



Welcome to TaxMama's Place Home of the



6 Simple Steps to an Offer-in-Compromise: Completing Form 656



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Who is Eva Rosenberg MBA, EA



Eva Rosenberg, EA, Your TaxMama® has been teaching Enrolled Agents Exam review courses off and on since developing the program for UCLA Extension over 15 years ago. These days, she's teaching her own course online at www.irsexams.com

Eva has a BA in Accounting and an MBA in International business. Your TaxMama® is a TaxWatch columnist for Dow Jones' www.MarketWatch.com and author of the ever-popular book, Small Business Taxes Made Easy, published by McGraw-Hill – new edition – just released!

As a speaker, TaxMama® is popular with both tax professionals and taxpayers.

You can find her at www.TaxMama.com and subscribe to her free daily podcast at www.TaxQuips.com



Who is Tom Buck, CPA



Tom Buck, CPA is a published author, tax coach, teacher And mentor. He has been a licensed CPA since 1971 and has been in private practice since 1982.

Tom was chairman of the Nevada Society of CPAs Taxation Committee. Tom has been representing taxpayers and solving IRS problems ever since the landmark Casino employee cases in 1982.

The approach Tom takes and that he would like to pass on to you is this:

- **the “science” of the work is the law and how it should be applied. The “art” is being able to counter any and all IRS measures which are not supported by law. Does the IRS always follow the rules? Of course not, so part of the “art” is really in forcing the IRS to obey the law. Of course, having the tenacity of a bulldog is often the critical ingredient. In the final analysis, once you determine what the outcome should be, then you must be ready to take any detours necessary to get your client to the finish line.**

Tom is a willing and helpful teacher and looks forward to sharing his hard-gained knowledge.



Who is Sonya Wilt, EA

Sonya Wilt, BS in Management, EA and entrepreneur. A graduate of Upper Iowa University, Fayette, and former student of Eva Rosenberg's *Enrolled Agent Review Course*, Sonya also has an extensive background in management and accounting, small business consulting, and employee training

Sonya's desire to stay on top of the changes in tax law is two-fold:

- 1) To make sure *her* investments and entities are taking advantage of every legal tax deduction available with adequate documentation, and...**
- 2) To provide our clients with accurate information so they may make solid decisions in both resolving current tax issues and legally protecting their future earnings.**

Sonya and her partner, Tom Buck, CPA aggressively represent clients before state and federal taxing authorities through audits, appeals and collections.



Today's class is designed to walk you through an Offer in Compromise.

We will be working closely with the forms we have already filled in.

Please print out the handouts

- 433-As (original and revised)
- 656 (original and revised)
- Offer worksheet (original and revised)



End of 2009, IRS Inventory

- Nearly 10 million taxpayers with balance due
 - Up nearly half a million since 2008
 - About \$103 billion outstanding
- Delinquency investigations 3.5 million
 - Up only 97,000 since 2008
- 52,000 OICs submitted
- 11,000 OICs accepted
 - 21.15% - \$157 million



IRS is stepping up field collections, according to Steve Turner, Collection Territory Manager in the Los Angeles area. The field teams will be serving three functions:

- To visit the delinquent taxpayers' homes and business to determine their financial situations.
- To collect unpaid taxes, by whatever legal means they have.
- To educate taxpayers, especially small businesses, about their payment obligations

These visits will be unannounced. So, if you have clients in arrears, especially those who owe \$10,000 or more without being on an installment agreement or with an offer in compromise in process...warn your clients to expect sudden visitations.



Alert your clients:

- To be as polite as possible, but to firmly refuse to allow them access to their premises.
- Tell your clients to request a business card - and to tell the RO that their tax practitioner will be calling them.
- Do NOT engage in casual chit-chat or allow them to explore their business or home, to chat with staff.
- Have them alert their receptionists and front line staff to be polite - but not to provide answers or access - to call you or their boss.



Why do you think IRS would be willing to allow taxpayers to pay pennies on the dollar?

After all, they have the power to seize assets.
Can't they just get the money themselves?



