Offer in Compromise

November 5, 2020

Offer in Compromise

Offers in Compromise are –

• Sound business practice, and
• Good tax policy

Offer in Compromise Program

Objectives

• Best interest of taxpayer and government
• Collection at earliest time - least cost
• Secure revenue not collected by other means
Offer in Compromise

What is new with OIC?

• Offer Application Fee is $205
• Compliance review
• Related offers

Polling Question #1

What is the current application fee amount?

a. $150
b. $186
c. $205
d. $250
e. None of the above

Polling Question #2

What requirements must be met for an offer to be processable?

a. Taxpayer provides a Form 656 with application fee and TIPRA payment or qualifies for a low-income waiver
b. Taxpayer is not in bankruptcy
c. Taxpayer has filed all required returns
d. Taxpayer has a tax liability assessed
e. All the above
What is new with OIC? (cont.)

- Taxpayer First Act and Low-Income Certification
- Virtual currency section on Form 433-AOIC / Form 433-BOIC

Low-Income Certification

- AGI for most recent tax return available
- Form 433-A(OIC) monthly income x 12

Compliance

- Filing compliance
- Estimated tax payments
- Federal tax deposits
Offer in Compromise Pre-Qualifier Tool

- YouTube - Looking to Settle for Less with the IRS?
- Good candidate?
- Reasonable offer amount?
- Use as guide for
  - Doubt as to Collectibility offer

What has not changed?
- Offer not first option
- Consider other options first
  - Borrowing
  - Liquidating assets
  - Installment agreement

Offer in Compromise Calculation

Financial Analysis Procedures
- Future income
- Asset equity
Financial Analysis Procedures

- Future income
- Asset equity
  - Additional reductions

Allowable Living Expenses

The following payments may be allowed:

- Student loans that are:
  - Federally guaranteed
  - For post high school education
- Delinquent state and local taxes

Polling Question #3

A taxpayer is married and owes a joint liability with her husband, 1040 individual taxes from a return filed separately and employment tax liabilities from a sole proprietorship. How many offers (Form 656) should the taxpayer and spouse file.

a. 1
b. 2
c. 3
d. 4
Polling Question #4

A taxpayer submits an offer based on cash terms payable in five months. During the offer investigation, you wish to revise the offer terms to periodic payments. What are the number of months for the calculation of future income?

a. 12  
b. 18  
c. 24  
d. 48

Fiscal Year 2020 Program Results

<table>
<thead>
<tr>
<th>Dispositions</th>
<th>Percentage of Total</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Receipts</td>
<td></td>
<td>44,809</td>
</tr>
<tr>
<td>Not Processable</td>
<td>19%</td>
<td>7,613</td>
</tr>
<tr>
<td>Acceptances</td>
<td>35%</td>
<td>14,114</td>
</tr>
<tr>
<td>Rejections</td>
<td>15%</td>
<td>5,957</td>
</tr>
<tr>
<td>Returns</td>
<td>19%</td>
<td>7,591</td>
</tr>
<tr>
<td>Withdrawal/Termination</td>
<td>11%</td>
<td>4,568</td>
</tr>
</tbody>
</table>

Delays in Processing
March 2020 – July 2020

- Service Center Closures caused delays in offer processing.
- The backlog of offer receipts have been processed.
- If there was a delay in payment processing that negatively impacted case resolution, contact the investigating officer to discuss appropriate action.
- There may continue to be delays in offer investigations based on pandemic issues.
Helpful Hints

Explore all collection options
Utilize the OIC Pre-Qualifier Tool
Complete financial statements and forms carefully
Include Form 433-A/B (OIC)
Complete the checklist(s)

Helpful Hints

Ensure taxpayer is/stays current
Include fees and payments
Respond promptly
Value property and assets accurately
Bank statements

Offer in Compromise Resources

IRS.gov keyword: Offer in Compromise
Form 656-B, Offer in Compromise Booklet
YouTube video: Looking to Settle for Less with the IRS?
In Closing

Improvements and changes
We welcome feedback