

# Is there ever such a thing as a good letter from the IRS?

 [devblogs.microsoft.com/oldnewthing/20050617-12](http://devblogs.microsoft.com/oldnewthing/20050617-12)

June 17, 2005



Raymond Chen

I arrived home yesterday to find a letter from the IRS in my mailbox. Dare I open it? The only other interaction with the IRS I'd had previously was several years ago where they told me I had overpaid my taxes and sent me a refund check of a few hundred dollars. I went back and reviewed my return and concluded that my original return was correct and they were wrong to send me the refund check. I called the friendly IRS office and explained how I came to the numbers I did. The agent went through the same computations and agreed with me, and instructed me how to return the check with an explanatory letter. It's not worth committing tax fraud over just a few hundred dollars. With some trepidation, I opened the letter. This time, the IRS believed that in 2003, I failed to report income in the amount of over ten times my actual salary. What happened? There were a few errors that they picked up, on the order of a few thousand dollars, although enough of them were errors in my favor that I think I came out ahead on that part. (For example, I forgot to report my sales of WorldCom and Nortel stock. Like many other peop<sup>^H^H^H^H</sup>suckers, I took a bath on both, and those losses easily covered gains elsewhere.) But a few thousand dollars is nowhere near the tenfold alleged underreporting. Where did that come from? I sold a lot of stock that year as part of a larger "realignment" of my personal finances, and due to the weirdness of United States tax law, the way I sold some of the shares required the income to be reported in a special way. And that's how I reported it. The IRS happily accepted that income but simultaneously claimed that I failed to report it! Not only do they want to double-count the income/loss from those stock sales, but since they don't have cost basis information, they assumed that the sales were pure profit.

Now I get to spend the weekend taking a few deep breaths, doing a lot of photocopying of supporting documents, and writing a friendly letter back to the IRS, explaining why I believe they over-over-overcounted my income. I hope they accept it.

Raymond Chen

**Follow**

