

# OFFER IN COMPROMISE

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# Offer In Compromise

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## FRESH START INITIATIVE

### 2012- Fresh Start Initiative For offers in Compromise

**1.10** On May 21, 2012 the Internal Revenue Service announced another expansion of its "Fresh Start" initiative by offering more flexible terms to its Offer in Compromise (OIC) program that will enable some of the most financially distressed taxpayers clear up their tax problems and in many cases more quickly than in the past.

### Criticism of OIC Policies

**1.20** Over the years the IRS offer in compromise program has been the subject of a great deal of criticism by Congress, the National Taxpayer Advocate and taxpayer representatives. The new initiative represents the most dramatic liberalization of IRS settlement policies ever announced. It represents a welcome change from an agency which has always placed substantial roadblocks to those seeking to compromise their tax obligations.

The announcement focused on the financial analysis used to determine which taxpayers qualify for an OIC. This announcement also enables some taxpayers to resolve their tax problems in as little as two years compared to four or five years in the past.

### Changes

**1.30** The changes announced included:

- Revising the calculation for the taxpayer's future income.
- Allowing taxpayers to repay their student loans.
- Allowing taxpayers to pay state and local delinquent taxes.
- Expanding the Allowable Living Expense allowance category and amount.

### Can Liability Be Paid

**1.40** In general, an OIC is an agreement between a taxpayer and the IRS that settles the taxpayer's tax liabilities for less than the full amount owed. An OIC is generally not accepted if the IRS believes the liability can be paid in full as a lump sum or a through payment agreement. The IRS looks at the taxpayer's income and assets to make a determination of the taxpayer's reasonable collection potential. OICs are subject to acceptance on legal requirements.

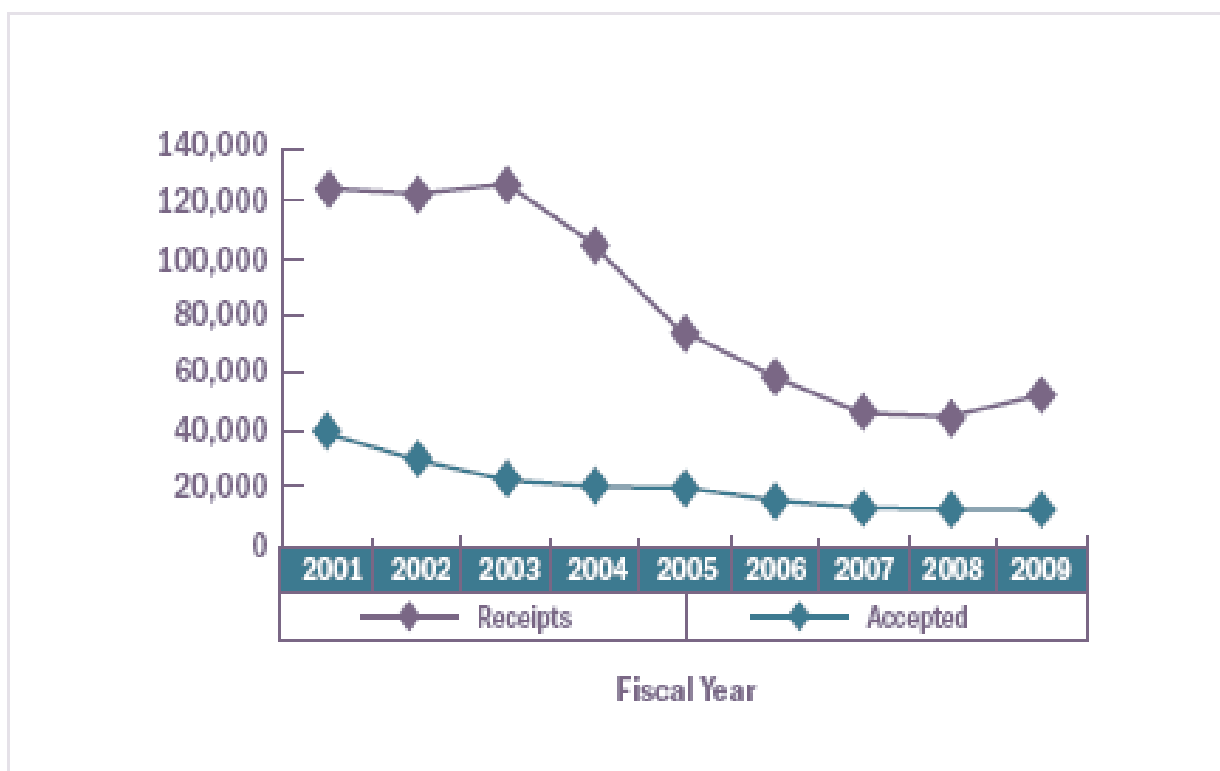
### Past Reluctance to Accept OIC's

**1.50** In the past they are strictly applied its rules with respect to taxpayers' budgets and valuation of assets. As a result most taxpayers who sought a compromise received

a rejection from the Internal Revenue Service. Below are the statistics for offer acceptances during the past several years:

<b>Offers in compromise (thousands) [6]:</b>	<b>2012</b>	2013	2014
Number of offers received	64	74	68
Number of offers accepted	24	31	27
Amount of offers accepted	195,652	195,379	179,354
% accepted	<b>38%</b>	<b>42%</b>	<b>40%</b>

**FIGURE 1.14.1, FY 2001 - FY 2009 OIC Receipts and Acceptances**



**Reasonable Collection Potential**

**1.60** Under the new policy when the IRS calculates a taxpayer’s reasonable collection potential, it will now look at only one year of future income for offers paid in five or fewer months, down from four years; and two years of future income for offers paid in six to 24 months, down from five years. All offers must be fully paid within 24 months of the date the offer is accepted. The prior policy resulted in IRS demands for very large compromise payments even when the taxpayer had few assets. The revisions will result in a 75% reduction in the amount required to settle tax obligations in five or fewer

months. They will result in a 60% reduction in the amount required to be fully paid within 24 months.

### **Dissipated Assets**

**1.70** Other changes to the program include narrowed parameters and clarification of when a dissipated asset will be included in the calculation of reasonable collection potential. Over the past several years the IRS's use the concept of dissipated assets to demand Supp substantial amounts in compromise of taxes even after the taxpayer had lost assets. For example in one matter a taxpayer had lost substantial amounts of money in the 2008 and 2009 stock market collapse. Notwithstanding that loss the IRS offer in compromise examiner took the position that the taxpayer would have to include the value of those losses in his total assets in order to receive a compromise. The IRS also aggressively claimed that taxpayers who lived and upper-middle-class lifestyle after their tax problems arose would be subject to its draconian dissipated asset theory.

### **Exclusion of Income Producing Property**

**1.80** The IRS also announced that equity in income producing assets generally will not be included in the calculation of reasonable collection potential for on-going businesses.

### **Allowable Living Expenses**

**1.90** When reviewing a taxpayer's budget the IRS applies Allowable Living Expense standards to determine a taxpayer's ability to pay. The standard allowances impose strict budgets upon a taxpayer in collection determinations by incorporating average expenditures for basic necessities. Notwithstanding substantial criticism of the IRS over the years it is insisted upon applying the same standards for food and clothing in all areas of the country whether high cost locales like Alaska, Hawaii, and New York City or lower cost Midwestern areas. These standards are used when evaluating offer in compromise requests.

### **Expanded Allowable Expenses**

**1.100** In response to criticisms from the national taxpayer advocate and taxpayer representatives the IRS expanded the National Standard miscellaneous allowance to include additional items. Taxpayers can use the miscellaneous allowance for expenses such as credit card payments and bank fees and charges.

In the past the IRS refused to recognize taxpayer obligations to pay student loans and state tax delinquencies. The new guidance now allows payments for loans guaranteed by the federal government for the taxpayer's post-high school education. In addition, payments for delinquent state and local taxes may be allowed based on percentage basis of tax owed to the state and IRS.

### **Expanding Universe of Eligible Taxpayers**

**1.110** The new offer in compromise policies should dramatically expand the universe of taxpayers eligible to compromise their outstanding tax obligations. In the past taxpayers generally had to pay the IRS the total value of all their assets plus 60 times their net monthly income after using the IRS strict allowable expense standards. The greater flexibility of the new policies will reduce the valuation of taxpayer assets and reduce the value of the future income component used to determine acceptable offers.

## **Offer in Compromise Forms**

**1.120** In 2012 the IRS issued a new offer in compromise form. Taxpayers proposing compromises based upon doubt as to collectibility of effective tax administration must submit revised Form 656. Taxpayers proposing an offer based upon doubt as to liability must now submit Form 656-L and a narrative setting forth defenses to the liability. To comply with the new downpayment requirements taxpayers must submit Form 656-PPV with the required downpayment.

## **Offers in Compromise**

**1.130** In 2011 the IRS also expanded its streamlined Offer in Compromise (OIC) program to cover a larger group of struggling taxpayers. This streamlined OIC is being expanded to allow taxpayers with annual incomes up to \$100,000 to participate. In addition, participants must have tax liability of less than \$50,000, doubling the current limit of \$25,000 or less.

OICs are subject to acceptance based on legal requirements. Generally, an offer will not be accepted if the IRS believes that the liability can be paid in full as a lump sum or through a payment agreement. The IRS looks at the taxpayer's income and assets to make a determination regarding the taxpayer's ability to pay.

## **TIPRA**

**1.140** The Tax Increase Prevention and Reconciliation Act of 2005 (TIPRA), section 509, made major changes to the IRS OIC program. These changes affect all offers received by the IRS on or after July 16, 2006 .TIPRA section 509 amends IRC section 7122 by adding a new subsection (c) "Rules for Submission of Offers-in-Compromise."

## **Payments With Offers**

**1.150** A taxpayer filing a lump-sum offer must pay 20% of the offer amount with the application (IRC 7122(c)(1)(A)). A lump-sum offer means any offer of payments made in five or fewer installments.

A taxpayer filing a periodic-payment offer must pay the first proposed installment payment with the application and pay additional installments while the IRS is evaluating the offer (IRC section 7122(c)(1)(B)). A periodic-payment offer means any offer of payments made in six or more installments.

## **Failure to Make Deposit**

**1.160** Taxpayers can avoid delays in processing their OIC applications by making all required payments in full and on time. Failure to pay the 20 percent on a lump-sum offer, or the first installment payment on a periodic-payment offer, will result in the IRS returning the offer to the taxpayer as nonprocessable (IRC section 7122(d)(3)(C) as amended by TIPRA).

## **Not Refundable**

**1.170** The 20 percent payment for a lump-sum offer and the installment payments on a periodic-payment offer are "payments on tax" and are not refundable deposits (IRC section 7809(b) and Treasury Regulation 301.7122-1(h)).

## **Specify Payments**

**1.180** Taxpayers may specify in writing when submitting their offers how to apply the payments to the tax, penalty and interest due. Otherwise, the IRS will apply the

payments in the best interest of the government (IRC section 7122(c)(2)(A)). For most taxpayers it is in their best interest to apply the payment to their newest income tax liabilities as they may have already reached the maximum late payment penalty of 25% on older liabilities.

The OIC application fee reduces the assessed tax or other amounts due. A taxpayer still must also submit a \$150 application fee and may not specify how to apply the fee.

### **Failure to Make Installment Payments**

**1.190** Taxpayers failing to make installment payments on periodic-payment offers after providing the initial payment will cause the IRS to treat the offer as a withdrawal. The IRS will return the offer application to the taxpayer (IRC section 7122(c)(1)(B)(ii)). A lump-sum offer accompanied by a payment that is below the required 20 percent threshold will be deemed processable. However, the taxpayer will be asked to pay the remaining balance in order to avoid having the offer returned. Failure to submit the remaining balance will cause the IRS to return the offer and retain the \$150 application fee.

Taxpayers filing periodic-payment offers must submit the full amount of their first installment payment in order to meet the processability criteria. Otherwise, the IRS will deem the offer as unprocessable and will return the application to the taxpayer along with the \$150 fee.

### **Low Income Taxpayers**

**1.200** Under the new law, taxpayers qualifying as low-income or filing an offer solely based on doubt as to liability qualify for a waiver of the new partial payment requirements. Taxpayers qualifying for the low-income exemption or filing a doubt-as-to-liability offer only are not liable for paying the application fee, or the payments imposed by TIPRA section 509.

A low-income taxpayer is an individual whose income falls at or below poverty levels based on guidelines established by the U.S. Department of Health and Human Services (HHS). Taxpayers claiming the low-income exception must complete and submit the Income Certification for Offer in Compromise Application Fee worksheet, along with their Form 656 application package.



