1,872.68	
9. Payments & Credits	0.00	0.00	0.00	0.00	
10. Overpayment from Line 16		0.00	0.00	0.00	
11. Total of Lines 9 & 10		0.00	0.00	0.00	
12. Previous Qtr Underpayment		1,872.68	3,745.36	5,618.04	
13. 11 minus 12	0.00	0.00	0.00	0.00	
14. Remaining Underpayment		1,872.68	3,745.36		
15. Underpayment	1,872.68	1,872.68	1,872.68	1,872.68	
16. Overpayment	0.00	0.00	0.00	0.00	
17. Penalty	122.47	103.69	75.37	32.32	
18. Previously Assessed Penalty				0.00	
19. Estimated Tax Penalty					333.85



00134

Name Of Taxpayer: A E

08/06/2007

Identification Number:

Total

8.30

2005 TAX YEAR INTEREST COMPUTATION

Interest computed to 09/05/2007

Total Tax Deficiency \$8,323.00

Plus Penalties*

-Overvaluation	\$.00
-Substantial Understatement	\$.00
-Failure to File	\$1,872.68
-Negligence	\$.00
-Civil Fraud	\$.00
-Accuracy Penalties	\$.00

Total Penalties \$2,538.52

Tax Deficiency and Penalties Subject to Interest \$10,861.52

Type	Effective Dates	Days	Rate	Interest
COMPOUND	04/15/2006--06/30/2006	76	7%	\$159.45
COMPOUND	07/01/2006--12/31/2006	184	8%	\$453.50
COMPOUND	01/01/2007--09/05/2007	249	8%	\$643.55
Total Interest				\$1,256.50
Total Underpayment				\$8,323.00
Total Penalties				\$2,872.37
Total Amount Due				\$12,451.87

Additional interest will be charged at the current rate compounded daily. Interest is charged from the original due date of the return to a date 30 days after an agreement to the additional tax is signed, or to the date of payment, if earlier. Negligence and fraud penalties, if applicable, will also continue to be charged. Generally, if notice and demand is made for payment of any amount, and that amount is paid within 21 days after the date of the notice and demand, interest on the amount paid will not be charged after the date of the notice and demand. Since additional tax is due, you may want to pay it now and limit the interest and penalty charges.

* Interest on penalties became effective 7/19/1984 (1/1/1989 for negligence and fraud) and is computed from the due date of the return unless a valid extension was filed.

00134

Form 886-A (Rev. January 1994)	EXPLANATIONS OF ITEMS	Schedule number or exhibit
Name of taxpayer: A E	Tax Identification Number	Year/Period ended 2005

Personal Exemption - Self

Per Return: 0
Per Exam: 1
Per Adjustment: -1

Since you failed to file your tax return(s) for the tax year(s) shown in this report, we have filed for you as authorized by Internal Revenue Code Section 6020(b). The income, filing status, deductions, and credits shown in this report are based on information available to us. The proposed adjustments may not reflect certain deductions, expenses, exemptions, credits and other tax benefits, such as cost basis of capital items, due to your failure to file your return and provide supporting information.

We used Information Return Documents filed by payers as reported under your Social Security Number to determine your income. If you need an itemized list of payers and amounts of the income reported to the Internal Revenue Service, you may request this information by calling the toll-free number or writing to the address shown on the accompanying letter.

SE AGI Adjustment

Per Return: \$0.00
Per Exam: \$2,497.00
Per Adjustment: (\$2,497.00)

Your self-employment tax has changed as a result of adjustments made to your net income from self-employment as shown in this report. The self-employment tax deduction has been adjusted to one-half of the recomputed amount.

Self Employment Tax

Per Return: \$0.00
Per Exam: \$4,994.00
Per Adjustment: \$4,994.00

We have adjusted your self-employment tax due to a change in your net earnings from self-employment income.

Why This Information is Needed

Under the Privacy Act of 1974, we must inform you that our legal right to ask for this information is listed under Internal Revenue Code sections 6001, 6011, 6012(a) and their regulations. It states you must furnish us with records of statements for any tax year that you are liable for, including the taxes your employer withheld.

We ask for this information, which you are required to provide to us, to carry out the Internal Revenue Tax laws of the United States. We may provide the information to the Department of Justice for civil and criminal litigation, and other federal agencies, states, cities and the District of Columbia for use in administering their tax laws.

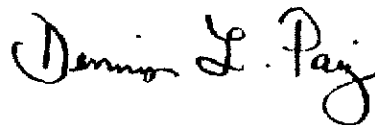
If you do not provide the information requested, or provide fraudulent information, you may be charged penalties and in certain cases, you may be subject to criminal prosecution. Your exemptions, exclusions, credits, deductions or adjustments shown on the tax return will be disallowed also. This could make the tax higher or delay any refund. Interest may also be charged. We have enclosed Publication 3498-A, *The Examination Process (Examinations by Mail)*, for your information.

How to Contact Us

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

Thank you for your cooperation.

Sincerely,



Dennis L. Parizek
Operations Manager, Examination

Enclosures:
Copy of this letter
Envelope
Examination Report (2)
Publication 3498-A

Name of Taxpayer
A E

Taxpayer Identification Number

Return Form No:
1040

17. Penalties/ Code Sections	Period End 12/31/2005	Period End	Period End
a. Delq-IRC 6651(a)(2)	665.84		
b. Delq-IRC 6651(a)(1)	1,872.68		
c. Estimated Tax-IRC 6654	333.85		
d.			
e.			
f.			
g.			
h.			
i.			
j.			
k.			
l.			
m.			
n.			
18. Total Penalties	2,872.37		
Underreporter attributable to negligence: (1981-1987) A tax addition of 50 percent of the interest due on the underpayment will accrue until it is paid or assessed.			
Underreporter attributable to fraud: (1981-1987) A tax addition of 50 percent of the interest due on the underpayment will accrue until it is paid or assessed.			
Underreporter attributable to Tax Motivated Transactions (TMT). The interest will accrue and be assessed at 120% of the under-payment rate in accordance with IRC §6621(c)	0.00		
19. Summary of Taxes, Penalties and Interest:			
a. Balance due or (Overpayment) Taxes - (Line 16, Page 1)	8,323.00		
b. Penalties (Line 18) computed to 08/06/2007	2,872.37		
c. Interest (IRC§ 6601) - computed to 09/05/2007	1,256.50		
d. TMT Interest - computed to 09/05/2007 (on TMT underpayment)	0.00		
e. Amount due or (refund) - (sum of Lines a, b, c and d)	12,451.87		

Other Information:

Examiner's Signature: Mr. Parizek - MS 4388	Employee ID: 29-61699	Office: Ogden Service Center	Date: 08/06/2007
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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.

PLEASE NOTE: If a joint return was filed, BOTH taxpayers must sign

Signature of Taxpayer	Date:	Signature of Taxpayer	Date:
By:		Title:	Date: