

## Internal Revenue Service

3333 S. National, Suite 300  
Springfield, Missouri 65807

Date:

## Department of the Treasury

Taxpayer Identification Number:

Person to Contact:

**Timothy E. Noonan**

Contact Telephone Number:

**(417) 841-4529**

Employee Identification Number:

**43-15669**

Dear Sir:

The Internal Revenue Service has determined that some taxpayers have used offshore payment cards (including credit, debit or charge cards) issued by banks in foreign jurisdictions or offshore financial arrangements to avoid United States income taxes.

### **WHY WE ARE SENDING YOU THIS LETTER**

We have selected you for examination because we have identified you as a holder of an offshore payment card(s) or a participant in offshore financial arrangements.

We would like to give you one final opportunity to minimize your exposure to penalties by providing us complete information to help us determine the proper tax treatment of any unreported offshore activity. If your information shows that the civil fraud penalty under Internal Revenue Code (IRC) section 6663 or 6651(f) is warranted, and you have accepted and complied with the terms of this letter, we will impose the civil fraud penalty for *only* the major year. For any other year, we will impose the delinquency penalty under IRC section 6651 or the accuracy-related penalty under IRC section 6662 in appropriate circumstances. We will make our determination on these penalties based on our consideration of all of the facts and circumstances. Additionally, we will not impose information return civil penalties for failure to comply with IRC sections 6035, 6038, 6038A, 6038B, 6038C, 6039F, 6046, 6046A, and 6048 if you file delinquent or amended information returns.

Also, civil penalties for violations involving Reports of Foreign Bank and Financial Accounts (FBAR) will be imposed for *only* one year and we may resolve the FBAR penalty for less than the statutory amount based on the facts and circumstances of your case. Except for the FBAR penalty in one year, to which you will be expected to agree, civil penalties will not be imposed for failure to file an FBAR, for filing a false FBAR, or failing to keep records you are required to keep, if you file delinquent or amended FBARs. The FBAR penalty under 31 U.S.C. section 5321(a) (5) (B) (ii) can be a substantial amount. The penalty can be the greater of \$25,000 or the highest balance you had in an offshore account during the year in question (but no higher than \$100,000 for each violation) and this penalty can be assessed for each year for which you were required to file an FBAR. On April 8, 2003, the Director of the Financial Crimes Enforcement Network (FinCEN) delegated authority to impose the FBAR penalty to the Internal Revenue Service.

### **ARE YOU ELIGIBLE FOR THIS OFFER**

This offer is not available to you if:

- you promoted, solicited, or, in any way, facilitated the participation of others (other than members of your immediate family, or individuals from whom you did not receive compensation of more than a nominal amount) in arrangements to avoid taxation by using offshore payment cards, offshore financial arrangements, or any other abusive transaction, domestic or offshore, such as arrangements based on arguments refuted by the Service in The Truth About Frivolous Tax Arguments found at [www.irs.gov/pub/irs-utl/friv\\_tax.pdf](http://www.irs.gov/pub/irs-utl/friv_tax.pdf);
- during the years for which you are requesting penalty relief, you derived income from illegal sources, such as income from drug trafficking; or

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- during the years for which you are requesting penalty relief you used offshore payment cards or offshore financial arrangements to support or, in any way, facilitate illegal activities not related to taxes.

If you accept this offer, your acceptance constitutes a representation that you are not a promoter and that your case does not involve any illegal activities as described above. If you misrepresent your eligibility, we will conduct a complete examination of your returns and assert all applicable penalties.

#### **WHAT YOU NEED TO DO TO PARTICIPATE**

We must hear from you within 30 days from the date of this letter regarding your intent to accept this offer.

This is an opportunity for you to help resolve your case without us conducting a formal examination. If you wish to take advantage of this opportunity, please call us at the phone number listed on this letter to discuss how to proceed. If you do not comply with the terms of this letter, you will be subject to an examination and possible additional penalties, including civil fraud, information return, and Report of Foreign Bank or Financial Accounts (FBAR) penalties on all tax years examined.

