



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
Washington, D.C. 20224

SMALL BUSINESS/SELF-EMPLOYED DIVISION

June 25, 2003

Peymon Mottahedeh
9582 Buttemere Rd
Phelan, CA 92371

Person to Contact/ID Number:
M. Steburg, ID # 33-07883
SB/SE Compliance Area 14
801 Civic Center Drive West
Santa Ana, CA 92701

Contact Telephone Number:
(714) 347-9503

Dear Mr. Mottahedeh:

Thank you for your letters and for taking the time to talk to us on June 5, 2003. As you requested, I would like to take this opportunity to answer some of your questions in writing.

However, before I turn to your inquiries, I would like to let you know that we are willing to meet with you at your convenience on a mutually agreed upon date and time at the office of the Internal Revenue Service at 290 N. D Street, San Bernardino, California. By moving the appointment to this location it will make it closer to your address but still remain at an Internal Revenue Service office. As we discussed on the 5th, we are not amenable to your request to video record the meeting. Tape recorders and court reporters are perfectly acceptable, but videotape is not. In addition, please be aware that we intend to have a court reporter present at the meeting to document our discussion. You are welcome to have your own reporter, but we will be happy to give you a copy of the transcript produced by the reporter we hire.

In your first letter that was dated May 29, 2003 you ask several questions. I will first address your concern as to whether the Summons you were served replaces our informal request for documents and a meeting. As the date of the informal meeting has passed, the answer to your question is yes. We have moved forward to a formal request for documents and a meeting with you to discuss your involvement with the Freedom Law School, etc. As such, we expect you to present us with copies of the information we requested in our Summons and to answer questions related to that information and the organizations listed therein. If you do not meet with us and provide us with the information, we will have no other recourse but to proceed formally to enforce the Summons.

You also ask whether this is an "audit, summons, or some other kind of meeting." The purpose of the meeting, and summons, is not an audit of your individual return. Rather, the IRS is conducting an investigation into your involvement with the Freedom Law

School and into your activities as a promoter of "tax shelters" if, in fact, you are promoting "tax shelters." The meeting was requested to provide you an opportunity to demonstrate that you are not promoting an illegal "tax shelter." The best way for you to do that, if you are not promoting an illegal "tax shelter", is to provide us with the information we have requested and fully cooperate. That being said, we note that you have not filed an income tax return since 1991. We encourage you to file your returns and declare all your income as defined under IRC Section 61. If you do not file returns, the Internal Revenue Service can take steps to determine your gross income, file returns for you, and collect any tax that you owe.

I also understand that you are concerned that we have already made a determination that you are a promoter of illegal "tax shelters." This is not true. We have simply found sufficient information on the Internet to indicate that you may be promoting illegal tax shelters and that determination is sufficient to warrant further investigation. If we find during the course of our investigation that this initial indication was incorrect, we will close the investigation without further action. We want to thank you for pointing out that the impression we give in the statement "We have reviewed certain materials with respect to your tax shelter promotion(s)...," seems conclusive in that we have already determined that you are promoting tax shelters. We will review the standard language contained in Form 1844 to determine whether it should be revised.

You also ask us what "pre-filing notification letters" are. Recently, there has been a proliferation of individuals and entities who promote "tax solutions" which are legally incorrect. When these illegal "tax solutions" or "shelters" are discovered, the purchasers of such promotions are oftentimes liable for substantial tax deficiencies, penalties, and interest. Unfortunately, these clients are often misled by unscrupulous promoters into believing that their products are legal. The Internal Revenue Service has a duty to inform the clients of such promoters when it determines that a specific promotion is misleading or legally incorrect. When the IRS takes such action, taxpayers are properly apprized of their filing requirements and they can take the proper steps to stay within the provisions of the Internal Revenue Code. This is the purpose of "pre-filing notification letters."

Finally you ask whether you can expect "open and honest communication" and "total integrity" from the Internal Revenue Service. The answer is yes. The IRS always tries to be open, honest, and proceeds with integrity.

Should you have any other questions please do not hesitate to contact Marynell Steburg at: Internal Revenue Service; A14, SB1, G5: Attn: Marynell Steburg; 801 Civic Center Drive; Santa Ana, Ca 92701 at telephone number 714-347-9503.

Sincerely,

A handwritten signature in cursive script that reads "Marynell Steburg". The signature is written in black ink and is positioned above the printed name "Revenue Agent".

Revenue Agent