The Offer in Compromise program benefits IRS these ways:

- It allows IRS to receive money from taxpayers who would otherwise burrow underground and never pay.
- It allows IRS to receive payment for tax debts from funds IRS could not otherwise tap – like loans from family or friends.
- IRS is able to collect more money from taxpayers when they pay voluntarily, rather than if IRS seizes property and liquidates it.

Besides, they don't have unlimited staff. This fills some of that gap!



When it comes to Offers in Compromise, there are three ways to go.

- **Doubt as to Liability**
- **Effective Tax Administration**
- **Doubt as to Collectability**



All offers are filed on some version of Form 656.
It's a simple looking form.

- Back-up by Form 433 series
- Back-up documentation is complex
- Strategy for OIC is complex
- Former IRS Revenue Officers excel at this
- If you don't have lots of experience – how can you compete?



Pitbull Tax Software walks you through the forms.

- It suggests strategies
- Suggest forms to get signed while you client is present
- Cites IRM sections.
- There are tutorials, including video tutorials
- \$100+ Discounts to attendees
 - You can try the Express Evaluation tool FREE!
 - There is a scenario simulator – so you can try different variations of the numbers.
- HUGE bonus – you can actually get substantive help from them, when you are trying to prepare an offer.
 - It's ***not really a part*** of the program
 - But it's free for the next few months – probably until May



Form 656-L Offers-In-Compromise – Doubt as to Liability

<http://www.irs.gov/pub/irs-pdf/f656l.pdf>

- Audit recon as a tactic to halt enforced collections – must be legitimate
- Innocent/injured spouse
- Forged return (think spouse)
 - Did taxpayer ever actually file a return?
 - Should you file a new MFS return?



Purpose of Form

An offer in compromise is an agreement between the taxpayer and the government that settles a tax liability for payment of less than the full amount owed. Grounds for compromise may exist when there is legitimate doubt from the viewpoints of both the taxpayer and the Internal Revenue Service that an assessed tax liability is correct. You may submit Form 656-L if you believe that the tax liability you wish to compromise is incorrect.

When Not to Use This Form

<i>If you:</i>	<i>Then:</i>
believe you do not owe any of the tax liability	see "Alternatives to Offer in Compromise (Doubt as to Liability)", below
agree that the tax liability is correct, but cannot pay the full amount now and would like to request monthly installment payments	see Form 9485, <i>Installment Agreement Request</i>
agree that the tax liability is correct, but believe you do not now, nor will ever, have sufficient funds to pay it and wish to compromise ("Doubt as to Collectibility")	see Form 656, <i>Offer in Compromise</i> , instructions for doubt as to collectibility
are currently involved in a bankruptcy proceeding	contact Centralized Insolvency at (800) 913-9358 to discuss any disagreement with our proof of claim

You cannot submit offers in compromise at the same time claiming both that you do not believe the liability is correct (doubt as to liability) and that you are unable to pay it (doubt as to collectibility).

We cannot consider an offer in compromise based on doubt as to liability if the liability you seek to compromise has been finally determined by the Tax Court, other courts or by the Commissioner's Final Closing Agreement.



Alternatives to Offer in Compromise (Doubt as to Liability)

When you disagree with the accuracy of a tax liability, depending on the situation and the type of tax, the Service has other available remedies. These options generally are less complex than an offer in compromise.

<i>If you think your tax liability is incorrect because:</i>	<i>Then:</i>
of an audit assessment made on your tax return or because IRS created a return for you since you did not file one	see Publication 3508, <i>The Audit Reconsideration Process</i>
items were not reported properly on a Form 1040, <i>U.S. Individual Income Tax Return</i> , you filed or because of a tax adjustment the IRS made on your return	see the instructions for Form 1040X, <i>Amended U.S. Individual Income Tax Return</i>
items were not reported properly on a Form 1120, <i>U.S. Corporation Income Tax Return</i> , you filed or because of a tax adjustment the IRS made on your return	see the instructions for Form 1120X, <i>Amended U.S. Corporation Income Tax Return</i>
items were not reported properly on a tax return, other than Forms 1040 or 1120, you filed or because of a tax adjustment the IRS made on your return	see the instructions for Form 843, <i>Claim for Refund and Request for Abatement</i>
you had reasonable cause to remove or reduce penalties we charged	see Notice 746, <i>Information About Your Notice, Penalty and Interest</i>
you believe additional interest we charged you was due to IRS errors or delays	see the instructions for Form 843
you believe you should be considered an "innocent spouse" for a joint income tax liability	see Publication 971, <i>Innocent Spouse Relief</i>