#### **WHAT YOU WILL NEED TO PROVIDE**

In order to participate, you must submit all of the following items as soon as possible and no later than 150 days of the date of this letter:

1. Copies of your previously filed original and amended Federal Income Tax Returns for tax periods ending after December 31, 1998;
2. Copies of any power of attorney declarations (Forms 2848) you granted for tax periods ending after December 31, 1998;
3. Descriptions of offshore payment cards and foreign and domestic accounts of any kind (including the name and address of the bank or financial institution, the account number, and the date the account was opened), and descriptions of foreign assets in which you have or had any ownership or beneficial interest or that are or were controlled by you (i.e., you have or had the practical ability to direct or influence the financial transactions or affairs of an account or entity, or the use or disposition of an asset, whether this ability was exercised directly or indirectly through a nominee, agent, power of attorney, letter of directions, letter of wishes, or any other device whatsoever) at any time after December 31, 1998;
4. Descriptions of entities of any kind (including but not limited to corporations, partnerships, trusts, and estates) and any nominees through which you exercised control over foreign funds, assets, or investments at any time after December 31, 1998;
5. Descriptions of the source of any foreign funds, assets, or investments you owned or controlled at any time after December 31, 1998;
6. Complete information regarding your offshore payment cards and offshore financial arrangements including:
  - a. The names, addresses, and telephone numbers of any parties who promoted or solicited the use of offshore payment cards or offshore financial arrangements;
  - b. If known to you, the names, addresses, and telephone numbers of any parties who advised or assisted the promoters or solicitors with respect to the use of offshore payment cards or offshore financial arrangements;
  - c. All promotional materials, transactional materials, and other related correspondence and documentation that you received regarding offshore payment cards or offshore financial arrangements;
7. Complete and accurate amended or delinquent original federal tax returns for all tax years ending after December 31, 1998, which are supported by an explanation of previously unreported income or incorrectly claimed deductions or credits, or other erroneous item (whether or not related to offshore payment cards or offshore financial arrangements);
8. Complete and accurate amended or delinquent original information returns required by IRC sections 6035, 6038, 6038A, 6038B, 6038C, 6039F, 6046, 6046A, and 6048 for which you are requesting relief from penalties; and

9. Complete and accurate Report of Foreign Bank or Financial Accounts (FBAR) forms for tax years ending after December 31, 1998. (FBAR forms are available by contacting the Financial Crimes Enforcement Network (FinCEN)), U.S. Department of the Treasury, at 1-800-949-2732.

The Service may request that you provide documentation of the matters described in paragraphs 3 through 6 above, and information regarding all transactions conducted through the foreign accounts and entities. Additionally, the Service may request that you provide executed consents or special consents to extend the time to assess tax. Failure to respond to reasonable requests for information or consents in a timely manner may result in withdrawal of this offer.

Although this offer pertains to years ending after December 31, 1998, we reserve the right to examine prior years (but no earlier than years ending after December 31, 1995) if the information you produce indicates substantial non-compliance in those years. If you wish to include such earlier years in your submission, the Service will limit any penalties in such years to the accuracy related or delinquency penalties, as appropriate.

With your filing of the required amended or delinquent original returns, you must fully pay the tax liabilities, including applicable penalties, and interest, or make other financial arrangements acceptable to the Service for all years covered by this offer. In addition, you must fully pay all other unpaid, previously assessed liabilities, or make other financial arrangements acceptable to the Service. For purposes of this provision, other financial arrangements acceptable to the Service shall include the completion and submission of complete financial statements. A complete financial statement shall include all assets, domestic and foreign, in which you have an ownership or beneficial interest or over which you have control, whether directly or indirectly through a nominee, agent, power of attorney, letter of directions, letter of wishes, or any other device.

If you need more information on how you can pay additional tax liability, including penalties and interest, please call us at the telephone number listed above.

All of the requested information and any returns should be filed with us at the address listed on this letter.

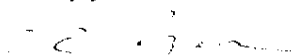
#### **WHAT HAPPENS AFTER YOU HAVE COMPLETED YOUR SUBMISSION**

Upon final acceptance by the Service of the information submitted by you, you must execute a specific matters closing agreement (Form 906). You will agree not to file a refund claim for the underlying tax, penalty and interest liability for any of the subject years on any ground, including the allegation that the statute of limitations had expired prior to assessment. You must also agree that the failure to disclose information that would make you ineligible for this offer, as described above, or the failure to fully and accurately provide the information described in paragraphs 3 through 6 of this letter constitutes a misrepresentation of a material fact under section 7121. In addition, for cases where the tax has not been fully paid at the time of the closing agreement, the failure to pay balances due under terms agreed with the IRS will violate the terms of the closing agreement. These circumstances would allow us to reopen the case and assert all applicable penalties.

It is important that we hear from you within 30 days of the date of this letter. In the event you choose not to respond, you *will* be examined and will need to review the enclosed Publication 1, "Your Rights as a Taxpayer", prior to your examination.

Thank you for your cooperation.

Sincerely yours,



Internal Revenue Agent

Enclosures:  
Publication 1