## IRS OIC Low Income Guidelines

Size of family unit	48 contiguous states and D.C.	Hawaii	Alaska
1	\$2,431	\$2,796	\$3,038
2	\$3,277	\$3,769	\$4,096
3	\$4,123	\$4,742	\$5,154
4	\$4,969	\$5,715	\$6,213
5	\$5,815	\$6,688	\$7,271
6	\$6,660	\$7,660	\$8,329
7	\$7,506	\$8,633	\$9,388
8	\$8,352	\$9,606	\$10,446
For each additional person, add	\$ 846	\$ 973	\$1,058

### Deemed Accepted

**1.220** The IRS will deem an OIC “accepted” that is not withdrawn, returned, or rejected within 24 months after IRS receipt. When calculating the 24-month timeframe, the IRS will disregard any time periods during which a liability included in the OIC is the subject of a dispute in any judicial proceeding (IRC section 7122(f) as amended by TIPRA).

### Background

**1.230** An offer in compromise is a settlement of a delinquent tax account for less than the full amount due. Sec. 7122 states that the IRS may compromise any civil or criminal case arising under the Internal Revenue Laws prior to reference to the Department of Justice for prosecution or defense. In the past very few offers were accepted because the standards were almost impossible to meet and the IRS really did not encourage them. But in 1992, the IRS decided that they had a major problem with accounts receivable inventory and a growing number of cases reported as currently not collectible. The new policy espoused by the IRS was that they would accept an OIC when it was unlikely that the tax liability could be collected in full and the amount offered reasonably reflected collection potential.

### Offer In Compromise Procedures

**1.240** The IRS released a new Form 656 in 2015. The form requires that the taxpayer submit extensive forms 433A and 433B. All OIC’s are processed centrally at two Service Centers: Memphis for taxpayers most western states and Brookhaven for eastern states. All but the most complex offers will be worked from the centers.

### Supporting Documents

**1.250** The financial statements require the proponent to supply documentation for each item on the forms, i.e. pay stubs, car payment book, mortgages, pay stubs, charge

account statements, and bank statements. The IRS considers smaller liability offers without conducting a field investigation, therefore it is requiring the proponent to supply all the info to make a decision without field verification.

### **\$186 Processing Fee**

**1.260** The Internal Revenue Service now charges a \$186 application fee for the processing of offers in compromise. The IRS expects that this fee will help offset the cost of providing this service, as well as reduce frivolous claims. The law authorizes federal agencies to charge fees to defray the costs of providing certain services. Guidelines encourage such fees for benefits beyond those provided to the general public. The IRS anticipates the fee also will reduce the number of offers that are filed inappropriately — for example, solely to delay collection — enabling the agency to redirect resources to the processing of acceptable offers. Offers based solely on hardship may seek a fee waiver.

### **Addresses**

**1.270** All offers are submitted to a Service Center based upon address of the taxpayer.

#### **If you reside in:**

AK, AL, AR, AZ, CO, FL, GA, HI, ID, KY,  
LA, MS, MT, NC, NM, NV, OK, OR, SC,  
TN, TX, UT, WA, WI, WY

CA, CT, DE, IA, IL, IN, KS, MA, MD,  
ME, MI, MN, MO, ND, NE, NH, NJ,  
NY, OH, PA, RI, SD, VT, VA, WV;  
DC, PR, or a foreign address

#### **Mail your application to:**

**Memphis IRS Center**  
**COIC Unit P.O. Box 30803,**  
**AMC Memphis, TN 38130-0803**  
**1-866-790-7117**

**Brookhaven IRS Center**  
**COIC Unit P.O. Box 9007**  
**Holtsville, NY 11742-9007**  
**1-866-611-6191**

## **Prohibition Of Levy**

**1.280** RRA98 prohibits the IRS from collecting a tax liability by levy (1) during any period that a taxpayer's offer in compromise for that liability is being processed, (2) during the 30 days following rejection of an offer, (3) during any period in which an appeal of the rejection of an offer is being considered, and (4) while an installment agreement is pending. [2462(b)] [IRC '6331(k)]

## **Appeal Rights**

**1.290** Although the Internal Revenue Service had previously provided for administrative review of Offers in Compromise by the Appeals Division there was no specific statutory requirement for such review. RRA98 provided specific rights of independent review of Offers in Compromise by the Internal Revenue Service Office of Appeals.

## **Doubt as to Liability Offers**

**1.300** Another protection provided by RRA98 is with respect for Offers in Compromise based on doubt as to liability. In the past the Internal Revenue Service has occasionally rejected offers with respect to doubt as to liability solely because it could not find its administrative file. The Internal Revenue Service is now prohibited from taking such action. The Internal Revenue Service has imposed additional duties upon taxpayers seeking compromise liabilities solely on the basis of doubt as to liability by requiring those taxpayers to submit financial statements. The Internal Revenue Service is now specifically prohibited from requiring financial statements when offers are submitted based solely on doubt as to liability.

## **Computation of Offer Amount**

**1.310** The IRS uses three different methods for determining the adequacy of an offer depending on the period of time the taxpayer proposes for payment of the offer amount. The methods are:

1. Cash paid in 5 or fewer installments or
2. Periodic offer: Paid in 5 or more payments over up to 24 months).

**NOTE:** In both cases, the IRS will release any filed Notice of Federal Tax Lien once you have fully paid the offer amount and any interest that has accrued.

## **Cash Offer**

**1.320** You should offer the realizable value of your assets (quick sale value) plus the total amount the IRS could collect over forty-eight months of payments represent value of income). The IRS will not charge interest on the offer amount from the acceptance date until it receives full payment. The Internal Revenue Service's method of determining the adequacy of an offer could be best expressed by:

**Quick Sale Value Plus Present Value of Income Equals Offer In Compromise (QSV + PVI = OIC)**

In applying this formula, the IRS determines the Quick Sale Value of all of the client's assets and then adds the amount of the present value of the taxpayer's ability to pay. It aggregates the two numbers to arrive at an Offer in Compromise amount. The following paragraphs will discuss the Internal Revenue Service's methodology for determining quick sale value and the present value of income.

### **Periodic Offer**

**1.330** This payment option requires you to pay the offer within two years of acceptance. The offer must include the realizable value of your assets in addition to the total amount the IRS could secure over sixty months (or the remainder of the ten-year statutory period for collection, whichever is less) through monthly payments. The IRS may file a Notice of Federal Tax Lien on tax liabilities compromised under short-term payment offers.

### **Deferred Payment Offers**

**1.340** This payment was eliminated in 2012.

### **Future Income for Offers in Compromise**

**1.350** The Internal Revenue Service March 10, 2011 revised its guidance to employees on figuring the value of a taxpayer's future income in evaluating an offer in compromise, with specific instructions to consider a variety of issues for unemployed or underemployed workers. The memorandum (SBSE 05-0310-012) noted that future income is defined as an estimate of the taxpayer's ability to pay based on an analysis of gross income, less necessary living expenses, for a specific number of months into the future.

As a general rule, the guidance said, the taxpayer's current income will be used in the analysis of future ability to pay. "Consideration should be given to the taxpayer's overall general situation, including such factors as age, marital status, number and age of dependents, level of education or occupational training, and work experience," the document said.

### **Agency Notes Variety of Situations**

**1.360** IRS noted there are situations that may warrant placing a different value on future income than on current or past income. Such situations include those where income will increase or decrease, or current necessary expenses will increase or decrease, the agency said.

Other situations may include those where a taxpayer:

- is temporarily or recently unemployed or underemployed,
- is unemployed and is not expected to return to a previous occupation or previous level of earnings,
- is long-term unemployed,
- is long-term underemployed, has an irregular employment history or fluctuating income,
- is in poor health and the ability to continue working is questionable,

- is close to retirement and has indicated he or she will be retiring, or will file for bankruptcy.

### **Income Averaging Addressed**

**1.370** IRS told its field personnel that judgment should be used in determining the appropriate time to apply income averaging on a case-by-case basis. “All circumstances of the taxpayer should be considered” in making this decision, the agency said.

Further, IRS said, in situations where the taxpayer's income does not appear to meet stated living expenses, the difference should not be included as additional income to the taxpayer. Such inclusion should only be done if there are clear indications that the taxpayer is receiving, and will continue to receive, additional income not included on the collection information statement, according to the document.

As a general rule, the guidance said, “Employees need to exercise good judgment when determining future income.” The history must be clearly documented and support the known facts and circumstances of the case, and include analysis of the supporting documents, IRS noted.

### **Facts and Circumstances Approach Directed**

**1.380** The memo directed IRS workers to evaluate each case on the facts and circumstances, and said the history “must clearly explain the reasoning behind our actions.”

The agency said there are cases where it may be appropriate to use the taxpayer's current income and secure a future income collateral agreement, particularly in cases where the future income is uncertain, but where it is reasonably expected that the income will increase.

### **New more Onerous Allowable Expense Standards**

**1.390** In March, 2015 the IRS again revised the standards. Instead of establishing national standards which recognized the need for higher living expense for higher income families it began a system of one size fits all. It continued to fail to recognize the varying cost of living in different regions and communities and eliminated differentials for Hawaii and Alaska. It also added a new category of expenses for out-of-pocket health care expenses.

Total allowable expenses include those expenses that meet the necessary expense test. The necessary expense test is defined as expenses that are necessary to provide for a taxpayer's and his or her family's health and welfare and/or production of income. The expenses must be reasonable. The total necessary expenses establish the minimum a taxpayer and family needs to live.

There are four types of necessary expenses:

- National Standards
- Out-of-Pocket Health Care
- Local Standards
- Other Expenses

**National Standards:** These establish standards for reasonable amounts for five necessary expenses. Four of them come from the Bureau of Labor Statistics (BLS) Consumer Expenditure Survey: food, housekeeping supplies, apparel and services, and personal care products and services. The fifth category, miscellaneous, is a discretionary amount established by the Service. It is \$116 for one person up to \$235 for 4 persons. The IRS allows a total of \$300 per month for each member of the household above 4.

**Note:** All five standards are included in one total national standard expense.

**Out-of-Pocket Health Care Expenses:** Out-of-pocket health care expenses include medical services, prescription drugs, and medical supplies (e.g. eyeglasses, contact lenses, etc.). Elective procedures such as plastic surgery or elective dental work are generally not allowed. Taxpayers and their dependents are allowed the standard amount monthly on a per person basis, without questioning the amounts they actually spend. If the amount claimed is more than the total allowed by the health care standards, the taxpayer must provide documentation to substantiate those expenses are necessary living expenses. Generally, the number of persons allowed should be the same as those allowed as exemptions on the taxpayer's most recent year income tax return. The out-of-pocket health care standard amount is allowed in addition to the amount taxpayers pay for health insurance.

**Local Standards:** These establish standards for two necessary expenses: housing and transportation. Taxpayers will be allowed the local standard or the amount actually paid, whichever is less.

**A. Housing** - Standards are established for each county within a state. When deciding if a deviation is appropriate, consider the cost of moving to a new residence; the increased cost of transportation to work and school that will result from moving to lower-cost housing and the tax consequences. The tax consequence is the difference between the benefit the taxpayer currently derives from the interest and property tax deductions on Schedule A to the benefit the taxpayer would derive without the same or adjusted expense. Housing costs include rent and/or house payments, taxes, repairs and utilities the IRM provides as follows:

The utilities include gas, electricity, water, fuel, oil, bottled gas, trash and garbage collection, wood and other fuels, septic cleaning, and telephone. Housing expenses include: mortgage or rent, property taxes, interest, parking, necessary maintenance and repair, homeowner's or renter's insurance, homeowner dues and condominium fees. Usually, this is considered necessary only for the place of residence. Any other housing expenses should be allowed only if, based on a taxpayer's individual facts and circumstances, disallowance will cause the taxpayer economic hardship. [IRM 5.15.1.9

- B. Transportation** - The transportation standards consist of nationwide figures for loan or lease payments referred to as ownership cost, and additional amounts for operating costs broken down by Census Region and Metropolitan Statistical Area. Operating costs were derived from BLS data. If a taxpayer has a car payment, the allowable ownership cost added to the allowable operating cost equals the allowable transportation expense. If a taxpayer has no car payment only the operating cost portion of the transportation standard is used to figure the allowable transportation expense. Under ownership costs, separate caps are provided for the first car and second car. If the taxpayer does not own a car a standard public transportation amount is allowed.

Vehicle insurance, vehicle payment (lease or purchase), maintenance, fuel, state and local registration, required inspection, parking fees, tolls, driver's license, public transportation. Transportation costs not required to produce income or ensure the health and welfare of the family are not considered necessary. Consider availability of public transportation if car payments (purchase or lease) will prevent the tax liability from being paid in part or full. Public transportation costs could be an option if it does not significantly increase commuting time and inconvenience the taxpayer.

**Note:** If the taxpayer has no car payment, or no car, question how the taxpayer travels to and from work, grocer, medical care, etc. The taxpayer is only allowed the operating cost or the cost of transportation. [IRM 5.15.1.9]

- C. Other Expenses.** Other expenses may be considered if they meet the necessary expense test - they must provide for the health and welfare of the taxpayer and/or his or her family or they must be for the production of income. This is determined based on the facts and circumstances of each case. If other expenses are determined to be necessary and, therefore allowable, document the reasons for the decision in your history.
- D. Conditional expenses.** These expenses do not meet the necessary expenses test. **However**, they are allowable for installment agreements but not offers in compromise if the tax liability, including projected accruals, can be fully paid within five years.
- E. National and local expense standards are guidelines.** If it is determined a standard amount is inadequate to provide for a specific taxpayer's basic living expenses, allow a **deviation**. Require the

taxpayer to provide reasonable substantiation and document the case file.