Section 4: Enter the total amount of your offer. This should reflect what you believe is the correct amount of the tax liability after credits and payments already made (if you believe you do not owe any of the tax liability do not submit this form - see "Alternatives to Offer in Compromise (Doubt as to Liability)", shown on Page 1 of the Instructions). This offer amount must be in United States dollars, more than zero and cannot include a refund we owe you or amounts you have already paid. It must be paid within 90 days of written notification to you if we accept your offer. Do not send any money at the time you submit your offer.

Section 5: Identify the tax liability and enter the tax year or period.

Section 6: It is important that you understand the requirements listed in this section.

Section 7: You must submit a detailed written statement explaining why you believe you do not owe the tax liability you want to compromise. Explain the reason(s) you believe the tax liability(ies) listed in Section 5 are incorrect in the "Explanation of Circumstances". You should also submit documentation and/or other evidence to support your doubt as to liability claim. Include your name and SSN or EIN on all attachments.



Mail Form 656-L to:

**Brookhaven Internal Revenue Service
COIC Unit
P.O. Box 9008
Holtsville, NY 11742-9008**



Doubt as to Liability

Important things to note:

- You can enter 2 SSNs
- Covers income tax, payroll tax, trust fund penalty, etc.
- There is room for detailed explanations.
- You can get your money back.

🔴 HUH?

Form 656-L (January 2006)	Department of the Treasury — Internal Revenue Service Offer in Compromise (Doubt as to Liability)		
Section 1 — Taxpayer's Name and Home or Business Street Address			
Name(s)		Mailing Address (if different from previous address) Street Address	
Street Address		City	State Zip Code
City	State	Zip Code	Daytime Phone Number ()
Section 2 — Social Security Numbers			
(a) Primary		(b) Secondary	
Section 3 — Employer Identification Number			
Section 4 — I/We offer to pay \$ _____ (must be more than zero) within 90 days of notification of acceptance.			
Section 5 — To: Commissioner of Internal Revenue Service			
I/We (includes all types of taxpayers) submit this offer to compromise, based on doubt as to liability, the tax liabilities plus any interest, penalties, additions to tax, and additional amounts required by law (tax liability) for the tax type and period marked below: (Please mark an "X" in the box for the correct description and fill-in the correct tax period(s), adding additional periods if needed).			
<input type="checkbox"/> 1040/1120 Income Tax - Year(s) _____			
<input type="checkbox"/> 941 Employer's Quarterly Federal Tax Return - Quarterly period(s) _____			
<input type="checkbox"/> 940 Employer's Annual Federal Unemployment (FUTA) Tax Return - Year(s) _____			
<input type="checkbox"/> 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 _____			
<input type="checkbox"/> Other Federal Tax(es) (specify type(s) and period(s)) _____			
Note: If you need more space, use another sheet entitled "Attachment to Form 656-L Dated _____". Sign and date the attachment following the listing of the tax periods.			
Section 6 — By submitting this offer, I/we have read, understand and agree to the following conditions:			
a) I/We voluntarily submit all payments made on this offer.			
b) The IRS will apply payments made under the terms of this offer in the best interest of the government.			
c) If the IRS rejects or returns the offer or I/we withdraw the offer, the IRS will return any amount paid with the offer. If I/we agree in writing, the IRS will apply the amount paid with the offer to the amount owed. If I/we agree to apply the payment, the date the IRS received the offer remittance will be considered the date of payment. I/We understand that the IRS will not pay interest on any amount I/we submit with the offer.			
d) I/We waive and agree to the suspension of any statutory periods of limitation (time limits provided for by law) for the IRS assessment or collection of the tax liability for the periods identified in Section 5. I/We understand that I/we have the right not to waive these statutory periods or to limit the waiver to a certain length or to certain issues. I/We understand, however, that the IRS may not consider this offer if I/we refuse to waive the statutory periods for assessment or if we provide only a limited waiver. I/We understand that the statute of limitations for collection will be suspended during the period an offer is considered pending by the IRS (paragraph 6(f) defines pending). The amount of any federal tax due for the periods described in Item 5 may be assessed at any time prior to the acceptance of this offer or within one year of the rejection of this offer.			
e) The IRS will keep all payments and credits made, received or applied to the total original tax liability before submission of the offer. The IRS may keep any proceeds from a levy served prior to submission of the offer, but not received at the time the offer is submitted. If I/we have an installment agreement prior to submitting the offer, I/we must continue to make payments as agreed while this offer is pending. Installment agreement payments will not be applied against the amount offered.			
f) The IRS cannot collect more than the full amount of the tax liability under this offer.			
g) I/We understand that I/we remain responsible for the full amount of the tax liability, unless and until the IRS accepts the offer in writing and I/we have met all the terms and conditions of the offer. The IRS will not remove the original amount of the tax liability from its records until I/we have met all the terms of the offer.			
h) I/We understand that the tax I/we offer to compromise is and will remain a tax liability until I/we meet all the terms and conditions of this offer. If I/we file bankruptcy before the terms and conditions of this offer are completed, any claim the IRS files in the bankruptcy proceedings will be a tax claim.			
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Section 6 — By submitting this offer, I/we have read, understand and agree to the following conditions:

