



## Tax Reduction Letter

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### Internal Revenue Code Section 6694(a)(1)

Understatement of taxpayer's liability by tax return preparer

(a) Understatement due to unreasonable positions.

(1) In general. If a tax return preparer—

(A) prepares any return or claim of refund with respect to which any part of an understatement of liability is due to a position described in paragraph (2), and

(B) knew (or reasonably should have known) of the position, such tax return preparer shall pay a penalty with respect to each such return or claim in an amount equal to the greater of \$1,000 or 50 percent of the income derived (or to be derived) by the tax return preparer with respect to the return or claim.