

# Offer in Compromise



## Offer in Compromise

Offers in Compromise are –

- Sound business practice, and
- Good tax policy



## OIC Program Objectives

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



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## Offer in Compromise

What is new with OIC?

- Compliance review
- Related offers
- Low-Income Certification on Form 656-B



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## Offer in Compromise Fee

- Current fee is \$186

### Update

- Reviewing potential fee increase for FY20
- Taxpayer First Act effective July 2, 2019



## Collection Program User Fees

- User fees – General information
- Current 2019 user fee changes
  - Installment Agreements (payment plans)
- Potential user fee change
  - Offer in Compromise



## Installment Agreement Fees

IA User Fee Category	Fee as of April 10, 2018
Low Income taxpayers who set up Direct Debit: online or manual	\$0
Low Income taxpayers -- unable to set up Direct Debit—online or manual (reimbursed at completion)	\$43
Manual application without direct debit payments	\$225
Online application without direct debit	\$149
Manual application with direct debit	\$107
Online application with direct debit	\$31
Restructured/Reinstated IA – manual application	\$89
<i>Restructured/Reinstated IA – online application on or after January 1, 2019</i>	\$10
Low Income--Restructured/Reinstated of direct debit	\$ 0
Low Income--Restructured/Reinstated of non-direct debit (reimbursed at completion) <i>manual application</i>	\$43



## Online Payment Agreement OIC Pre-Qualifier Tool

- OPA is lowest cost/most convenient way to establish an IA
  - Using direct debit payments further reduces costs
- Offer program is costly for taxpayers and IRS
  - OIC Pre-Qualifier Tool helps determine when an offer is appropriate



## Compliance

- Filing compliance
- Estimated tax payments
- Federal tax deposits



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## Offer in Compromise Pre-Qualifier Tool

Offer In Compromise Pre-Qualifier



- Good candidate?
- Reasonable offer amount?
- Use as guide for
  - Doubt as to Collectability offer



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## Offer in Compromise Pre-Qualifier Tool

- **Launch date: January 30, 2013**
- **Self determine: Qualify for an OIC?**



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## How Does It Work?

Answer a series of questions:

- Currently in bankruptcy?
- Current with filing?
- Where do you live?
- Number of dependents?
- Household income and expenses?
- Value of assets?



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## Scenario: TP Qualified

- Husband and wife with dependent child
- Suffolk County, NY 11738
- Tax Liability - \$12,500
- Most recent tax year owed 2017



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## Status

### Offer In Compromise Pre-Qualifier



Use this tool to see if you may be eligible for an offer in compromise. Enter your financial and tax filing status to calculate a preliminary offer amount. We make our final decision based on your completed OIC application and our associated investigation. This tool should only be used as a guide. Although it may show you can full pay your liability, you may still file an offer in compromise and discuss your individual financial situation with the IRS.

If you reside in a U.S. Territory, foreign country, or are military personnel using an APO or FPO address the OIC Pre-Qualifier is not applicable for your situation. Please proceed to the application in the [Offer in Compromise Booklet](#).

Are you in an open bankruptcy proceeding?  
 Yes  
 No

Have you filed all required federal tax returns?  
 Yes  
 No

Have you made all required estimated tax payments?  
 Yes  
 No  
 N/A

If you are self-employed and have employees, have you submitted all required federal tax deposits?  
 Yes  
 No  
 N/A



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# Basic Information

## Offer In Compromise Pre-Qualifier

Status Basic Info Assets Income Expenses Proposal

Enter information about your location, household and tax debt.

ZIP or postal code  
11738

State  
New York

County  
Suffolk County

Total members of household  
3

Total members of household 65 years or older  
0

Total IRS tax debt (whole dollars)  
\$12,500



What is the most recent tax year you are requesting to compromise?  
(For example, if you owe 1040 taxes for 2007, 2008 and 2009, enter 2009)  
2011

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# Assets

## Offer In Compromise Pre-Qualifier

Status Basic Info Assets Income Expenses Proposal

Enter information about your assets (in whole dollars). Your equity is the value of your asset minus what you still owe on the asset.

Total bank balances (checking, savings, money market, CDs, etc.)  
\$575

Home market value  
\$0

Home loan balance  
\$0

Vehicle 1 equity  
\$1,200

Vehicle 2 equity  
\$1,000

Retirement account equity (401k, IRA, etc.)  
\$0

Other real property (rental, business, land, timeshare, etc.)  
\$0

Other asset equity (airplane, motorcycle, recreational vehicle, etc.)  
\$0

Stocks, bonds and other investments  
\$0

Miscellaneous (art, coin and gun collections, etc.)  
\$0



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# Income

## Offer In Compromise Pre-Qualifier



Enter information about your **monthly household income** (in whole dollars).