- F. Generally,** the total number of persons allowed for national standard expenses should be the same as those allowed as dependents on the taxpayer's current year income tax return. Verify exemptions claimed on taxpayer's income tax return meet the dependency requirements of the IRC. There may be reasonable exceptions. Fully document the reasons for any exceptions. For example, foster children or children for whom adoption is pending.
- G. A deviation** from the local standard is not allowed merely because it is inconvenient for the taxpayer to dispose of valued assets.
- H. Length.** Revenue officers should consider the length of the payments. Although it may be appropriate to allow for payments made on the secured debts that meet the necessary expense test, if the debt will be fully repaid in one year only allow those payments for one year. [ IRM 5.15.1.7 ]

### **Corporate Trust Fund Liabilities**

**1.400** Several years ago the IRS changed its rules with respect to in business offers in compromise. It now requires that each potentially responsible officer of the company sign an agreement to assessment of the trust fund recovery penalty in advance of consideration of any corporate or LLC offer. The new system is extremely unfair because the IRS is requiring even those who should not be held liable for the TFRP to agree to liability and assessment. Only after the liability has been assessed against a non-responsible person may she file a claim for refund and defend against the penalty. The system is extremely unfair and represents an attempt to deprive officers of their statutory due process rights.

### **Pursuit of Officers After Compromise**

**1.410** Under this system the IRS could compromise with the corporate entity based upon its ability to pay and then continue to pursue responsible officers for the remaining trust fund liability. The owners and officers would face continuing economic risk. The system also makes it impossible for a company that had a change in leadership to propound an offer in compromise. Prior officers would probably refuse to consent to the demands of the IRS that they waive their TFRP appeal rights thereby negating any opportunity for the company to have its offer considered by the IRS.

### **Promote Effective Tax Administration**

**1.420** As part of the IRS Restructuring and Reform Act of 1998 (RRA 98), Congress added section 7122(c) to the Internal Revenue Code. That section provides that the Service shall set forth guidelines for determining when an offer in compromise should



be accepted. Congress explained that these guidelines should allow the Service to consider:

- Hardship,
- Public policy, and
- Equity

Treasury Regulation 301.7122-1 authorizes the Service to consider offers raising these issues. These offers are called Effective Tax Administration (ETA) offers.

### **Encourage Compliance**

**1.430** The availability of an Effective Tax Administration (ETA) offer encourages taxpayers to comply with the tax laws because taxpayers will:

- Believe the laws are fair and equitable, and
- Gain confidence that the laws will be applied to everyone in the same manner.

The Effective Tax Administration (ETA) offer allows for situations where tax liabilities should not be collected even though:

- The tax is legally owed, and
- The taxpayer has the ability to pay it in full

### **Only Available If There Is No Doubt As to Liability Or Collectibility**

**1.440** An Effective Tax Administration (ETA) offer can only be considered when the Service has determined that the taxpayer does not qualify for consideration under Doubt as to Liability (DATL) and/or Doubt as to Collectibility (DATC). The taxpayer must include the Collection Information Statement (Form 433-A and/or Form 433-B) when submitting an offer requesting consideration under Effective Tax Administration (ETA). Economic hardship standard of § 301.6343-1 specifically applies only to individuals. [IRM 5.8.1.1]

### **Rules for Evaluating Offers to Promote Effective Tax Administration**

**1.450** The determination to accept or reject an offer to compromise made on the ground that acceptance would promote effective tax administration within the meaning of this section will be based upon consideration of all the facts and circumstances, including the taxpayer's record of overall compliance with the tax laws.

### **Factors**

**1.460** Factors supporting (but not conclusive of) a determination of economic hardship include:

1. Taxpayer is incapable of earning a living because of a long term illness, medical condition, or disability and it is reasonably foreseeable that taxpayer's financial resources will be exhausted providing for care and support during the course of the condition;

2. Although taxpayer has certain assets, liquidation of those assets to pay outstanding tax liabilities would render the taxpayer unable to meet basic living expenses; and
3. Although taxpayer has certain assets, the taxpayer is unable to borrow against the equity in those assets and disposition by seizure or sale of the assets would have sufficient adverse consequences such that enforced collection is unlikely Temp Reg 301.7122-1T(b)(4)(iv)(B)]

**Example 1.** Taxpayer has assets sufficient to satisfy the tax liability. Taxpayer provides full time care and assistance to her dependent child, who has a serious long-term illness. It is expected that the taxpayer will need to use the equity in her assets to provide for adequate basic living expenses and medical care for her child. Taxpayer's overall compliance history does not weigh against compromise.

**Example 2.** Taxpayer is retired and his only income is from a pension. The taxpayer's only asset is a retirement account, and the funds in the account are sufficient to satisfy the liability. Liquidation of the retirement account would leave the taxpayer without an adequate means to provide for basic living expenses. Taxpayer's overall compliance history does not weigh against compromise.

**Example 3.** Taxpayer is disabled and lives on a fixed income that will not, after allowance of adequate basic living expenses, permit full payment of his liability under an installment agreement. Taxpayer also owns a modest house that has been specially equipped to accommodate his disability. Taxpayer's equity in the house is sufficient to permit payment of the liability he owes. However, because of his disability and limited earning potential, taxpayer is unable to obtain a mortgage or otherwise borrow against this equity. In addition, because the taxpayer's home has been specially equipped to accommodate his disability, forced sale of the taxpayer's residence would create severe adverse consequences for the taxpayer, making such a sale unlikely. Taxpayer's overall compliance history does not weigh against compromise.

### **Undermine Compliance**

**1.470** Factors supporting (but not conclusive of) a determination that compromise would not undermine compliance by taxpayers with the tax laws include:

- Taxpayer does not have a history of noncompliance with the filing and payment requirements of the Internal Revenue Code;
- Taxpayer has not taken deliberate actions to avoid the payment of taxes; and
- Taxpayer has not encouraged others to refuse to comply with the tax laws.[Temp Reg. 301.7122-1T(b)(4)(iv)(C)]

## Exceptional Circumstances

**1.480** The following examples illustrate cases where exceptional circumstances exist such that collection of the full liability will be detrimental to voluntary compliance by taxpayers; and compromise of the liability would not undermine compliance by taxpayers with the tax laws:

**Example 1.** In October of 1986, taxpayer developed a serious illness that resulted in almost continuous hospitalizations for a number of years. The taxpayer's medical condition was such that during this period the taxpayer was unable to manage any of his financial affairs. The taxpayer has not filed tax returns since that time. The taxpayer's health has now improved and he has promptly begun to attend to his tax affairs. He discovers that the IRS prepared a substitute for return for the 1986 tax year on the basis of information returns it had received and had assessed a tax deficiency. When the taxpayer discovered the liability, with penalties and interest, the tax bill is more than three times the original tax liability. Taxpayer's overall compliance history does not weigh against compromise.

**Example 2.** Taxpayer is a salaried sales manager at a department store who has been able to place \$2,000 in a tax-deductible IRA account for each of the last two years. Taxpayer learns that he can earn a higher rate of interest on his IRA savings by moving those savings from a money management account to a certificate of deposit at a different financial institution. Prior to transferring his savings, taxpayer submits an E-Mail inquiry to the IRS at its Web Page, requesting information about the steps he must take to preserve the tax benefits he has enjoyed and to avoid penalties. The IRS responds in an answering E-Mail that the taxpayer may withdraw his IRA savings from his neighborhood bank, but he must redeposit those savings in a new IRA account within 90 days. Taxpayer withdraws the funds and redeposits them in a new IRA account 63 days later. Upon audit, taxpayer learns that he has been misinformed about the required rollover period and that he is liable for additional taxes, penalties and additions to tax for not having redeposited the amount within 60 days. Had it not been for the erroneous advice that is reflected in the taxpayer's retained copy of the IRS E-Mail response to his inquiry, taxpayer would have redeposited the amount within the required 60-day period. Taxpayer's overall compliance history does not weigh against compromise.

# EXHIBITS

## National Standards: Food, Clothing and Other Items

Expense	One Person	Two Persons	Three Persons	Four Persons
Food	\$315	\$588	\$660	\$821
Housekeeping supplies	\$32	\$66	\$65	\$78
Apparel & services	\$88	\$162	\$209	\$244
Personal care products & services	\$34	\$61	\$64	\$70
Miscellaneous	\$116	\$215	\$251	\$300
<b>Total</b>	<b>\$585</b>	<b>\$1,092</b>	<b>\$1,249</b>	<b>\$1,513</b>

I.

More than four persons	Additional Amount	Persons
For each additional person, add to four-person total allowance:	\$378	

## National Standards: Out-of-Pocket Health Care

The table for health care expenses, based on Medical Expenditure Panel Survey data, has been established for minimum allowances for out-of-pocket health care expenses.

Out-of-pocket health care expenses include medical services, prescription drugs, and medical supplies (e.g. eyeglasses, contact lenses, etc.). Elective procedures such as plastic surgery or elective dental work are generally not allowed.

Taxpayers and their dependents are allowed the standard amount monthly on a per person basis, without questioning the amounts they actually spend. If the amount claimed is more than the total allowed by the health care standards, the taxpayer must provide documentation

to substantiate those expenses are necessary living expenses.

The out-of-pocket health care standard amount is allowed in addition to the amount taxpayers pay for health insurance.

### Out-of-Pocket Costs

<b>Under 65</b>	<b>\$60</b>
<b>65 and Older</b>	<b>\$144</b>

## Transportation

### Public Transportation

<b>National</b>	<b>\$185</b>
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### II. Ownership Costs

	<b>One Car</b>	<b>Two Cars</b>
<b>National</b>	<b>\$517</b>	<b>\$1,034</b>

### III. Operating Costs

	<b>One Car</b>	<b>Two Cars</b>
<b>Northeast Region</b>	<b>\$278</b>	<b>\$556</b>
<b>Boston</b>	<b>\$277</b>	<b>\$554</b>
<b>New York</b>	<b>\$342</b>	<b>\$684</b>

<b>Philadelphia</b>	\$299	\$598
<b>Midwest Region</b>	\$212	\$424
<b>Chicago</b>	\$262	\$524
<b>Cleveland</b>	\$226	\$452
<b>Detroit</b>	\$295	\$590
<b>Minneapolis-St. Paul</b>	\$217	\$434
<b>South Region</b>	\$244	\$488
<b>Atlanta</b>	\$256	\$512
<b>Baltimore</b>	\$250	\$500
<b>Dallas-Ft. Worth</b>	\$277	\$554
<b>Houston</b>	\$312	\$624
<b>Miami</b>	\$346	\$692
<b>Washington, D.C.</b>	\$277	\$554
<b>West Region</b>	\$236	\$472
<b>Los Angeles</b>	\$295	\$590
<b>Phoenix</b>	\$291	\$582
<b>San Diego</b>	\$301	\$602

<b>San Francisco</b>	<b>\$306</b>	<b>\$612</b>
<b>Seattle</b>	<b>\$192</b>	<b>\$384</b>

**Florida Housing & Utilities**

<b>County</b>	<b>Family of 1</b>	<b>Family of 2</b>	<b>Family of 3</b>	<b>Family of 4</b>	<b>Family of 5 or more</b>
<b>Alachua</b>	1,438	1,688	1,779	1,984	2,016
<b>Baker</b>	1,202	1,412	1,488	1,659	1,686
<b>Bay</b>	1,378	1,619	1,706	1,902	1,933
<b>Bradford</b>	1,159	1,361	1,434	1,599	1,625
<b>Brevard</b>	1,418	1,666	1,755	1,957	1,989
<b>Broward</b>	1,833	2,153	2,269	2,530	2,571
<b>Calhoun</b>	1,028	1,207	1,272	1,418	1,441
<b>Charlotte</b>	1,401	1,645	1,733	1,933	1,964
<b>Citrus</b>	1,152	1,353	1,425	1,589	1,615
<b>Clay</b>	1,470	1,726	1,819	2,028	2,061
<b>Collier</b>	1,842	2,163	2,279	2,541	2,582
<b>Columbia</b>	1,116	1,311	1,381	1,540	1,565
<b>DeSoto</b>	1,219	1,431	1,508	1,682	1,709
<b>Dixie</b>	1,024	1,202	1,267	1,413	1,436
<b>Duval</b>	1,425	1,673	1,763	1,966	1,997
<b>Escambia</b>	1,294	1,519	1,601	1,785	1,814
<b>Flagler</b>	1,456	1,710	1,802	2,009	2,042
<b>Franklin</b>	1,220	1,432	1,509	1,683	1,710
<b>Gadsden</b>	1,167	1,370	1,444	1,610	1,636
<b>Gilchrist</b>	1,079	1,267	1,335	1,489	1,513
<b>Glades</b>	991	1,164	1,227	1,368	1,390
<b>Gulf</b>	1,411	1,657	1,746	1,947	1,978



