

 **IRS** Department of the Treasury  
Internal Revenue Service  
OGDEN, UT 84201-0040

**Letter Number: 3219(SC/CG)**  
**Letter Date: JANUARY 28, 2004**

**Taxpayer Identification Number:**

7112 7667 8555

**Tax Form: 1040**

**Tax Year Ended and Deficiency**

DECEMBER 31, 1999 \$ 9,967.40

**Contact Person:**

MR. PARIZEK 29-61699

**Contact Telephone Number:**

(866) 899-9083  
(TOLL FREE NUMBER)

**Hours to Call:**

7:00 AM TO 7:00 PM MON-FRI

**Last Date to Petition Tax Court:**

APRIL 27, 2004

**Penalties/Additions to Tax**

IRC Section 6651(a)(1)	\$ 685.81
IRC Section 6654(a)	\$958.91

J N  
521 AVE  
PORTLAND, OR 9720

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).

If you have questions about this letter, you may call the Contact Person whose name and telephone number are shown in the heading of this letter. If this number is outside your local calling area, there will be a long distance charge to you. If you prefer, you can call the Internal Revenue Service (IRS) telephone number in your local directory. An IRS employee there may be able to help you, but the office at the address shown on this letter is most familiar with your case.

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 (801) 620-7168 or writing to:

OGDEN SERVICE CENTER  
TAXPAYER ADVOCATE  
P.O. BOX 9941, STOP 1005  
OGDEN, UT 84409

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



Enclosures:  
Copy of this letter  
Waiver  
Envelope

THOMAS D. MATHEWS  
COMPLIANCE CENTER  
OGDEN Service Center

FORM 5564 (Rev. June 1992)

Department of the Treasury -- Internal Revenue Service  
**NOTICE OF DEFICIENCY - WAIVER**Symbols  
OGDEN  
STOP 4388

Name and Address of Taxpayer(s)

JANUARY 28, 2004

J N  
521 AVE  
PORTLAND, OR 9720

Kind of Tax

 Copy to Authorized Representative

INDIVIDUAL INCOME

Tax Year Ended

DEFICIENCY

DECEMBER 31, 1999

Increase in Tax \$ 9,967.40

Penalties

IRC Section 6651(a)(1)  
IRC Section 6654(a)\$ 685.81  
\$958.91

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
		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.**

Name and Address of Taxpayer		SS or EI Number:	Return Form No: 1040
J N 521 AVE PORTLAND OR 9720		Person with whom examination changes were discussed.	Name and Title:
1. Adjustments to Income		Period End 12/31/1999	Period End
a. Standard Deduction		(4,300.00)	
b. Exemptions		(2,750.00)	
c. Non-Employee Compensation		18,031.00	
d. SE AGI Adjustment		(1,274.00)	
e. Interest		67.00	
f. Taxable Distribution		47,434.00	
g.			
h.			
i.			
j.			
k.			
l.			
m.			
n.			
o.			
<b>2. Total Adjustments</b>		<b>7,208.00</b>	
<b>3. Taxable Income Per Return or as Previously Adjusted</b>		<b>0.00</b>	
<b>4. Corrected Taxable Income</b>		<b>7,208.00</b>	
Tax Method		Tax Tables	
Filing Status		Single	
<b>5. Tax</b>		<b>2,676.00</b>	
<b>6. Additional Taxes / Alternative Minimum Tax</b>			
<b>7. Corrected Tax Liability</b>		<b>2,676.00</b>	
<b>8. Less Credits</b>			
a.			
b.			
c.			
<b>9. Balance (Line 7 less total of lines 8a through 8d)</b>		<b>2,676.00</b>	
<b>10. Plus Other Taxes</b>	a. Self-Employment Tax	2,548.00	
	b. IRA Tax	4,743.40	
	c.		
<b>11. Total Corrected Tax Liability (line 9 plus line 10a - 10d)</b>		<b>9,967.40</b>	
<b>12. Total Tax Shown on Return or as Previously Adjusted</b>		<b>0.00</b>	
<b>13. Adjustments to:</b>			
a. Special Fuels Credit			
b.			
c.			
<b>14. Deficiency-Increase in Tax or (Overassessment Decrease in Tax) (Line 11 less 12 adjusted by 13)</b>		<b>9,967.40</b>	
<b>15. Adjustments to Prepayment Credits</b>		<b>0.00</b>	
<b>16. Balance Due or (Overpayment) (Line 14 adjusted by Line 15) ( Excluding interest and penalties)</b>		<b>9,967.40</b>	

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 file the State form.

