

Chi Pham
RCMU (10.30)

TO: HILDA BLACK

FROM: CHI PHAM

DATE: June 12, 2009

SUBJECT: TAX PENALTIES

I am writing in response to your request for compensation for penalties imposed on you, by the IRS, due to a tax error. I have examined your explanation, your 2008 tax report, the letter from the IRS, and the recording of our April conversation. I understand that you are frustrated with the events that have unfolded. After analyzing these events, I have indentified how this misunderstanding occurred. I would like to clear up any confusion. Below is an in-depth explanation on how this misunderstanding arose and why the IRS is charging you with penalties. Good
PT

Last April, I responded to your tax question about a transaction involving only special tax-deferred retirement accounts. You asked, "Is a tax payment required, if transferring funds with gains from one special tax deferred retirement account into another?" I answered, "No, this would not be considered a tax event as long as the transaction was completed in sixty days". ✓

The IRS is currently penalizing you for not disclosing, in your taxes, interest earned from bonds that were cashed. Your actual transaction is different from the transfer scenario we discussed. In actuality, you deposited earnings from bonds into your retirement savings. To clarify, even if the earnings from these bonds were intended for future retirement funds, these bonds were not initially treated as a taxed deferred account. Bonds are considered investments and anything earned from investments are taxable.

In addition, I cautioned in our April conversation that once you started withdrawing money from the tax-deferred account that the interest earned on the portion withdrawn would become taxable. This transaction is similar to cashing bonds. Since you cashed your bonds, any interest earned was required to be disclosed for taxes.

Tax reporting requires great attention to detail and caution. We did discuss a transaction involving funds for your retirement, but I never saw the actual accounts involved and events that occurred. My advice was based solely on the information you shared and was not meant to misguide you. Since I accurately responded to your question in April, I will not be compensating for your bill and interest charges.

This has been an unfortunate occurrence. I understand that you are frustrated with being fined for an error that your were unaware of. Give me a call, if you would like help trying to reduce these fines or creating a payment plan. To avoid future problems, I suggest visiting our office for future tax preparations. Our company strives to assist our customers to provide reliable and accurate tax statements. I would gladly sit down with you to review your finances and help prepare your taxes. You are a valued customer and I hope you will continue to use our services.

I have attached a documentation of our April conversation.

*Very nice - Thorough
and clear*