<b>County</b>	<b>Family of 1</b>	<b>Family of 2</b>	<b>Family of 3</b>	<b>Family of 4</b>	<b>Family of 5 or more</b>
<b>Hamilton</b>	953	1,119	1,179	1,315	1,336
<b>Hardee</b>	1,126	1,322	1,393	1,553	1,578
<b>Hendry</b>	1,128	1,325	1,396	1,557	1,582
<b>Hernando</b>	1,244	1,461	1,540	1,717	1,745
<b>Highlands</b>	1,129	1,326	1,397	1,558	1,583
<b>Hillsborough</b>	1,604	1,884	1,985	2,213	2,249
<b>Holmes</b>	1,061	1,246	1,313	1,464	1,488
<b>Indian River</b>	1,474	1,731	1,824	2,034	2,067
<b>Jackson</b>	1,041	1,223	1,288	1,437	1,460
<b>Jefferson</b>	1,162	1,365	1,438	1,603	1,629
<b>Lafayette</b>	1,197	1,406	1,482	1,652	1,679
<b>Lake</b>	1,432	1,682	1,772	1,976	2,008
<b>Lee</b>	1,590	1,868	1,968	2,194	2,230
<b>Leon</b>	1,455	1,709	1,801	2,008	2,041
<b>Levy</b>	1,087	1,276	1,345	1,500	1,524
<b>Liberty</b>	1,042	1,223	1,289	1,437	1,460
<b>Madison</b>	1,018	1,196	1,260	1,405	1,428
<b>Manatee</b>	1,599	1,878	1,979	2,207	2,243
<b>Marion</b>	1,194	1,402	1,477	1,647	1,674
<b>Martin</b>	1,726	2,027	2,136	2,382	2,420
<b>Miami-Dade</b>	1,807	2,122	2,236	2,493	2,534
<b>Monroe</b>	2,292	2,692	2,837	3,163	3,214
<b>Nassau</b>	1,460	1,715	1,807	2,015	2,047
<b>Okaloosa</b>	1,500	1,761	1,856	2,069	2,103
<b>Okeechobee</b>	1,207	1,418	1,494	1,666	1,693
<b>Orange</b>	1,634	1,919	2,022	2,255	2,291
<b>Osceola</b>	1,561	1,833	1,932	2,154	2,189

<b>County</b>	<b>Family of 1</b>	<b>Family of 2</b>	<b>Family of 3</b>	<b>Family of 4</b>	<b>Family of 5 or more</b>
<b>Palm Beach</b>	1,809	2,125	2,239	2,496	2,537
<b>Pasco</b>	1,405	1,650	1,739	1,939	1,970
<b>Pinellas</b>	1,516	1,780	1,876	2,092	2,126
<b>Polk</b>	1,318	1,548	1,631	1,819	1,848
<b>Putnam</b>	1,033	1,214	1,279	1,426	1,449
<b>St. Johns</b>	1,779	2,089	2,201	2,454	2,494
<b>St. Lucie</b>	1,484	1,743	1,836	2,047	2,080
<b>Santa Rosa</b>	1,419	1,667	1,756	1,958	1,990
<b>Sarasota</b>	1,577	1,853	1,952	2,177	2,212
<b>Seminole</b>	1,641	1,928	2,031	2,265	2,301
<b>Sumter</b>	1,205	1,415	1,491	1,662	1,689
<b>Suwannee</b>	1,023	1,201	1,266	1,412	1,434
<b>Taylor</b>	1,020	1,198	1,262	1,407	1,430
<b>Union</b>	1,194	1,402	1,477	1,647	1,674
<b>Volusia</b>	1,392	1,635	1,723	1,921	1,952
<b>Wakulla</b>	1,301	1,528	1,610	1,795	1,824
<b>Walton</b>	1,349	1,584	1,669	1,861	1,891
<b>Washington</b>	1,034	1,214	1,279	1,426	1,449

**Attachment 1**  
**IRM 5.8.5, Financial Analysis**

**IRM 5.8.5.5.1, Income-Producing Assets**

(3) As a general rule, equity in income producing assets will not be added to the RCP of a viable, ongoing business unless it is determined the assets are not critical to business operations. The following examples provide guidance in evaluating equity and income produced by assets.

Example (1) A business depends on a machine to manufacture parts and cannot operate without this machine. The equity is \$100,000. The machine produces net income of \$5,000 monthly. The RCP should include the income produced by the machine, but not the equity. Equity in this machine will generally not be included in the RCP because the machine is needed to produce the income, and is essential to the ability of the business to continue to operate.

Note: It is in the government's best interest to work with this taxpayer to maintain business operations, particularly in a bad economy.

Example (2) The same business in the prior example, but the business can continue to operate without the machine, i.e. the equipment is not used in the process of generating the key product of the business. The machine generates only \$500 net monthly income. Consider including the equity in the RCP and remove \$500 from the business income.

Example (3) A trucking company has ten trucks. Eight are fully encumbered and two trucks have no encumbrances and \$30,000 in equity. The two trucks combined generate net income of \$12,000 per year. Add the net income from the trucks to the RCP and do not add the equity.

Example (4) The same trucks described in the previous example generate only \$1000 per year in net income, but have \$30,000 in equity. If the business can successfully operate without the two trucks, consider removing the income from the RCP and including the equity in the RCP.

Example (5) A real estate salesman has a vehicle with \$30,000 in equity. The vehicle is used to transport clients and assists in the production of income. The taxpayer's net monthly disposable income is \$3000. The equity in the vehicle generally will not be included in the RCP.

Example (6) The same salesman in the previous example only has net monthly disposable income of \$500 per month. Consider including the equity in the vehicle, yet allow for the impact the loss of the vehicle may have on the taxpayer's income.

(4) When considering equity in income producing assets and the effect on income streams and expenses, you must exercise sound judgment consistent with the unique facts of each case.

(5) Each case must be thoroughly documented regarding equity decisions in income producing property.

### **IRM 5.8.5.6, Cash**

(1) Use the amount listed on the Form 433-A (OIC) for the amount of cash in the taxpayer's bank accounts. Reduce the total amount listed by \$1,000. If the total amount listed on the Form 433-A (OIC) is over \$1,000 and you have reason to believe the money will be used to pay for the taxpayer's monthly allowable living expenses, do not include it on the AET. Document the AOIC or ICS history with the findings.

(2) Review checking account statements over a reasonable period of time, generally three months for wage earners and six months for in-business taxpayers. Look for any unusual activity, such as deposits in excess of reported income, withdrawals, transfers, or checks for expenses not reflected on the CIS. The OE/OS should discuss these inconsistencies, if appropriate, with the taxpayer.

**Example:** The taxpayer lists \$10,000 on Form 433-A (OIC) The taxpayer's allowable living expenses are \$3,000. Include \$6,000 (\$10,000 less \$1,000 less \$3000) as an asset value on the AET.

**Example:** The taxpayer lists \$3,000 on the Form 433-A (OIC) and his allowable living expenses are \$2,700. Do not include any amount on the AET since the \$300 difference is less than \$1000.

(3) Review savings account statements over a reasonable period of time, generally three months.

- If the account has little withdrawal activity, use the ending balance on the latest statement, less \$1,000, if not previously applied to other accounts, as the asset value for the AET.
- If it is apparent that the account is used for paying monthly living expenses, treat it as a checking account and follow the instructions in paragraphs (1) and (2) above to determine its value.

(4) If analysis of the bank statement reveals large amounts of recently expended funds, see IRM 5.8.5.6 below for a full discussion of the treatment of dissipated assets.

(5) If the taxpayer offers the balances of accounts (for example, certificate of deposit, savings bonds, etc.) to fund the offer, allow for any penalty for early withdrawal and the expected current year tax consequence.

#### **IRM 5.8.5.11, Motor Vehicles, Airplanes, and Boats**

(2) Exclude \$3,450 per car from the *net* equity valuation of vehicles owned by the taxpayer(s) and used for work, the production of income, and/or the welfare of the taxpayer's family, up to two cars per household.

#### **IRM 5.8.5.16, Dissipation of Assets**

(1) Inclusion of dissipated assets in the calculation of the reasonable collection potential (RCP) is no longer applicable except in situations where it can be shown the taxpayer has sold, transferred, encumbered or otherwise disposed of assets in an attempt to avoid the payment of the tax liability or used the assets or proceeds (other than wages, salary, or other income) for other than the payment of items necessary for the production of income or the health and welfare of the taxpayer or their family, after the tax has been assessed or within six months prior to the tax assessment.

(2) Generally, a three year timeframe will be used to determine if it is appropriate to include a dissipated asset in RCP. Include the year of submission as a complete year in the calculation, For example, if the offer is submitted in 2012, any asset dissipated prior to 2010 should not be included.

- If the tax liability did not exist prior to the transfer or the transfer occurred prior to the taxable event giving rise to the tax liability, generally, a taxpayer cannot be said to have dissipated the assets in disregard of the outstanding tax liability.
- If a taxpayer withdraws funds from an IRA to invest in a business opportunity but does not have any tax liability prior to the withdrawal, the funds were not dissipated.

(3) If it is determined inclusion of a dissipated asset is appropriate and the taxpayer is unwilling or unable to include the value of the dissipated asset in the offer amount, the offer should be rejected as not in the government's best interest.

NOTE: Even if the transfer and/or sale took place more than three years prior to the offer submission, it may be appropriate to include the asset in the calculation of RCP if the asset transfer and/or sale occurred either within six months prior to or within six months after the assessment of the tax liability. In these instances, a determination on whether the funds were used for health/welfare of the family or production of income would be appropriate.

(4) See below for examples of the types of situations where it may be appropriate to include, or not include, the value of an asset in the calculation of RCP. The examples

provided are not meant to be all inclusive as each case must be evaluated on its own merit.

(5) Examples of situations in which the value of an asset *should* be included in RCP include, but are not limited to:

Note: Each of the examples in paragraph (5) occurred within three years prior to the offer submission or during the offer investigation, and the taxpayer dissipated the assets after incurring the tax liability or within six months prior to the tax assessment.

- The taxpayer dissolved an IRA or other investment account to pay for specific non-priority items, i.e. child's wedding, child's university tuition, extravagant vacation, etc.
- The taxpayer refinanced their house and used the funds to pay off credit card and non-secured debt. The credit cards were NOT used for payment of necessary living expenses and/or the production of income.
- The taxpayer inherited funds and used the funds for non-priority items (other than health/welfare of the family or production of income).
- The taxpayer closed bank/investment accounts and will not disclose how the funds were spent or if any funds remain.
- A taxpayer filed a CAP to avoid the filing of a NFTL and insisted the lien would impair his credit and his ability to successfully operate his business. After the non-filing was granted, the taxpayer fully encumbered his assets, used the funds for non-priority items (items not necessary for the production of income or the health and welfare of the taxpayer and/or their family) and then submitted an OIC.
- The taxpayer sold real estate and gifted the funds from the sale to family members.

(6) Situations may occur in which the transfer happened over 3 years prior to the offer submission, yet because of the timing of the transfer (within six months prior to or six months after the tax assessment), the inclusion of the asset in RCP may be appropriate.

Example: The taxpayer filed tax returns for five years (2001 - 2005) in February of 2007, which were assessed in March 2007. In January of 2007, the taxpayer transferred real property to a family member for no consideration. An offer was submitted in January 2012. In this instance, since the transfer was within six months of the tax assessments, it may be appropriate to include the value of the real property in RCP.

(7) Examples of situations in which the value of an asset *should NOT* be included in RCP, include but are not limited to:

- When it can be shown through internal research or substantiation provided by the taxpayer that the funds were needed to provide for necessary living expenses, these amounts should not be included in the RCP calculation.
- Dissolving an IRA during unemployment or underemployment. Review of available internal sources verified the taxpayer's income was insufficient to meet necessary living expenses. In this case, do not include the funds up to the amount needed to meet allowable expenses in the RCP calculation.
- Substantial amount withdrawn from bank accounts. Taxpayer provided supporting documentation that funds were used to pay for medical or other necessary living expenses. This amount will not be included in the RCP calculation.
- Disposing of an asset and using the funds to purchase another asset that is included in the offer evaluation. Do not include the value of the asset disposed of as a dissipated asset.

(8) Prior to including the dissipated asset in the RCP, the taxpayer should be contacted by telephone and afforded the opportunity to explain or verify the dissipation of the asset.

(9) The case history must be clearly documented with the basis for your decision regarding the dissipated asset.