You may be subject to backup withholding if you underreport your interest, dividend, or patronage dividend income and do not pay the required tax. The IRS may order backup withholding at 31 percent after four notices have been issued to you over a 120-day period and the tax has been assessed and remains unpaid.

<b>Name and Address of Taxpayer</b> J N	<b>SS or EI Number:</b>	<b>Return Form No:</b> 1040
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17. Penalties	Period End 12/31/1999	Period End
a. Delq-IRC 6651(a) (2)	4,193.15	
b. Delq-IRC 6651(a) (1)	4,492.67	
c. Estimated Tax – IRC 6654	958.91	
d.		
e.		
f.		
g.		
h.		
i.		
j.		
k.		
l.		

<b>18. Total Penalties</b>	9,644.73	
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Underpayment attributable to negligence: (1981-1987) A tax addition of 50 percent of the interest due on underpayment will accrue until paid or assessed.		
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Underpayment attributable to fraud: (1981-1987) A tax addition of 50 percent of the interest due on underpayment will accrue until paid or assessed.		
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Underpayment attributable Tax Motivated Transactions TMT interest will accrue and be assessed at 120% of underpayment rate in accordance with IRC 6621(c).		
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19. Summary of Taxes, Penalties and Interest:		
a. Balance due or Overpayment Taxes – Line 16, Page 1	9,967.40	
b. Penalties (Line 18, Page 2)-computed to 1/28/04	9,644.73	
c. Interest (IRC§ 6601)-computed to February 27, 2004	7,226.73	
d. TMT Interest – computed 1/28/04 on TMT underpayment		
e. Amount due or refund (sum of lines a, b, c and d)	6,838.86	

**Other Information:**

Examiner's Signature: Mr. Parizek	Employee ID: 29-61699	Office: Ogden, UT	Date: January 28, 2004
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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 or Director of Field Operations.

PLEASE NOTE: If a joint return was filed, BOTH taxpayers must sign	<b>Signature of Taxpayer</b>	<b>Date</b>	<b>Signature of Taxpayer</b>	<b>Date</b>
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<b>By:</b>	<b>Title</b>	<b>Date</b>
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Name of Taxpayer: J  
Identification Number:

N

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## HOW TO PAY YOUR TAXES

If you agree with our examination, pay now by sending a check or money order and your signed agreement. The enclosed report does not reflect any balance currently due on your account.

Why it is to your advantage to pay now:

- Decreases future interest charges
- Prevents assessment of failure to pay penalty
- Reduces payment of nondeductible interest
- Eliminates further contact with us

If you agree with our examination and cannot pay now:

- 1) Can you pay the full amount within 120 days?  Yes  No
- If yes, send in the signed agreement now and submit the balance due when you receive a bill.
  - If no, you may be eligible for a payment plan.

- 2) If you would like us to consider an instalment agreement, submit your written request or check the box below and return this flyer with your signed agreement.

I would like to pay \$ \_\_\_\_\_ per month.

(We encourage you to make your payments as large as possible to limit penalty and interest charges.)

I would like my payment to be due on the \_\_\_\_\_ of the month.

(Please indicate a date between the 1 st and 28 th of the month.)

You will be charged a \$43 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: (     ) \_\_\_\_\_

ALSO, if you agree with our examination, PLEASE SIGN PAGE 2 OF THE REPORT (Form 4549) and return pages 1 and 2 to us.

\*Interest and applicable penalties will continue to accrue until your balance is paid in full.

