

Corrected Report

Form 4549-A (Rev. March 2013)		Department of the Treasury-Internal Revenue Service Income Tax Examination Changes (Unagreed and Excepted Agreed)		Page <u>1</u> of <u>4</u>
Name and Address of Taxpayer		Taxpayer Identification Number	Return Form No.:	
Royce M Gracie & Marianne M Cuttlo [REDACTED]		[REDACTED]	1040	
		Person with whom examination changes were discussed.	Name and Title: Thomas W. Oskander	
1. Adjustments to Income		Period End 12/31/2007	Period End 12/31/2008	Period End 12/31/2009
a. Unreported Taxable Interest from Offshore Accounts		36,338.00	14,615.00	11,209.00
b. Schedule C1 - Gross Income		2,496.00		22,209.00
c. Unreported Income from Offshore Accounts		100,000.00	310,450.00	37,000.00
d. Itemized Deductions		1,692.00	29,316.00	373.00
e. Exemptions		816.00	7,002.00	
f. Schedule E Rental / Partnership Flow Through Loss			24,569.00	106,747.00
g. Form 1099-Misc - Nulla LLC			5,000.00	
h. SE AGI Adjustment			(354.00)	(2,827.00)
i. Unreported Schedule C Income from Offshore Account				17,800.00
j.				
k.				
l.				
m.				
n.				
o.				
p.				
2. Total Adjustments		141,342.00	190,598.00	192,511.00
3. Taxable Income Per Return or as Previously Adjusted		37,904.00	(66,560.00)	(204,108.00)
4. Corrected Taxable Income		179,246.00	324,038.00	(11,597.00)
Tax Method	SCHEDULE D		TAX RATE	SCHEDULE D
Filing Status	Joint		Joint	Joint
5. Tax		39,180.00	85,662.00	0.00
6. Additional Taxes / Alternative Minimum		2,397.00	3,538.00	
7. Corrected Tax Liability		41,577.00	89,200.00	0.00
8. Less Credits	a. Child Tax Credit	0.00		
	b.			
	c.			
	d.			
9. Balance (Line 7 less total of Lines 8a thru 8d)		41,577.00	89,200.00	0.00
10. Plus Other Taxes	a. Tax on Qualified Plans		1,000.00	
	b. Self Employment Tax		977.00	5,823.00
	c.			
	d.			
11. Total Corrected Tax Liability (Line 9 plus Lines 10a thru 10d)		41,577.00	91,177.00	5,823.00
12. Total Tax Shown on Return or as Previously Adjusted		900.00	2,545.00	170.00
13. Adjustments to:	a.			
	b. Earned Income Credit			(2,833.00)
	c. Addnl Child Tax Credit		(4,000.00)	0.00
14. Deficiency-Increase in Tax or (Overassessment - Decrease in Tax) (Line 11 less Line 12 adjusted by Lines 13a through 13c)		40,677.00	92,632.00	8,486.00
15. Adjustments to Prepayment Credits-Increase (Decrease)				
16. Balance Due or (Overpayment) - (Line 14 adjusted by Line 15) (Excluding interest and penalties)		40,677.00	92,632.00	8,486.00

Corrected Report

Form 4549-A (Rev. March 2013)	Department of the Treasury-Internal Revenue Service Income Tax Examination Changes (Unagreed and Excepted Agreed)	Page <u>2</u> of <u>4</u>
---	--	---------------------------

Name of Taxpayer Rovce M Gracie & Marianne M Cuttie	Taxpayer identification Number [REDACTED]	Return Form No.: 1040
--	--	--------------------------

17. Penalties/ Code Sections	Period End 12/31/2007	Period End 12/31/2008	Period End 12/31/2009
a. Civil Fraud - IRC 6663	30,507.75		
b. Civil Fraud- IRC 6663		69,474.00	
c. Civil Fraud -IRC 6663			6,364.50
d.			
e.			
f.			
g.			
h.			
i.			
j.			
k.			
l.			
m.			
n.			
18. Total Penalties	30,507.75	69,474.00	6,364.50
Underpayment attributable to negligence: (1981-1987) <i>A tax addition of 50 percent of the interest due on the underpayment will accrue until it is paid or assessed.</i>			
Underpayment attributable to fraud: (1981-1987) <i>A tax addition of 50 percent of the interest due on the underpayment will accrue until it is paid or assessed.</i>			
Underpayment attributable to Tax Motivated Transactions (TMT). <i>Interest will accrue and be assessed at 120% of underpayment rate in accordance with IRC 6621(c).</i>	0.00	0.00	0.00
18. Summary of Taxes, Penalties and Interest:			
a. Balance due or (Overpayment) Taxes - (Line 18, Page 1)	40,677.00	92,632.00	8,485.00
b. Penalties (Line 18) - computed to 03/30/2015	30,507.75	69,474.00	6,364.50
c. Interest (IRC § 6601) - computed to 04/29/2015	0.00	0.00	0.00
d. TMT Interest - computed to 04/29/2015 (on TMT underpayment)	0.00	0.00	0.00
e. Amount due or refund - (sum of Lines a, b, c and d)	71,184.75	162,106.00	14,850.50

Other Information:

The deficiency will accrue interest from the due date of the return until the outstanding balance is paid.

This Report Supersedes the Report Issued 3/30/2015

Examiner's Signature: Name	Employee ID:	Office:	Date:
L. REYNOLDS	0341670	RICHMOND, VA	03/30/2015

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 payments) if the tax remains unpaid after it has been assessed and four notices have been issued to you over a 120-day period.