#### **IRM 5.8.5.17, Retired Debt**

(3) Do not retire the first \$400 of a loan on a vehicle (limited to one vehicle for a single taxpayer and two vehicles for a joint offer)

**Example:** If the taxpayer has a car payment of \$750 per month and the maximum standard is \$450, \$50 would be retired beginning the date the loan is paid.

#### **IRM 5.8.5.20.3, Transportation Expenses**

(5) When the taxpayer owns a vehicle that is six years or older or has reported mileage of 75,000 miles or more, allow an additional operating expenses of \$200 or more per vehicle. The additional operating expense will be allowed on any vehicle meeting the criteria, up to two cars per household.

**Example:** The taxpayer who has a 1998 Chevrolet Cavalier with 50,000 miles will be allowed the standard of \$231 per month plus \$200 per month operating expenses for a total operating expense of \$431 per month.

### IRM 5.8.5.20.4, Other Expenses

(3) Minimum payments on student loans guaranteed by the federal government will be allowed for the taxpayer's post-high school education. Proof of payment must be provided. If student loans are owed, but no payments are being made, do not allow them, unless the non-payment is due to circumstances of financial hardship, e.g. unemployment, medical expenses, etc.

(7) When a taxpayer owes both delinquent federal and state or local taxes, and does not have the ability to full pay the liabilities, monthly payments to state taxing authorities may be allowed in certain circumstances.

a) Determine the disposable income on a Collection Information Statement (CIS), Forms 433-A (OIC or 433-B (OIC). Do not include any amount that is being paid for outstanding state or local tax liabilities in the calculation of the future income value component (FIV) of the reasonable collection potential (RCP). FIV is the difference between gross income and allowable living expenses.

Calculate the dollar amounts for IRS and state or local payments based on the total liability owed to each agency (including penalties and interest to date).

Example: The taxpayer owes the state \$20,000 and owes the IRS \$100,000, a total of \$120,000 ( $\$20,000/\$120,000 = 17\%$ ;  $\$100,000/\$120,000 = 83\%$ ). The taxpayer has disposable income of \$300 per month. A monthly payment to the state taxing authority of \$51 may be allowed until the debt is retired. See the If/Then table below for examples.

- Seventeen percent (17%) of \$300 = \$51
- Eighty-three percent (83%) of \$300 = \$249

b) To determine allowable payments for delinquent state or local tax debts follow the procedures below:

If...	And...	Then...
(1) The taxpayer does not have an existing agreement for payment of the delinquent state or local tax debts,	Provides a complete CIS and verification of state or local tax debts,	Follow procedures in paragraph (a) above to establish the calculated percentage amount that will be determined as the allowable monthly payment for delinquent state or local taxes.
(2) The taxpayer has an existing agreement for delinquent state or local	The payment amount on the state or local agreement is <b>less</b> than	The monthly amount due on the existing state or local agreement will be



If...	And...	Then...
<p>tax debts, which was established <b>after</b> the earliest IRS date of assessment,</p>	<p>the calculated percentage amount,</p>	<p>listed as the allowable delinquent state or local tax payment.</p> <p>Example: The calculation based on the example in paragraph (a) above shows the taxpayer should pay \$51 but the State agreement is for \$50. Allow the State agreed payment of \$50.</p> <p>The payment to IRS will be increased by the amount allowed for the monthly state or local payment with the state or local liability is scheduled to be full paid.</p>
<p>(3) The taxpayer has an existing agreement for delinquent state or local tax debts, which was established <b>after</b> the earliest IRS date of assessment,</p>	<p>The payment amount on the agreement is <b>more</b> than the calculated percentage amount,</p>	<p>The amount allowed as the delinquent state or local tax payment will be the calculated percentage amount. Advise the taxpayer that he/she can use the amount IRS allows for Miscellaneous expenses under National Standards to pay the additional amount due for the delinquent state or local tax payment.</p> <p>Example: The calculation based on the example in paragraph (a) above shows the taxpayer should pay \$51 but the State agreement is for \$52. Allow the calculated payment of \$51.</p> <p>The payment to IRS will</p>

If...	And...	Then...
		be increased by the amount allowed for the monthly state or local payment when the state or local liability is scheduled to be full paid.
(4) The taxpayer has an existing agreement for delinquent state or local tax debts, which was established <b>prior</b> to the IRS earliest date of assessment	The payment is not greater than the taxpayer's net disposable income	Allow the state or local tax agreement.

**IRM 5.8.5.23, Calculation of Future Income**

(2) Future income is defined as an estimate of the taxpayer's ability to pay based on an analysis of gross income, less necessary living expenses, for a specific number of months into the future. The number of months used depends on the payment terms of the offer.

If...	Then...
The offer will be paid in 5 or fewer installments in 5 months or less	Use the realizable value of assets plus the amount that could be collected in 12 months.
The offer will be paid in more than 5 installments or more than 5 months up to a maximum of 24 months	Use the realizable value of assets plus the amount that could be collected in 24 months.

**Note:** The deferred payment option which allows payment over the life of the statute is no longer available. With implementation of the multipliers, the maximum number of months for a deferred payment cannot exceed 24 months.

**Use this form if you are**

- ▶ An individual who owes income tax on a Form 1040, U.S. Individual Income Tax Return
  - ▶ An individual with a personal liability for Excise Tax
  - ▶ An individual responsible for a Trust Fund Recovery Penalty
- ▶ An individual who is self-employed or has self-employment income. You are considered to be self-employed if you are in business for yourself, or carry on a trade or business.
  - ▶ An individual who is personally responsible for a partnership liability (only if the partnership is submitting an offer)

**Wage earners** Complete Sections 1, 2, 3, 7, 8, 9 and the signature line in Section 10.  
**Self-employed individuals** Complete Sections 4, 5, 6, in addition to Sections 1, 2 (if applicable), 3, 7, 8, 9 and the signature line in Section 10.  
**Note: Include attachments if additional space is needed to respond completely to any question.**

**Section 1 Personal and Household Information**

Last Name	First Name	Date of Birth (mm/dd/yyyy)	Social Security Number - -
Marital status <input type="checkbox"/> Unmarried  <input type="checkbox"/> Married	Home Address (Street, City, State, ZIP Code)	Do you: <input type="checkbox"/> Own your home <input type="checkbox"/> Rent <input type="checkbox"/> Other (specify e.g., share rent, live with relative, etc.)	
County of Residence	Primary Phone ( ) -	Mailing Address (if different from above or Post Office Box number)	
Secondary Phone ( ) -	Fax Number ( ) -		

**Provide information about your spouse.**

Spouse's Last Name	Spouse's First Name	Date of Birth (mm/dd/yyyy)	Social Security Number - -
--------------------	---------------------	----------------------------	-------------------------------

**Provide information for all other persons in the household or claimed as a dependent.**

Name	Age	Relationship	Claimed as a dependent on your Form 1040?	Contributes to household income?
			<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
			<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
			<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
			<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No

**Section 2 Employment Information for Wage Earners**

**If you or your spouse have self-employment income (that is you file a Schedule C, E, F, etc.) instead of, or in addition to wage income, you must complete Business Information in Sections 4, 5, and 6.**

Your Employer's Name	Employer's Address (street, city, state, zip code)
Do you have an interest in this business? <input type="checkbox"/> Yes <input type="checkbox"/> No	If yes, check the business interest that applies: <input type="checkbox"/> Partner <input type="checkbox"/> Officer <input type="checkbox"/> Sole proprietor
Your Occupation	
Spouse's Employer's Name	Employer's Address (street, city, state, zip code)
Does your spouse have an interest in this business? <input type="checkbox"/> Yes <input type="checkbox"/> No	If yes, check the business interest that applies: <input type="checkbox"/> Partner <input type="checkbox"/> Officer <input type="checkbox"/> Sole proprietor
Spouse's Occupation	

**Section 3 Personal Asset Information**

Use the **most current** statement for each type of account, such as checking, savings, money market and online accounts, stored value cards (*such as, a payroll card from an employer*), investment and retirement accounts (*IRAs, Keogh, 401(k) plans, stocks, bonds, mutual funds, certificates of deposit*), life insurance policies that have a cash value, and safe deposit boxes. Asset value is subject to adjustment by IRS based on individual circumstances. Enter the total amount available for each of the following (*if additional space is needed include attachments*).

Round to the nearest dollar. Do not enter a negative number. If any line item is a negative number, enter "0".

**Cash and Investments (domestic and foreign)**

<input type="checkbox"/> Cash <input type="checkbox"/> Checking <input type="checkbox"/> Savings <input type="checkbox"/> Money Market/CD <input type="checkbox"/> Online Account <input type="checkbox"/> Stored Value Card		
Bank Name	Account Number	(1a) \$
<input type="checkbox"/> Checking <input type="checkbox"/> Savings <input type="checkbox"/> Money Market/CD <input type="checkbox"/> Online Account <input type="checkbox"/> Stored Value Card		
Bank Name	Account Number	(1b) \$
Total of bank accounts from attachment		(1c) \$
<b>Add lines (1a) through (1c) less (\$1,000) =</b>		<b>(1) \$</b>
Investment Account: <input type="checkbox"/> Stocks <input type="checkbox"/> Bonds <input type="checkbox"/> Other		
Name of Financial Institution	Account Number	
Current Market Value	Less Loan Balance	
\$ _____ X .8 = \$ _____	- \$ _____ =	(2a) \$
Investment Account: <input type="checkbox"/> Stocks <input type="checkbox"/> Bonds <input type="checkbox"/> Other		
Name of Financial Institution	Account Number	
Current Market Value	Less Loan Balance	
\$ _____ X .8 = \$ _____	- \$ _____ =	(2b) \$
Total of investment accounts from attachment. [current market value X.8 less loan balance(s)]		(2c) \$
<b>Add lines (2a) through (2c) =</b>		<b>(2) \$</b>
Retirement Account: <input type="checkbox"/> 401K <input type="checkbox"/> IRA <input type="checkbox"/> Other		
Name of Financial Institution	Account Number	
Current Market Value	Less Loan Balance	
\$ _____ X .7 = \$ _____	- \$ _____ =	(3a) \$
Retirement Account: <input type="checkbox"/> 401K <input type="checkbox"/> IRA <input type="checkbox"/> Other		
Name of Financial Institution	Account Number	
Current Market Value	Less Loan Balance	
\$ _____ X .7 = \$ _____	- \$ _____ =	(3b) \$
Total of investment accounts from attachment. [current market value X.7 less loan balance(s)]		(3c) \$
<b>Add lines (3a) through (3c) =</b>		<b>(3) \$</b>
Cash Value of Life Insurance Policies		
Name of Insurance Company	Policy Number	
Current Cash Value	Less Loan Balance	
\$ _____	- \$ _____ =	(4a) \$
Total of life insurance policies from attachment	Less Loan Balance(s)	
\$ _____	- \$ _____ =	(4b) \$
<b>Add lines (4a) through (4b) =</b>		<b>(4) \$</b>

**Section 3 (Continued) Personal Asset Information**

**Real Estate (Enter information about any house, condo, co-op, time share, etc. that you own or are buying)**

Property Address (Street Address, City, State, ZIP Code)	Primary Residence <input type="checkbox"/> Yes <input type="checkbox"/> No	
	Date Purchased	
County and Country	Date of Final Payment	
How title is held (joint tenancy, etc.)	Description of Property	
Current Market Value \$ _____ X .8 = \$ _____	Less Loan Balance (Mortgages, etc.) - \$ _____	(Total Value of Real Estate) = (5a) \$ _____
Property Address (Street Address, City, State, ZIP Code)	Primary Residence <input type="checkbox"/> Yes <input type="checkbox"/> No	
	Date Purchased	
County and Country	Date of Final Payment	
How title is held (joint tenancy, etc.)	Description of Property	
Current Market Value \$ _____ X .8 = \$ _____	Less Loan Balance (Mortgages, etc.) - \$ _____	(Total Value of Real Estate) = (5b) \$ _____
Total value of property(s) from attachment [current market value X .8 less any loan balance(s)]		(5c) \$ _____
<b>Add lines (5a) through (5c) =</b>		<b>(5) \$ _____</b>

**Vehicles (Enter information about any cars, boats, motorcycles, etc. that you own or lease)**

Vehicle Make & Model	Year	Date Purchased	Mileage	
<input type="checkbox"/> Lease <input type="checkbox"/> Loan	Name of Creditor	Date of Final Payment	Monthly Lease/Loan Amount \$ _____	
Current Market Value \$ _____ X .8 = \$ _____	Less Loan Balance (Mortgages, etc.) - \$ _____		Total value of vehicle (if the vehicle is leased, enter 0 as the total value) =	(6a) \$ _____
			Subtract \$3,450 from line (6a). If line (6a) less line (6b) is a negative number, enter "0".	(6b) \$ _____
Vehicle Make & Model	Year	Date Purchased	Mileage	
<input type="checkbox"/> Lease <input type="checkbox"/> Loan	Name of Creditor	Date of Final Payment	Monthly Lease/Loan Amount \$ _____	
Current Market Value \$ _____ X .8 = \$ _____	Less Loan Balance (Mortgages, etc.) - \$ _____		Total value of vehicle (if the vehicle is leased, enter 0 as the total value) =	(6c) \$ _____
			If you are filing a joint offer, subtract \$3,450 from line (6c). If line (6c) less line (6d) is a negative number, enter "0".	(6d) \$ _____
Total value of vehicles listed from attachment [current market value X .8 less any loan balance(s)]				(6e) \$ _____
<b>Total lines (6a) through (6e) =</b>				<b>(6) \$ _____</b>

**Section 3 (Continued) Personal Asset Information**

Other valuable items (artwork, collections, jewelry, items of value in safe deposit boxes, interest in a company or business that is not publicly traded, etc.)