- a) I/We voluntarily submit all payments made on this offer.
- b) The IRS will apply payments made under the terms of this offer in the best interest of the government.
- c) If the IRS rejects or returns the offer or I/we withdraw the offer, the IRS will return any amount paid with the offer. If I/we agree in writing, the IRS will apply the amount paid with the offer to the amount owed. If I/we agree to apply the payment, the date the IRS received the offer remittance will be considered the date of payment. I/We understand that the IRS will not pay interest on any amount I/we submit with the offer.
- d) I/We waive and agree to the suspension of any statutory periods of limitation (time limits provided for by law) for the IRS assessment or collection of the tax liability for the periods identified in Section 5. I/We understand that I/we have the right not to waive these statutory periods or to limit the waiver to a certain length or to certain issues. I/We understand, however, that the IRS may not consider this offer if I/we refuse to waive the statutory periods for assessment or if we provide only a limited waiver. I/We understand that the statute of limitations for collection will be suspended during the period an offer is considered pending by the IRS (paragraph 6(j) defines pending). The amount of any federal tax due for the periods described in Item 5 may be assessed at any time prior to the acceptance of this offer or within one year of the rejection of this offer.
- e) The IRS will keep all payments and credits made, received or applied to the total original tax liability before submission of the offer. The IRS may keep any proceeds from a levy served prior to submission of the offer, but not received at the time the offer is submitted. If I/we have an installment agreement prior to submitting the offer, I/we must continue to make payments as agreed while this offer is pending. Installment agreement payments will not be applied against the amount offered.
- f) The IRS cannot collect more than the full amount of the tax liability under this offer.
- g) I/We understand that I/we remain responsible for the full amount of the tax liability, unless and until the IRS accepts the offer in writing and I/we have met all the terms and conditions of the offer. The IRS will not remove the original amount of the tax liability from its records until I/we have met all the terms of the offer.
- h) I/We understand that the tax I/we offer to compromise is and will remain a tax liability until I/we meet all the terms and conditions of this offer. If I/we file bankruptcy before the terms and conditions of this offer are completed, any claim the IRS files in the bankruptcy proceedings will be a tax claim.



- Once IRS accepts your offer in writing – taxpayer has no right to contest
- Once offer is made, it is open until IRS accepts, rejects, counters, or returns in writing.
 - STAY ON TOP OF THE DATES!
 - Don't let IRS leave this open long-term.
 - Remember - Statute is frozen while offer is open
- IRS will most likely file a lien until full payment of offer is satisfied
- If your client defaults – the deal is off – IRS will go after the full balance, plus penalties and interest.



