Subj: **Section 7430 and miscellaneous items**
Date: 8/18/2010 11:08:21 A.M. Pacific Daylight Time
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Cas -

Per our telephone discussion yesterday, following is a link to IRS Section 7430 regarding cost recovery if this case should proceed to tax court. I plan to exercise this option if the case reaches that point. Internal Revenue Manual - 35.10.1 Awards of Litigation and Administration Costs and Fees.

In the matter of my 2008 Form 1045 requesting refund of $29,101, you indicated yesterday that you would contact the Taxpayer Advocate again about discussing the issue with campus. Unbelievably, as of August 24, 2010, it will have been a year since I filed the form. To date, I'm aware of no action on this item that I understand should have been paid within 30 days of its filing.

In the matter of my 2005 Form 1040X amended return filed April 14, 2009, based on our discussion yesterday, it is my understanding that Brian Maguire has maintained his initial position to disallow my bad debt deduction based on his contention that the C-corporation (the original one) had no assets or employees. Based on his direction, this week you will do research to attempt to find a regulation to support his decision, and will have your report completed by August 23. As I explained to you, I vehemently disagree with his position.

As I look back at the events of the last six months since you were assigned my case, the ordeal adds yet another stranger-than-fiction element to the bizarre actions I have suffered over the past several years. I have spent countless hours mostly responding to your questions and document requests **in the last six months alone**, not even counting the extensive time and thousands of dollars I had spent in the past on CPA fees related to the two IRS audits.

I have been fully cooperative with your requests, and have furnished all documentation you have requested that I could find, which represents the vast majority of your requests despite the fact that most of the documents go back more than two decades. I have traveled to your office in Oakland four times to meet with you and your Acting Managers, and have met with you twice at my dealership.

You will recall that when Rob Hunt disallowed the consulting agreement in 2005, I stated to him that I would then have a personal bad debt deduction in 2005, to which he acknowledged that my assessment was correct. Then, when he was assigned my 2005 return in 2007, he determined that the return should be surveyed, which I understand to mean accepted as filed with no changes. His Group Manager, Todd Thompson, disagreed, a decision which sent Mr. Hunt on a search to justify disallowance. In summary, as noted in my March 1 letter to you, the various plans to disallow developed as follows:

- 2008 Plan A: I'm not able to prove loans. (I proved loans.)
- 2008 Plan B: (After Plan A ruled out) Timing of deduction – not deductible in 2005, should only have been in 1995. (Would contradict logic, Section 166, and Mr. Hunt's agreement with my statement in 2005.)
- 2008 Plan C: (After Plan B ruled out) Thin capitalization. (IRS chose this as reason to disallow bad debt deduction.)

After you were assigned my 1040X claim in 2010, under the oversight of Acting Manager Mike Adams, your search for justification of disallowance developed as follows:

- 2010 Plan D: (After Plan C ruled out, Plan B revisited) Timing of deduction – not deductible in 2005, should only have been in 1995. (This was again ruled out.)
- 2010 Plan E: (After Plan D ruled out) Business vs. non-business. (Was determined to be a business bad debt.)
- 2010 Plan F: (After Plan E ruled out, Plans B and D revisited yet again by new Acting

Manager) Brian Maguire decided that the bad debt is not deductible after 1995.

Apparently supported by Mike Adams, after six months of intense research you concluded, in my opinion properly, that the business bad debt deduction should be allowed as filed. Then, at the last minute, a brand new Acting Manager replaced Mr. Adams and decided on disallowance using lack of salary and assets as justification, but cited no regulation or court case as support. He then charged you with the task of attempting to find legal support for this determination. It is noteworthy that in all the years of the consulting agreement, my corporate tax returns were filed showing the consulting fee income and no salaries being paid. The IRS never questioned the lack of salaries despite its clear longstanding knowledge of the situation.

As of now, all my time, money, and efforts contesting the IRS's ruling have been wasted. Based on Brian's disregard for your well-researched position, the time you spent over the last six months appears to have been wasted also. I hereby demand that you close the case no later than August 23, 2010 as Brian promised in our August 9 meeting. You have asked me for no further information, and there is no point in my cooperating any further, as my courteous cooperation to date has gotten me nowhere in this futile process that will presumably end with Brian's last minute edict.

If the final position remains as Brian decided, I will promptly seek Appeal. In respect for the facts and law in my case, I have no doubt that an Appeals Officer would take a very dim view of the last minute unsupported override that led to the conclusion that I believe he or she will determine to be grossly improper. As such, I would expect a reversal of such a conclusion, and the resulting allowance of my deduction as originally filed.

Needless to say, assuming the final conclusion does not change from Brian's pre-determined position, this ordeal adds yet another bizarre chapter to the long series of actions by GM and the IRS. Nothing surprises me any longer.

Don Signer