Description of asset:		
Current Market Value	Less Loan Balance	
\$ _____ X .8 = \$ _____	- \$ _____	= (7a) \$ _____
Description of asset:		
Current Market Value	Less Loan Balance	
\$ _____ X .8 = \$ _____	- \$ _____	= (7b) \$ _____
Total value of valuable items listed from attachment [current market value X .8 less any loan balance(s)]		(7c) \$ _____
<b>Add lines (7a) through (7c) =</b>		<b>(7) \$ _____</b>
Do not include amount on the lines with a letter beside the number. Round to the nearest whole dollar. Do not enter a negative number. If any line item is a negative, enter "0" on that line. <b>Add lines (1) through (7) and enter the amount in Box A =</b>		<b>Box A Available Individual Equity in Assets \$ _____</b>

NOTE: If you or your spouse are self-employed, Sections 4, 5, and 6 must be completed before continuing with Sections 7 and 8.

**Section 4 Self-Employed Information**

If you or your spouse are self-employed (e.g., files Schedule(s) C, E, F, etc.), complete this section.

Is your business a sole proprietorship? <input type="checkbox"/> Yes <input type="checkbox"/> No		Address of Business (if other than personal residence)	
Name of Business			
Business Telephone Number ( ) -	Employer Identification Number	Business Website	Trade Name or DBA
Description of Business	Total Number of Employees	Frequency of Tax Deposits	Average Gross Monthly Payroll \$
Do you or your spouse have any other business interests? Include any interest in an LLC, LLP, corporation, partnership, etc. <input type="checkbox"/> Yes (Percentage of ownership: ) Title: <input type="checkbox"/> No		Business Address (Street, City, State, ZIP code)	
Business Name		Business Telephone Number ( ) -	Employer Identification Number
Type of business (Select one) <input type="checkbox"/> Partnership <input type="checkbox"/> LLC <input type="checkbox"/> Corporation <input type="checkbox"/> Other			

**Section 5 Business Asset Information (for Self-Employed)**

List business assets such as bank accounts, tools, books, machinery, equipment, business vehicles and real property that is owned/leased/rented. If additional space is needed, attach a list of items.

Round to the nearest whole dollar. Do not enter a negative number. If any line item is a negative number, enter "0".

<input type="checkbox"/> Cash <input type="checkbox"/> Checking <input type="checkbox"/> Savings <input type="checkbox"/> Money Market/CD <input type="checkbox"/> Online Account <input type="checkbox"/> Stored Value Card		
Bank Name	Account Number	(8a) \$ _____
<input type="checkbox"/> Cash <input type="checkbox"/> Checking <input type="checkbox"/> Savings <input type="checkbox"/> Money Market/CD <input type="checkbox"/> Online Account <input type="checkbox"/> Stored Value Card		
Bank Name	Account Number	(8b) \$ _____
Total value of bank accounts from attachment		(8c) \$ _____
<b>Add lines (8a) through (8c) =</b>		<b>(8) \$ _____</b>

**Section 5 (Continued) Business Asset Information (for Self-Employed)**

Description of asset:

Current Market Value \$ _____ X .8 = \$ _____	Less Loan Balance - \$ _____	<i>(if leased or used in the production of income, enter 0 as the total value)</i>	=	
Description of asset:				
Current Market Value \$ _____ X .8 = \$ _____	Less Loan Balance - \$ _____	<i>(if leased or used in the production of income, enter 0 as the total value)</i>	=	(9a) \$
Total value of assets listed from attachment [current market value X .8 less any loan balance(s)]				(9c) \$
<b>Add lines (9a) through (9c) =</b>				<b>(9) \$</b>
IRS allowed deduction for professional books and tools of trade -				(10) \$ [4,540]
<b>Enter the value of line (9) minus line (10). If less than zero enter zero. =</b>				<b>(11) \$</b>
<b>Notes Receivable</b>				
Do you have notes receivable? <input type="checkbox"/> Yes <input type="checkbox"/> No				
If yes, attach current listing which includes name and amount of note(s) receivable.				
<b>Accounts Receivable</b>				
Do you have accounts receivable, including e-payment, factoring companies, and any bartering or online auction accounts? <input type="checkbox"/> Yes <input type="checkbox"/> No				
If yes, you may be asked to provide a list of the account(s) receivable.				
Do not include amount on the lines with a letter beside the number. Round to the nearest whole dollar. Do not enter a negative number. If any line item is a negative, enter "0" on that line.				<b>Box B</b>
<b>Add lines (8) and (11) and enter the amount in Box B =</b>				<b>Available Business Equity in Assets</b>
				\$ _____

**Section 6 Business Income and Expense Information (for Self-Employed)**

**Note:** If you provide a current profit and loss (P&L) statement for the information below, enter the total gross monthly income on line 17 and your monthly expenses on line 29 below. Do not complete lines (12) - (16) and (18) - (28). You may use the amounts claimed for income and expenses on your most recent Schedule C; however, if the amount has changed significantly within the past year, a current P&L should be submitted to substantiate the claim.

Round to the nearest whole dollar. Do not enter a negative number. If any line item is a negative number, enter "0".

<b>Business Income (You may average 6-12 months income/receipts to determine your Gross monthly income/receipts.)</b>	
Gross receipts	(12) \$
Gross rental income	(13) \$
Interest income	(14) \$
Dividends	(15) \$
Other income	(16) \$
<b>Add lines (12) through (16) =</b>	
<b>(17) \$</b>	
<b>Business Expenses (You may average 6-12 months expenses to determine your average expenses.)</b>	
Materials purchased (e.g., items directly related to the production of a product or service)	(18) \$
Inventory purchased (e.g., goods bought for resale)	(19) \$
Gross wages and salaries	(20) \$
Rent	(21) \$
Supplies (items used to conduct business and used up within one year, e.g., books, office supplies, professional equipment, etc.)	(22) \$
Utilities/telephones	(23) \$
Vehicle costs (gas, oil, repairs, maintenance)	(24) \$
Business Insurance	(25) \$
Current Business Taxes (e.g., Real estate, excise, franchise, occupational, personal property, sales and employer's portion of employment taxes)	(26) \$
Other secured debts (not credit cards)	(27) \$
Other business expenses (include a list)	(28) \$
<b>Add lines (18) through (28) =</b>	
<b>(29) \$</b>	
Round to the nearest whole dollar. Do not enter a negative number. If any line item is a negative, enter "0" on that line.	
<b>Subtract line (29) from line (17) and enter the amount in Box C =</b>	
<b>\$ _____</b>	
<b>Box C</b>	
<b>Net Business Income</b>	

**Section 7 Monthly Household Income and Expense Information**

Enter your household's gross monthly income. The information below is for yourself, your spouse, and anyone else who contributes to your household's income. The entire household includes spouse, significant other, children, and others who contribute to the household. This is necessary for the IRS to accurately evaluate your offer.

**Monthly Household Income**

Round to the nearest whole dollar.

<b>Primary taxpayer</b>					
Wages	Social Security	Pension(s)	Other Income (e.g. unemployment)		
\$ _____	+ \$ _____	+ \$ _____	+ \$ _____	Total primary taxpayer income =	(30) \$
<b>Spouse</b>					
Wages	Social Security	Pension(s)	Other Income (e.g. unemployment)		
\$ _____	+ \$ _____	+ \$ _____	+ \$ _____	Total spouse income =	(31) \$
Additional sources of income used to support the household, e.g., non-liable spouse, or anyone else who may contribute to the household income, etc.					(32) \$
Interest and dividends					(33) \$
Distributions (e.g., income from partnerships, sub-S Corporations, etc.)					(34) \$
Net rental income					(35) \$
Net business income from Box C					(36) \$
Child support received					(37) \$
Alimony received					(38) \$
Round to the nearest whole dollar. Do not enter a negative number. If any line item is a negative, enter "0" on that line. Add lines (30) through (38) and enter the amount in Box D =					<b>Box D</b> Total Household Income \$ _____

**Monthly Household Expenses**

Enter your average monthly expenses.

**Note:** Expenses may be adjusted based on IRS Collection Financial Standards. The standards may be found at [www.irs.gov](http://www.irs.gov).

Round to the nearest whole dollar.

Food, clothing, and miscellaneous (e.g., housekeeping supplies, personal care products, minimum payment on credit card). A reasonable estimate of these expenses may be used.	(39) \$
Housing and utilities (e.g., rent or mortgage payment and average monthly cost of property taxes, home insurance, maintenance, dues, fees and utilities including electricity, gas, other fuels, trash collection, water, cable television and internet, telephone, and cell phone).	(40) \$
Vehicle loan and/or lease payment(s)	(41) \$
Vehicle operating costs (e.g., average monthly cost of maintenance, repairs, insurance, fuel, registrations, licenses, inspections, parking, tolls, etc.). A reasonable estimate of these expenses may be used.	(42) \$
Public transportation costs (e.g., average monthly cost of fares for mass transit such as bus, train, ferry, taxi, etc.). A reasonable estimate of these expenses may be used.	(43) \$
Health insurance premiums	(44) \$
Out-of-pocket health care costs (e.g. average monthly cost of prescription drugs, medical services, and medical supplies like eyeglasses, hearing aids, etc.)	(45) \$
Court-ordered payments (e.g., monthly cost of any alimony, child support, etc.)	(46) \$
Child/dependent care payments (e.g., daycare, etc.)	(47) \$
Life insurance premiums	(48) \$
Current taxes (e.g., monthly cost of federal, state, and local tax, personal property tax, etc.)	(49) \$



**Section 7 Monthly Household Income and Expense Information (Continued)**

Other secured debts (e.g., any loan where you pledged an asset as collateral not previously listed, government guaranteed Student Loan)	(50) \$
Delinquent State and Local Taxes	(51) \$
Round to the nearest whole dollar. Do not enter a negative number. If any line item is a negative, enter "0" on that line. <b>Add lines (39) through (51) and enter the amount in Box E =</b>	<b>Box E</b> Total Household Expenses \$
Round to the nearest whole dollar. Do not enter a negative number. If any line item is a negative, enter "0" on that line. <b>Subtract Box E from Box D and enter the amount in Box F =</b>	<b>Box F</b> Remaining Monthly Income \$

**Section 8 Calculate Your Minimum Offer Amount**

The next steps calculate your minimum offer amount. The amount of time you take to pay your offer in full will affect your minimum offer amount. Paying over a shorter period of time will result in a smaller minimum offer amount.

Round to the nearest whole dollar.

If you will pay your offer in 5 months or less, multiply "Remaining Monthly Income" (Box F) by 12 to get "Future Remaining Income" (Box G). Do not enter a number less than \$0.

Enter the total from Box F \$	X 12 =	Box G Future Remaining Income \$
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If you will pay your offer in more than 5 months, multiply "Remaining Monthly Income" (Box F) by 24 to get "Future Remaining Income" (Box H). Do not enter a number less than \$0.

Enter the total from Box F \$	X 24 =	Box H Future Remaining Income \$
----------------------------------	--------	-------------------------------------

Determine your minimum offer amount by adding the total available assets from Box A and Box B (if applicable) to the amount in either Box G or Box H.

Enter the amount from Box A plus Box B (if applicable) \$	+	Enter the amount from either Box G or Box H \$	=	<b>Offer Amount</b> Your offer must be more than zero (\$0). Do not leave blank. Use whole dollars only. \$
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If you cannot pay the Offer Amount shown above due to special circumstances, explain on the Form 656, Offer in Compromise, Section 3. You must offer an amount more than \$0.



**Section 9 Other Information**

Additional information IRS needs to consider settlement of your tax debt. If you or your business are currently in a bankruptcy proceeding, you are not eligible to apply for an offer.

Are you the beneficiary of a trust, estate, or life insurance policy? <input type="checkbox"/> Yes <input type="checkbox"/> No	
Are you currently in bankruptcy? <input type="checkbox"/> Yes <input type="checkbox"/> No	Have you filed bankruptcy in the past 10 years? <input type="checkbox"/> Yes <input type="checkbox"/> No
Discharge/Dismissal Date (mm/dd/yyyy)	Location Filed
Are you or have you been party to a lawsuit? <input type="checkbox"/> Yes <input type="checkbox"/> No If yes, date the lawsuit was resolved: (mm/dd/yyyy)	
In the past 10 years, have you transferred any assets for less than their full value? <input type="checkbox"/> Yes <input type="checkbox"/> No If yes, date the asset was transferred: (mm/dd/yyyy)	
Have you lived outside the U.S. for 6 months or longer in the past 10 years? <input type="checkbox"/> Yes <input type="checkbox"/> No	
Do you have any funds being held in trust by a third party? <input type="checkbox"/> Yes <input type="checkbox"/> No If yes, how much \$	Where:

**Section 10****Signatures**

Under penalties of perjury, I declare that I have examined this offer, including accompanying documents, and to the best of my knowledge it is true, correct, and complete.