Name of Taxpayer: J  
Identification Number:

N

1999

TAX YEAR INTEREST COMPUTATION

Interest computed to	February 27, 2004
Total Tax Deficiency	9,967.40
Plus Penalties*	
-Overvaluation	\$ .00
-Substantial Understatement	\$ .00
-Failure to File	492.67
-Negligence	\$ .00
-Civil Fraud	\$ .00
-Accuracy Penalties	\$ .00
Total Penalties	<u>644.73</u>
Tax Deficiency and Penalties Subject to Interest	\$ 4,460.07

Type	Effective Dates	Days	Rate	Interest
COMPOUND	04/01/2000--12/31/2000	275	9%	1,711.05
COMPOUND	01/01/2001--03/31/2001	90	9%	587.20
COMPOUND	04/01/2001--06/30/2001	91	8%	539.00
COMPOUND	07/01/2001--12/31/2001	184	7%	980.36
COMPOUND	01/01/2002--03/31/2002	90	6%	421.43
COMPOUND	04/01/2002--12/31/2002	275	6%	1,327.02
COMPOUND	01/01/2003--09/30/2003	273	5%	1,144.08
COMPOUND	10/01/2003--02/27/2004	150	4%	516.59
Total Interest				7,226.73
Total Underpayment				9,967.40
Total Penalties				<u>9,544.73</u>
Total Amount Due				6,838.86

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.

Name of Taxpayer: J  
Identification Number:

N

January 28, 2004

1999

**SCHEDULE SE - COMPUTATION OF SELF-EMPLOYMENT TAX**

Primary  
J

N

1. Self-employment income	8,031.00
2. Multiply line 1 by 92.35%	6,651.63
3. Farm Optional Method Income	
4. Non-Farm Optional Method Income	
5. Earnings subject to self-employment tax (sum of 2, 3, 4)	6,651.63
6. Maximum earnings subject to social security	72,600.00
7. Social Security wages and tips from W-2	0.00
8. Unreported tips from Form 4137	
9. Sum of lines 7 and 8	0.00
10. Line 6 less line 9	72,600.00
11. Multiply the smaller of line 5 or 10 by 12.40%	2,064.80
12. Multiply line 5 by 2.90%	482.90
13. Self-Employment Tax (sum of lines 11 and 12)	2,547.70

Secondary

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





Name of Taxpayer: J  
Identification Number:

N

January 28, 2004

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**1999 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)	9,967.40
2. Withholding taxes + payments made on or before 4/15/1999	0.00
3. Line 1 less line 2 (if less than \$500, estimated penalty does not apply)	9,967.40
4. 90% of line 1	7,970.66
5. Prior year tax liability (110% of tax if AGI was more than \$150,000. or if MFS more than \$75,000.)	
6. The smaller of line 4 or 5 (as adjusted)	7,970.66
7. Total underpayment for year	7,970.66
8. Overpayment	
9. Multiply line 7 by 0.05336	958.91
11. Previously Assessed Penalty	
12. Estimated Tax Penalty	958.91

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**1999**

**PERSONAL EXEMPTION WORKSHEET**

1. Multiply \$ 2,750.00 by the total number of exemptions claimed on Form 1040, line 6e	2,750.00
2. Adjusted Gross Income	4,258.00
3. Limitation based on Filing Status	126,600.00
4. Subtract line 3 from line 2	0.00
5. Divide line 4 by \$2,500 (\$1,250 if married filing separately)	0
6. Multiply line 5 by 2% and enter the result as a decimal	0.0
7. Multiply line 1 by line 6	0.00
8. Deduction for exemptions (Subtract line 7 from line 1)	2,750.00

Note: If Line 4 is more than \$122,500. or (\$61,250. if married filing separately), a deduction for exemptions cannot be taken.

Name of Taxpayer: J  
Identification Number:

N

January 28, 2004

**1999 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.

**DELINQUENCY PENALTY**

1. Delinquency penalty abated		0.00
2. Date return due	April 15, 2000	
3. Date return filed	9/26/2003	
4. Failure to File penalty rate	0.225%	
5. Failure to Pay penalty rate	0.210%	
6. Total corrected tax, Form 4549, line 11		9,967.40
7. Payments on or prior to due date of return		0.00
8. Line 6 less line 7		9,967.40
9. Failure to File Penalty - line 8 multiplied by line 4		4,492.67
10. Minimum penalty if over 60 days delinquent		100.00
11. Failure to File Penalty - Greater of line 9 or line 10		4,492.67
12. Previously assessed Failure to File Penalty		0.00
13. Net Failure to File Penalty - line 11 less line 12		4,492.67
14. Failure to Pay Penalty - line 8 multiplied by line 5		4,193.15
15. Previously assessed Failure to Pay Penalty		0.00
16. Net Failure to Pay Penalty - line 14 less line 15 *		4,193.15
17. Total Delinquency Penalty - Sum of line 13 and 16		8,685.82

\* 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.