IRS Offer in Compromise Considerations

The following are the basic considerations you need to be aware of when you enter into the Offer in Compromise Process.

1. The compromise of a tax liability can only rest upon: (1) doubt as to liability; (2) doubt as to collectibility; or (3) effective tax administration (hardship) as defined by laws and regulations. Sympathy or equitable considerations is not grounds for a compromise.

2. An offer will be considered if the IRS cannot collect the full amount from you. If you have sufficient equity in your real estate and/or personal property to pay your taxes, or you can pay the balance due (including penalty and interest) within 5 years in installments, you may not qualify for a compromise.

3. When an offer is submitted all tax returns must be filed up to date. This includes all and any personal and business taxes that may be relative to you.

4. Estimated tax payments and/or adequate withholding from wages must be made for the current tax year in which the offer is submitted so there will not be a tax due when the current year's tax return is filed.

5. If your offer is accepted you will be required to comply with all Internal Revenue Service laws for the succeeding **5 years**. If you fail to file and pay any taxes on time, the entire balance of the original tax liability may be reinstated and collection actions taken.

6. Collection actions will normally be suspended while the offer is pending, unless it is determined that the offer is a delaying tactic, collection is in jeopardy, or that the offer is not reasonable or sincere.

7. Federal tax liens will be released when the offer is accepted and the amount offered is paid in full.

8. Once the IRS agrees to consider your offer, the statutory period for collection of the tax is extended for the period of time the offer is pending in Collections and Appeals.

9. As a part of the investigation in determining the merits of your offer, your income tax returns and/or other returns required to be filed by you may be reviewed.

10. Any amount paid with the offer for the filing fees and for the down payment, will not be refunded. The amount paid for the down payment will be applied towards your tax debt. It cannot be applied to any future Offer submissions.

11. If the IRS accepts your offer and you default on the payment of the offer, the IRS may apply the down payment submitted with the offer to your tax liability.

12. Any amounts paid or credited to the tax liability prior to submission of the offer cannot be applied as part of the amount offered. In addition, any amounts paid on or credited to the tax liability during the course of the investigation of the offer, with the exception of installments paid according to the terms of the offer, cannot be applied as part of the amount offered.

13. If any refunds of taxes are received by the taxpayer after acceptance of the offer, and if those funds are for periods ending before, during, or as of the end of the calendar year in which the offer is accepted, they must be immediately returned to the IRS for application to the outstanding balances due, or that were due.

14. The investigation of the offer requires verification of your financial statements (Forms 433-A and 433-B) and related items. Promptly provide requested items to avoid delay or immediate rejection of your offer.

15. If your offer is accepted, a collateral agreement waiving capital losses or requiring payments from future income may be included in the offer package. This is a rare requirement.

16. Interest and late payment penalties continue to accrue on the outstanding tax liability while the offer is pending.

17. If your offer is rejected you have the right to appeal within 30 days of the rejection of the offer if you have a basis for appeal.

18. If your offer is accepted and there are joint liabilities (former spouse) or Trust Fund Recovery Penalties (employment taxes) involved, your settlement with the IRS will not relieve other responsible persons from the balance that remains to their account.

19. Any significant financial changes or transactions that occur after your offer is submitted may affect your offer adversely. Any participation in investments or retirement plans will demonstrate a greater payment ability to the IRS and it will affect your offer adversely. **Contact us before you engage in any significant financial transactions.** During the course of your offer the IRS may change its manner or rules of evaluating offers which may adversely affect your offer.

20. This is a perpetually changing process. Your offer is submitted based on the known laws, rules and procedures at the time of submission.

This list is not exhaustive of all items that may affect your Offer in Compromise process. Much depends on the characteristics of your financial profile.

Whenever we go to compromise with the IRS, there is always some negotiation. Therefore our first analysis and the process is subject to change and subject to any changes in tax law, forms, policies and procedures of the IRS. The IRS may ask for additional and updated information to verify your financial information.

Most Offer in Compromise submissions require a filing fee of $170 plus a down payment of 20% of the amount Offered that must be submitted with the Offer package.

Generally the money to fund an Offer should come from a loan from family or friends. If you come up with the funds from your own resources, that demonstrates to the IRS that you have additional capacity to pay and will have an adverse effect on your Offer. Unless you really are liquidating everything you own.

Client Initials: ____________