 Signature of Taxpayer	Date (mm/dd/yyyy)
 Signature of Taxpayer	Date (mm/dd/yyyy)

Remember to include all applicable attachments listed below.

- Copies of the most recent pay stub, earnings statement, etc., from each employer
- Copies of the most recent statement for each investment and retirement account
- Copies of the most recent statement, etc., from all other sources of income such as pensions, Social Security, rental income, interest and dividends (including any received from a related partnership, corporation, LLC, LLP, etc.), court order for child support, alimony, and rent subsidies
- Copies of bank statements for the three most recent months
- Copies of the most recent statement from lender(s) on loans such as mortgages, second mortgages, vehicles, etc., showing monthly payments, loan payoffs, and balances
- List of Notes Receivable, if applicable
- Verification of State/Local Tax Liability, if applicable
- Documentation to support any special circumstances described in the "Explanation of Circumstances" on Form 656, if applicable
- Attach a Form 2848, *Power of Attorney*, if you would like your attorney, CPA, or enrolled agent to represent you and you do not have a current form on file with the IRS.

## Offer in Compromise

Did you use the Pre-Qualifier tool located on our website at [www.irs.gov](http://www.irs.gov) prior to filling out this form?

Yes  No

Include the Application Fee and Payment (*personal check, cashier's check, or money order*) with your Form 656. You must also include the completed Form 433-A (OIC) and/or 433-B (OIC) and supporting documentation.

**Section 1 Your Information**

<b>Section 1A Individual Information (Form 1040 Filers)</b>		<b>IRS Received Date</b>
Your First Name, Middle Initial, Last Name	Social Security Number (SSN) - -	
If a Joint Offer, Spouse's First Name, Middle Initial, Last Name	Social Security Number (SSN) - -	
Your Physical Home Address ( <i>Street, City, State, ZIP Code</i> )		
Mailing Address ( <i>if different from above or Post Office Box number</i> )		
Employer Identification Number ( <i>For self-employed individuals only</i> ) -		

**Section 1B Business Information (Form 1120, 1065, etc., filers)**

If your business is a Corporation, Partnership, LLC, or LLP and you want to compromise those tax debts, you must complete this section. You must also include all required documentation including the Form 433-B (OIC), \$186 application fee, and initial payment.

Business Name		
Business Address ( <i>Street, City, State, ZIP Code</i> )		
Employer Identification Number ( <i>EIN</i> ) -	Name and Title of Primary Contact	Telephone Number ( ) -

**To: Commissioner of Internal Revenue Service**

In the following agreement, the pronoun "we" may be assumed in place of "I" when there are joint liabilities and both parties are signing this agreement.

I submit this offer to compromise the tax liabilities plus any interest, penalties, additions to tax, and additional amounts required by law for the tax type and period(s) marked below:

**Section 2 Tax Periods**

**Section 2A If Your Offer is for Individual Tax Debt Only**  
**Complete this Section *only* if you completed Section 1A**

- 1040 Income Tax-Year(s) \_\_\_\_\_
- Trust Fund Recovery Penalty as a responsible person of (*enter corporation name*)  
for failure to pay withholding and Federal Insurance Contributions Act taxes (Social Security taxes), for period(s) ending \_\_\_\_\_
- 941 Employer's Quarterly Federal Tax Return - Quarterly period(s) \_\_\_\_\_
- 940 Employer's Annual Federal Unemployment (FUTA) Tax Return - Year(s) \_\_\_\_\_
- Other Federal Tax(es) [specify type(s) and period(s)] \_\_\_\_\_

**Note:** If you need more space, use attachment and title it "Attachment to Form 656 dated \_\_\_\_\_." Make sure to sign and date the attachment.

**Section 2 (continued)****Tax Periods****Section 2B****If Your Offer is for Business Tax Debt  
Complete this Section *only* if you completed Section 1B**

- 1120 Income Tax-Year(s) \_\_\_\_\_
- 941 Employer's Quarterly Federal Tax Return - Quarterly period(s) \_\_\_\_\_
- 940 Employer's Annual Federal Unemployment (FUTA) Tax Return - Year(s) \_\_\_\_\_
- Other Federal Tax(es) [specify type(s) and period(s)] \_\_\_\_\_

**Note:** If you need more space, use attachment and title it "Attachment to Form 656 dated \_\_\_\_\_." Make sure to sign and date the attachment.

**Section 3****Reason for Offer**

- Doubt as to Collectibility** - I have insufficient assets and income to pay the full amount.
- Exceptional Circumstances (Effective Tax Administration)** - I owe this amount and have sufficient assets to pay the full amount, but due to my exceptional circumstances, requiring full payment would cause an economic hardship or would be unfair and inequitable. I am submitting a written narrative explaining my circumstances.

**Explanation of Circumstances (Add additional pages, if needed)** – The IRS understands that there are unplanned events or special circumstances, such as serious illness, where paying the full amount or the minimum offer amount might impair your ability to provide for yourself and your family. If this is the case and you can provide documentation to prove your situation, then your offer may be accepted despite your financial profile. Describe your situation below and attach appropriate documents to this offer application.

**Section 4****Low-Income Certification (Individuals and Sole Proprietors Only)**

**Do you qualify for Low-Income Certification?** You qualify if your gross monthly household income is less than or equal to the amount shown in the chart below based on your family size and where you live. If you qualify, you are not required to submit any payments during the consideration of your offer. **Businesses other than sole proprietorships do not qualify for the low income waiver.**

- Check here if you qualify for Low Income Certification based on the monthly income guidelines below.

Size of family unit	48 contiguous states and D.C.	Hawaii	Alaska
1	\$2,431	\$2,796	\$3,038
2	\$3,277	\$3,769	\$4,096
3	\$4,123	\$4,742	\$5,154
4	\$4,969	\$5,715	\$6,213
5	\$5,815	\$6,688	\$7,271
6	\$6,660	\$7,660	\$8,329
7	\$7,506	\$8,633	\$9,388
8	\$8,352	\$9,606	\$10,446
For each additional person, add	\$ 846	\$ 973	\$1,058

**Section 5 Payment Terms**

Check one of the payment options below to indicate how long it will take you to pay your offer in full. You must offer more than \$0. The offer amount should be in whole dollars only.

**Lump Sum Cash**

- Check here if you will pay your offer in 5 or fewer payments in 5 or fewer months from the date of acceptance: Enclose a check for 20% of the offer amount (waived if you are an individual or sole proprietorship and met the requirements for Low Income Certification) and fill in the amount(s) of your future payment(s).

Total Offer Amount	-	20% Initial Payment	=	Remaining Balance
\$	-	\$	=	\$
You may pay the remaining balance in one payment after acceptance of the offer or up to five payments, but cannot exceed 5 months.				
Amount of payment	\$	payable within	1	Month after acceptance
Amount of payment	\$	payable within	2	Months after acceptance
Amount of payment	\$	payable within	3	Months after acceptance
Amount of payment	\$	payable within	4	Months after acceptance
Amount of payment	\$	payable within	5	Months after acceptance

**Periodic Payment**

- Check here if you will pay your offer in full in 6 to 24 months.

Enter the amount of your offer \$ \_\_\_\_\_

**Note:** The total amount must equal all of the proposed payments including the first and last payments.

Enclose a check for the first month's installment.

\$ \_\_\_\_\_ is included with this offer then \$ \_\_\_\_\_ will be sent in on the \_\_\_\_\_ day of each month thereafter for a total of \_\_\_\_\_ months with a final payment of \$ \_\_\_\_\_ to be paid on the \_\_\_\_\_ day of the \_\_\_\_\_ month.

**Note:** The total months may not exceed a total of 24 months, including the first payment. Your first payment is considered to be month 1; therefore, the remainder of the payments must be made within 23 months for a total of 24.

You must continue to make these monthly payments while the IRS is considering the offer (waived if you are an individual or sole proprietorship and met the requirements for Low Income Certification). Failure to make regular monthly payments will cause your offer to be returned with no appeal rights.

**IRS Use Only**

- Attached is an addendum dated (insert date) \_\_\_\_\_ setting forth the amended offer amount and payment terms.

**Section 6 Designation of Down Payment and Deposit**

If you want your payment to be applied to a specific tax year and a specific tax debt, please tell us the tax form \_\_\_\_\_ and

tax year/quarter \_\_\_\_\_. If you do not designate a preference, we will apply any money you send to the government's best interest. If you wish to designate any payments not included with this offer, you must designate a preference for each payment at the time the payment is made. However, you cannot designate the \$186 application fee or any payment after the IRS accepts the offer.

If you are paying more than the required payment when you submit your offer and want any part of that payment treated as a deposit, check the box below and insert the amount. Deposits will be refunded if the offer is rejected, returned, or withdrawn, unless you request it to be applied to your tax debt.

- My payment of \$ \_\_\_\_\_ includes the \$186 application fee and \$ \_\_\_\_\_ for my initial offer payment. I am requesting the additional payment of \$ \_\_\_\_\_ be held as a deposit.

**CAUTION:** Do NOT designate the amounts sent in with your offer to cover the down payment and application fee as "deposits." Doing so will result in the return of your offer.

**Section 7 Source of Funds, Making Your Payment, and Filing Requirements****Source of Funds**

Tell us where you will obtain the funds to pay your offer. You may consider borrowing from friends and/or family, taking out a loan, or selling assets.

**Making Your Payment****Include separate checks for the payment and application fee.**

Make checks payable to the "United States Treasury" and attach to the front of your Form 656, Offer in Compromise. All payments must be in U.S. dollars. **Do not send cash.** Send a separate application fee with each offer; do not combine it with any other tax payments, as this may delay processing of your offer. Your offer will be returned to you if the application fee and the required payment is not included, or if your check is returned for insufficient funds.

**Filing Requirements**

- I certify that I have filed all required tax returns.
- I certify that I was not required to file a tax return for the following years:

**Section 8 Offer Terms**

By submitting this offer, I/we have read, understand and agree to the following terms and conditions:

**Terms, Conditions, and Legal Agreement**

a) I request that the IRS accept the offer amount listed in this offer application as payment of my outstanding tax debt (including interest, penalties, and any additional amounts required by law) as of the date listed on this form. I authorize the IRS to amend Section 2 on page 1 in the event I failed to list any of my assessed tax debt, or tax debt assessed before acceptance of my offer. I also authorize the IRS to amend Section 2 on page 1 by removing any tax years on which there is currently no outstanding liability. I understand that my offer will be accepted, by law, unless IRS notifies me otherwise, in writing, within 24 months of the date my offer was received by IRS. I also understand that if any tax debt that is included in the offer is in dispute in any judicial proceeding it/they will not be included in determining the expiration of the 24-month period.

**IRS will keep my payments, fees, and some refunds.**

b) I voluntarily submit the payments made on this offer and understand that they are not refundable even if I withdraw the offer or the IRS rejects or returns the offer. Unless I designate how to apply each required payment in Section 6 page 3, the IRS will apply my payment in the best interest of the government, choosing which tax years and tax debts to pay off. The IRS will also keep my application fee unless the offer is not accepted for processing.

c) The IRS will keep any refund, including interest, that I might be due for tax periods extending through the calendar year in which the IRS accepts my offer. I cannot designate that the refund be applied to estimated tax payments for the following year or the accepted offer amount. If I receive a refund after I submit this offer for any tax period extending through the calendar year in which the IRS accepts my offer, I will return the refund within 30 days of notification.

I understand that the amount I am offering may not include part or all of an expected or current tax refund, money already paid, funds attached by any collection action, or anticipated benefits from a capital or net operating loss.

d) The IRS will keep any monies it has collected prior to this offer. The IRS may levy my assets up to the time that the IRS official signs and acknowledges my offer as pending, which is accepted for processing and the IRS may keep any proceeds arising from such a levy. No levy will be issued on individual shared responsibility payments.

The IRS will keep any payments that I make related to this offer. I agree that any funds submitted with this offer will be treated as a payment unless I checked the box to treat an overpayment as a deposit. Only amounts that exceed the mandatory payments can be treated as a deposit. I also agree that any funds submitted with periodic payments made after the submission of this offer and prior to the acceptance, rejection, or return of this offer will be treated as payments, unless I identify an overpayment as a deposit on the check submitted with the corresponding periodic payment. A deposit will be refundable if the offer is rejected, returned, or withdrawn. I understand that the IRS will not pay interest on any deposit.

