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From:

Sent: Friday, November 21, 2008 9:49:50 AM

To:

Cc:

Subject: Form 1040 with false 1099-OID/1096 attached

You sought the advice of the National Office on a question submitted to you from a revenue agent who received a Form 1040 tax return for processing that contains a Form 1099-OID and Form 1096 that follows a new variation on a "strawman" scheme recently addressed by the Service in a problem alert. The scheme directs participants to substitute any 1099-MISC received with a 1099-OID that lists the original payer as the recipient and lists the taxpayer as the payer. The amount received is reported both as OID and federal income tax withheld on the 1099-OID. The 1099-OID and a 1096 supporting the 1099-OID is then included with the tax return.

It is our position that this return can be processed. Although it is frivolous as is a return listing all zeros, the 1099-OID return reports sufficient data to calculate the taxpayer's tax liability. [REDACTED]

Please let me know if there are any further matters to discuss with this case.

Sincerely,