Corrected Report

Form 4549-A (Rev. March 2013)		Department of the Treasury-Internal Revenue Service Income Tax Examination Changes (Unagreed and Excepted Agreed)		Page <u>3</u> of <u>4</u>
Name and Address of Taxpayer		Taxpayer Identification Number		Return Form No.:
Royce M Gracie & Marianne M Cuttic [REDACTED]		[REDACTED]		1040
		Person with whom examination changes were discussed.	Name and Title:	
			Thomas W. Ostrander	
1. Adjustments to Income		Period End 12/31/2010	Period End 12/31/2011	Period End 12/31/2012
a. Schedule C1 - Gross Income		7,153.00	10,702.00	7,154.00
b. Net Operating Loss Carryforward		87,817.00	87,817.00	73,619.00
c. Schedule E Rental / Partnership Flow Through Loss		25,000.00	25,000.00	16,311.00
d. Unreported Income from Offshore Accounts		710,056.00	125,445.00	172,958.00
e. Qualified dividends		157,468.00		
f. Itemized Deductions		994.00		
g. Unreported Schedule C Income from Offshore Account			25,000.00	24,000.00
h. Constructive Dividends			192,314.00	191,257.00
i. SE AGI Adjustment			(1,808.00)	(273.00)
j.				
k.				
l.				
m.				
n.				
o.				
p.				
2. Total Adjustments		988,488.00	464,469.00	485,026.00
3. Taxable Income Per Return or as Previously Adjusted		(186,539.00)	(98,819.00)	(76,978.00)
4. Corrected Taxable Income		801,949.00	365,650.00	408,048.00
Tax Method		SCHEDULE D	SCHEDULE D	SCHEDULE D
Filing Status		Joint	Joint	Joint
5. Tax		219,486.00	98,109.00	111,943.00
6. Additional Taxes / Alternative Minimum		20,270.00	37,479.00	11,167.00
7. Corrected Tax Liability		239,756.00	135,588.00	123,110.00
8. Less				
a. Credits				
b.				
c.				
d.				
9. Balance (Line 7 less total of Lines 8a thru 8d)		239,756.00	135,588.00	123,110.00
10. Plus				
a. Self Employment Tax			3,144.00	474.00
Other				
b. Tax on Qualified Plans				3,925.00
Taxes				
c.				
d.				
11. Total Corrected Tax Liability (Line 9 plus Lines 10a thru 10d)		239,756.00	138,732.00	127,509.00
12. Total Tax Shown on Return or as Previously Adjusted		0.00	0.00	3,925.00
13. Adjustments to:				
a. See Attached		(857.00)	(56.00)	
b. Earned Income Credit		(334.00)		
c. Adnl. Child Tax Credit		(4,000.00)	(4,000.00)	(4,000.00)
14. Deficiency-Increase in Tax or (Overassessment - Decrease in Tax) (Line 11 less Line 12 adjusted by Lines 13a through 13c)		244,947.00	142,788.00	127,584.00
15. Adjustments to Prepayment Credits-Increase (Decrease)				
16. Balance Due or (Overpayment) - (Line 14 adjusted by Line 15) (Excluding interest and penalties)		244,947.00	142,788.00	127,584.00

Corrected Report

Form 4549-A (Rev. March 2013)	Department of the Treasury-Internal Revenue Service Income Tax Examination Changes (Unagreed and Excepted Agreed)	Page <u>4</u> of <u>4</u>
---	--	---------------------------

Name of Taxpayer Royce M Gracie & Marianne M Cuttic	Taxpayer Identification Number [REDACTED]	Return Form No.: 1040
--	--	--------------------------

17. Penalties/ Code Sections	Period End 12/31/2010	Period End 12/31/2011	Period End 12/31/2012
a. Civil Fraud- IRC 6663	183,710.00	187,091.00	
b. Civil Fraud - IRC 6663			95,688.00
c.			
d.			
e.			
f.			
g.			
h.			
i.			
j.			
k.			
l.			
m.			
n.			
18. Total Penalties	183,710.00	187,091.00	95,688.00
Underpayment 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.			
Underpayment 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.			
Underpayment attributable to Tax Motivated Transactions (TMT). Interest will accrue and be assessed at 120% of underpayment rate in accordance with IRC 6621(c).	0.00	0.00	0.00
19. Summary of Taxes, Penalties and Interest:			
a. Balance due or (Overpayment) Taxes - (Line 18, Page 1)	244,947.00	142,788.00	127,584.00
b. Penalties (Line 18) - computed to 03/30/2015	183,710.00	187,091.00	95,688.00
c. Interest (IRC § 6601) - computed to 04/29/2015	0.00	0.00	0.00
d. TMT Interest - computed to 04/29/2015 (on TMT underpayment)	0.00	0.00	0.00
e. Amount due or refund - (sum of Lines a, b, c and d)	428,657.00	249,879.00	223,272.00

Other information:

The deficiency will accrue interest from the due date of the return until the outstanding balance is paid.

This Report Supersedes the Report Issued 3/30/2015

Examiner's Signature: Name L. REYNOLDS	Employee ID: 0341670	Office: RICHMOND, VA	Date: 03/30/2015
--	-------------------------	-------------------------	---------------------

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 payments) if the tax remains unpaid after it has been assessed and four notices have been issued to you over a 120-day period.