**Pending status of an offer and right to appeal**

e) Once an authorized IRS official signs this form, my offer is considered pending as of that signature date and it remains pending until the IRS accepts, rejects, returns, or I withdraw my offer. An offer is also considered pending for 30 days after any rejection of my offer by the IRS, and during the time that any rejection of my offer is being considered by the Appeals Office. An offer will be considered withdrawn when the IRS receives my written notification of withdrawal by personal delivery or certified mail or when I inform the IRS of my withdrawal by other means and the IRS acknowledges in writing my intent to withdraw the offer.

f) I waive the right to an Appeals hearing if I do not request a hearing in writing within 30 days of the date the IRS notifies me of the decision to reject the offer.

**Section 8 (Continued)****Offer Terms**

I must comply with my future tax obligations and understand I remain liable for the full amount of my tax debt until all terms and conditions of this offer have been met.

g) I will comply with all provisions of the internal revenue laws, including requirements to timely file tax returns and timely pay taxes for the five year period beginning with the date of acceptance of this offer and ending through the fifth year, including any extensions to file and pay. I also agree to promptly pay any liabilities assessed after acceptance of this offer for tax years ending prior to acceptance of this offer that were not otherwise identified in Section 2 of this agreement. If this is an offer being submitted for joint tax debt, and one of us does not comply with future obligations, only the non-compliant taxpayer will be in default of this agreement. An accepted offer will not be defaulted solely due to the assessment of an individual shared responsibility payment.

h) I agree that I will remain liable for the full amount of the tax liability, accrued penalties and interest, until I have met all of the terms and conditions of this offer. Penalty and interest will continue to accrue until all payment terms of the offer have been met. If I file for bankruptcy before the terms and conditions of the offer are met, I agree that the IRS may file a claim for the full amount of the tax liability, accrued penalties and interest, and that any claim the IRS files in the bankruptcy proceeding will be a tax claim.

i) Once the IRS accepts my offer in writing, I have no right to challenge the tax debt(s) in court or by filing a refund claim or refund suit for any liability or period listed in Section 2, even if I default the terms of the accepted offer.

I understand what will happen if I fail to meet the terms of my offer (e.g., default).

j) If I fail to meet any of the terms of this offer, the IRS may levy or sue me to collect any amount ranging from the unpaid balance of the offer to the original amount of the tax debt (less payments made) plus penalties and interest that have accrued from the time the underlying tax liability arose. The IRS will continue to add interest, as Section 6601 of the Internal Revenue Code requires, on the amount the IRS determines is due after default.

I agree to waive time limits provided by law.

k) To have my offer considered, I agree to the extension of the time limit provided by law to assess my tax debt (statutory period of assessment). I agree that the date by which the IRS must assess my tax debt will now be the date by which my debt must currently be assessed plus the period of time my offer is pending plus one additional year if the IRS rejects, returns, or terminates my offer or I withdraw it. (Paragraph (e) of this section defines pending and withdrawal.) I understand that I have the right not to waive the statutory period of assessment or to limit the waiver to a certain length or certain periods or issues. I understand, however, that the IRS may not consider my offer if I refuse to waive the statutory period of assessment or if I provide only a limited waiver. I also understand that the statutory period for collecting my tax debt will be suspended during the time my offer is pending with the IRS, for 30 days after any rejection of my offer by the IRS, and during the time that any rejection of my offer is being considered by the Appeals Office.

I understand the IRS may file a Notice of Federal Tax Lien on my property.

l) The IRS may file a Notice of Federal Tax Lien during the offer investigation. The IRS may file a Notice of Federal Tax Lien to protect the Government's interest on offers that will be paid over time. This tax lien will be released when the payment terms of the accepted offer have been satisfied. The IRS will not file a Notice of Federal Tax Lien on any individual shared responsibility debt.

Correction Agreement

m) I/We authorize IRS, to correct any typographical or clerical errors or make minor modifications to my/our Form 656 that I/We signed in connection to this offer.

I authorize the IRS to contact relevant third parties in order to process my offer

n) By authorizing the IRS to contact third parties, I understand that I will not be notified of which third parties the IRS contacts as part of the offer application process, including tax periods that have not been assessed, as stated in section 7602 (c ) of the Internal Revenue Code. In addition, I authorize the IRS to request a consumer report on me from a credit bureau.

I am submitting an offer as an individual for a joint liability

o) I understand if the liability sought to be compromised is the joint and individual liability of myself and my co-obligor(s) and I am submitting this offer to compromise my individual liability only, then if this offer is accepted, it does not release or discharge my co-obligor(s) from liability. The United States still reserves all rights of collection against the co-obligor(s).

Shared Responsibility Payment (SRP)

p) If your offer includes any shared responsibility payment (SRP) amount that you owe for not having minimum essential health coverage for you and, if applicable, your dependents per Internal Revenue Code Section 5000A – Individual shared responsibility payment, it is not subject to penalties or to lien and levy enforcement actions. However, interest will continue to accrue until you pay the total SRP balance due. We may apply your federal tax refunds to the SRP amount that you owe until it is paid in full.

**Section 9****Signatures**

Under penalties of perjury, I declare that I have examined this offer, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct and complete.

Signature of Taxpayer/Corporation Name	Phone Number	Date (mm/dd/yyyy)
Signature of Taxpayer/Authorized Corporate Officer	Phone Number	Date (mm/dd/yyyy)

<b>Section 10</b>			<b>Paid Preparer Use Only</b>		
Signature of Preparer		Phone Number		Date (mm/dd/yyyy)	
Name of Paid Preparer			Preparer's CAF no. or PTIN		
Firm's Name (or yours if self-employed), Address, and ZIP Code					

*Include a valid, signed Form 2848 or 8821 with this application, if one is not on file.*

<b>Section 11</b>		<b>Third Party Designee</b>	
Do you want to allow another person to discuss this offer with the IRS? <input type="checkbox"/> Yes <input type="checkbox"/> No			
If yes, provide designee's name		Telephone Number (     )     -	

**IRS Use Only.** I accept the waiver of the statutory period of limitations on assessment for the Internal Revenue Service, as described in Section 8 (k).

Signature of Authorized Internal Revenue Service Official	Title	Date (mm/dd/yyyy)
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#### Privacy Act Statement

We ask for the information on this form to carry out the internal revenue laws of the United States. Our authority to request this information is Section 7801 of the Internal Revenue Code.

Our purpose for requesting the information is to determine if it is in the best interests of the IRS to accept an offer. You are not required to make an offer; however, if you choose to do so, you must provide all of the taxpayer information requested. Failure to provide all of the information may prevent us from processing your request.

If you are a paid preparer and you prepared the Form 656 for the taxpayer submitting an offer, we request that you complete and sign Section 10 on Form 656, and provide identifying information. Providing this information is voluntary. This information will be used to administer and enforce the internal revenue laws of the United States and may be used to regulate practice before the Internal Revenue Service for those persons subject to Treasury Department Circular No. 230, Regulations Governing the Practice of Attorneys, Certified Public Accountants, Enrolled Agents, Enrolled Actuaries, and Appraisers before the Internal Revenue Service. Information on this form may be disclosed to the Department of Justice for civil and criminal litigation.

We may also disclose this information to cities, states and the District of Columbia for use in administering their tax laws and to combat terrorism. Providing false or fraudulent information on this form may subject you to criminal prosecution and penalties.



## APPLICATION CHECKLIST

Review the entire application using the Application Checklist below. Include this checklist with your application.

### Forms 433-A (OIC), 433-B (OIC), and 656

- Did you complete all fields and sign all forms?
- Did you make an offer amount that is equal to the offer amount calculated on the Form 433-A (OIC) or Form 433-B (OIC)? If not, did you describe the special circumstances that are leading you to offer less than the minimum in the "Explanation of Circumstances" Section 3 of Form 656, and did you provide supporting documentation of the special circumstances?
- Did you select a payment option on Form 656?
- If you want to allow the IRS to discuss your offer with another person, did you complete the "Third-Party Designee" section on the Form 656?
- If someone other than you completed the Form 656, did they sign it?
- Did you sign and attach the Form 433-A (OIC) if applicable?
- Did you sign and attach the Form 433-B (OIC) if applicable?
- Did you sign and attach the Form 656?
- If you are making an offer that includes business and individual tax debts, did you prepare a separate Form 656 package (including separate financial statements, supporting documentation, application fee, and initial payment)?

### Supporting documentation and additional forms

- Did you include photocopies of all required supporting documentation?
- If you want a third party to represent you during the offer process, did you include a Form 2848 or Form 8821 unless one is already on file?

### Payment

- Did you include a check or money order made payable to the "United States Treasury" for the initial payment? (Waived if you meet Low Income Certification guidelines—see Form 656.)
- Did you include a separate check or money order made payable to the "United States Treasury" for the \$186 application fee? (Waived if you meet Low Income Certification guidelines—see Form 656.)

### Mail your application package to the appropriate IRS facility

Mail the Form 656, 433-A (OIC) and/or 433-B (OIC), and related financial document(s) to the appropriate IRS processing office for your state. You may wish to send it by Certified Mail so you have a record of the date it was mailed.

### If you reside in:

AK, AL, AR, AZ, CO, FL, GA, HI, ID, KY, LA, MS, MT, NC,  
NM, NV, OK, OR, SC, TN, TX, UT, WA, WI, WY

CA, CT, DE, IA, IL, IN, KS, MA, MD, ME, MI, MN, MO, ND,  
NE, NH, NJ, NY, OH, PA, RI, SD, VT, VA, WV, DC, PR, or  
a foreign address

### Mail your application to:

Memphis IRS Center COIC Unit  
P.O. Box 30803, AMC  
Memphis, TN 38130-0803  
1-866-790-7117

Brookhaven IRS Center COIC Unit  
P.O. Box 9007  
Holtsville, NY 11742-9007  
1-866-611-6191

Service employee - Staple the taxpayer's envelope here

## Request for Appeal of Offer in Compromise

Provide the information required in the spaces below. You must sign and date this form.

Taxpayer name			Taxpayer Identification Number		
Taxpayer name			Taxpayer Identification Number		
Mailing address			Tax form number		
City	State	ZIP Code	Tax period(s) ended		
Taxpayer's current daytime phone number					
Name of authorized representative					
Mailing address			City	State	ZIP Code
Telephone number of authorized representative				Best time to call ( <i>during normal business hours</i> )	

If you disagree with a specific item shown on the Income and Expense Table and Assets and Equity table you received with your rejection letter, identify the specific item(s). In the space next to the disagreed item, provide a brief statement indicating why you don't agree with our determination (*if the disagreed item is the value of future income, indicate that under "Disagreed Item," and provide an explanation under "Reason for Disagreement"*). There is room for more entries on the back of this form, and you may use additional pages, if necessary. Attach supporting documents for each disagreed item you identify and indicate on them which issue they apply to. If you disagree with a reason for the rejection stated in our letter but not discussed on the Table, identify what statement you disagree with, the reason you disagree and attach any supporting documentation. Additional pages may be attached. If you do not agree with the Service's analysis of economic hardship or Effective Tax Administration, please provide an explanation with documentation. If possible, attach a copy of the rejection letter to this form.

Disagreed Item	Reason for Disagreement ( <i>attach supporting documentation</i> )

**Certification of Taxpayer:** Under penalties of perjury, I declare that to the best of my knowledge, the information contained herein is true, correct, and complete.

Signature of Taxpayer	Date signed	Signature of Taxpayer	Date signed
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**Certification for authorized representative:** Check the box that applies depending on whether you have personal knowledge.

- Under penalties of perjury, I declare that I have submitted the protest and accompanying documents and to the best of my knowledge, the information contained herein is true, correct, and complete.
- Under penalties of perjury, I declare that I have submitted the protest and accompanying documents, but I have no personal knowledge concerning the facts stated in the protest and the accompanying documents.

Signature of authorized representative (*Attach a copy of your completed Form 2848, Power of Attorney and Declaration of Representative.*)

Signature of authorized representative	Date signed
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[www.irs.gov/appeals](http://www.irs.gov/appeals)

Scan this QR Code with your smartphone or other device with a QR reader, or go to the website url shown, to view more information about completing this form and other Appeals processes online.

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## Request for Appeal of Offer in Compromise

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Disagreed Item	Reason for Disagreement ( <i>attach supporting documentation</i> )
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Disagreed Item	Reason for Disagreement ( <i>attach supporting documentation</i> )
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Disagreed Item	Reason for Disagreement ( <i>attach supporting documentation</i> )
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Disagreed Item	Reason for Disagreement ( <i>attach supporting documentation</i> )
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Disagreed Item	Reason for Disagreement ( <i>attach supporting documentation</i> )
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***"REPRESENTING THE AUDITED TAXPAYER BEFORE THE IRS"***

***AND***

***REPRESENTATION BEFORE THE COLLECTION DIVISION OF  
THE IRS***

***by***

***Robert E. McKenzie***

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Rochester, NY***

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