**Gross wages**  
\$5,520

**Interest and dividends**  
\$0

**Distributions from partnerships, sub-s corporations, etc.**  
\$0

**Net rental income**  
\$0

**Net business income**  
\$0

**Child support received**  
\$0

**Alimony received**  
\$0

**Additional income**  
\$0

< PREVIOUS      NEXT >

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# Expenses

## Offer In Compromise Pre-Qualifier



Enter information about your **typical month's household expenses** (in whole dollars). Maximum allowances for expenses are determined based on your location and number of members of your household. We provide allowances for food, clothing, miscellaneous items and out-of-pocket medical expenses.

**Rent or mortgage and utilities**  
\$1,450

**Vehicle 1 loan or lease payment**  
\$399

**Vehicle 2 loan or lease payment**  
\$210

**Vehicle operating costs (gas, repairs, etc.)**  
\$544

**Total vehicles owned**  
2

**Public transportation costs**  
\$0

**Health insurance premiums**  
\$370

**Federal, state and local taxes** (Enter a 0 if no taxes)  
\$1,050

**Court-ordered payments** (child support, alimony, etc.)  
\$307

**Child dependent care costs**  
\$0

**Life insurance premiums**  
\$0

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# Proposal

## Offer In Compromise Pre-Qualifier



Based on the following information you entered:

<b>Tax debt:</b>	<b>\$12,500</b>
<b>Total available equity:</b>	<b>\$2,335</b>
<b>Monthly income:</b>	<b>\$5,520</b>
<b>Typical month's expenses:</b>	<b>\$4,390</b>
<b>Total remaining income:</b>	<b>\$0</b>

### Select Your Option

You may be eligible for an offer in compromise if you submit one of the following offers.

- Option 1:** Pay \$2,335 within five months
- Option 2:** Pay \$2,335 over a 6-24 month period

These are your estimated payment options. Enter one of these options in your official [Offer in Compromise](#).

### Prepare Your Offer in Compromise

Review the [OIC Booklet](#), complete the required forms (Form 656 / Form 433-A) and submit an offer for consideration that is consistent with your ability to pay. The amount offered must be more than zero. We make our final decision based on your completed paperwork and our associated investigation.

### Consider Exceptional Circumstances

If you believe you have [exceptional circumstances](#) that would justify repayment of an amount less than the offer amount shown above, file an OIC so we have a full description of your circumstances. We make our final decision based on your completed paperwork and our associated investigation. Once completed, you can discuss your situation with us.



# Monthly Expenses

## Offer In Compromise Pre-Qualifier



Based on the following information you entered:

<b>Tax debt:</b>	<b>\$12,500</b>
<b>Total available equity:</b>	<b>\$2,335</b>
<b>Monthly income:</b>	<b>\$5,520</b>
<b>Typical month's expenses:</b>	<b>\$4,390</b>

Expense Type	Your Entry	Allowable
Food, clothing and miscellaneous	---	\$1,234
Rent or mortgage and utilities	\$1,450	\$1,450
Vehicle 1 loan or lease payment	\$399	\$399
Vehicle 2 loan or lease payment	\$210	\$210
Vehicle operating costs (gas, repairs, etc.)	\$544	\$544
Public transportation costs	\$0	\$0
Out-of-pocket medical expenses	---	\$180
Health Insurance Premiums	\$370	\$370
Federal, state and local taxes	\$1,050	\$1,050
Court-ordered payments (child support, alimony)	\$367	\$367
Child/dependent care costs	\$0	\$0
Life insurance premiums	\$0	\$0
<b>Total remaining income:</b>		<b>\$0</b>



## Qualify - Yes

Directed to:

- Complete Form 656
- Submit the application



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## Qualified- No

Directed to alternatives:

- OIC Booklet -exceptional circumstances
- Installment Agreement
- Make a payment page



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## Results: Taxpayer is not eligible

### Offer In Compromise Pre-Qualifier



You are not eligible for an offer in compromise because:

- > You are in an open bankruptcy proceeding.

For more information about your payment options, go to [Make a Payment](#).



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## Offer in Compromise

What has not changed?

- Offer not first option
- Consider other options first
  - Borrowing
  - Liquidating assets
  - Installment agreement



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## OIC Calculation

### Financial Analysis Procedures

- **Future income**
- Asset equity



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## OIC Calculation

### Financial Analysis Procedures

- Future income
- **Asset equity**
  - Additional reductions



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## 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



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## Fiscal Year 2018 Program Results

- Receipts: 59,127

Dispositions:	%	Total
—Not processable	13%	9,226
—Acceptances	39%	23,929
—Rejections	17%	10,903
—Returns	20%	12,303
—Withdrawals/Term	11%	6,956
Total	100%	63,317



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## 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)



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## Helpful Hints

- Ensure taxpayer is/stays current
- Include fees and payments
- Respond promptly
- Access to a voicemail system
- Value property and assets accurately



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## Resources

- IRS.gov keyword Offer in Compromise
- Form 656-B, Offer in Compromise Booklet