Mandatory Acceptance

Per IRC 7122(f), the IRS will deem an offer “accepted” if it is not withdrawn, returned or rejected within 24 months of the IRS receipt date.

If a liability included in the offer amount is disputed in any judicial proceeding, that time period is omitted from calculating the 24-month time frame.



Depending on the balance due, and the completeness of your paperwork, IRS might follow up to get third party verification of the information you submitted –

- Banks
- Employers
- Insurance companies, etc.



Section 9 — If this application was prepared by someone other than the taxpayer, please fill in that person's name and address below.

Name	Address (if known) (Street, City, State and Zip Code)
------	---

Section 10

Paid Preparer's Use Only	Preparer's signature ▶	Date (mmddyyyy)	Check if self-employed <input type="checkbox"/>	Preparer's CAF no. or PTIN
	Firm's name (or yours if self-employed)	EIN		Phone Number ()
	Address (Street, State, City and Zip Code)			

Section 11 — Do you want to allow another person to discuss this offer with the IRS? No Yes. Complete the following.

Third Party Designee	Designee's name ▶	Phone Number ()
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OIC – Effective Tax Administration - requires 433 to be included

- A. Compelling public policy
- B. Overall fairness or equity
- C. T/P must demonstrate facts and circumstances that justify a compromise
- D. (Congress clearly intended the ETA to provide for so called “tax only offers” [abate both penalty and interest])
- E. IRS guidance on what might qualify (You may come up with many other scenarios)

Form 656 (March 2009)		Department of the Treasury — Internal Revenue Service	
		Offer in Compromise	
Attach Application Fee and Payment (check or money order here)			IRS RECEIVED DATE
Section I Taxpayer Contact Information			
Taxpayer's First Name and Middle Initial		Last Name	
If a joint offer, spouse's First Name and Middle Initial		Last Name	
Business Name			
Taxpayer's Address (Home and Business, street, route and box or rural route, city, state, ZIP code)			
Mailing Address (if different from above) (number, street, and room or suite no., city, state, ZIP code)			
Social Security Number (SSN) (999-99-9999)		Employer Identification Number (EIN) (99-9999999-9999)	
		DATE RETURNED	
Section II To: Commissioner of Internal Revenue Service			
<p>(We indicate types of returns submitted in this offer to compromise the tax liabilities plus any interest, penalties, additions to tax, and additional amounts required by law. Tax liability for the tax years and period marked below; please mark an "X" in the box for the correct description and attach the correct tax returns, adding additional periods if needed.)</p> <p><input type="checkbox"/> 1041/1120 income tax - year(s) _____</p> <p><input type="checkbox"/> 911 Employer's Quarterly Federal Tax Return - Quarterly period(s) _____</p> <p><input type="checkbox"/> 940 Employer's Annual Federal Unemployment (FUTA) Tax Return - Year(s) _____</p> <p><input type="checkbox"/> Trust Fund Recovery Penalty as a responsible person of (intercorporation name) _____ for failure to pay withholding and Federal Insurance Contributions Act taxes (Social Security taxes, for periods) ending _____</p> <p><input type="checkbox"/> Other Federal Taxes (specify type(s) and period(s)) _____</p> <p>Note: If you need more space, use a separate sheet of paper and titling "Attachment to Form 656, dated _____." Sign and date the attachment following the filing of the tax returns.</p>			
Section III Reason for Offer in Compromise			
<p>(We submit this offer for the reasons checked below:</p> <p><input type="checkbox"/> Doubt as to Collectibility — I have insufficient assets and/or income to pay (a full amount). You must include a complete Collection Information Statement, Form 432-A and/or Form 432-B.</p> <p><input type="checkbox"/> 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. You must include a complete Collection Information Statement, Form 432-A and/or Form 432-B and complete Section VI.</p>			
Section IV Offer in Compromise Terms			
<p>(We offer to pay \$ _____ (please use numerals here). Complete Section VIII to explain where you will obtain the funds to make this offer.</p> <p>Offer only one of the following:</p> <p><input type="checkbox"/> Lump sum cash offer — 20% of the amount of the offer \$ _____ must be sent with Form 656. Upon written acceptance of the offer, the balance must be paid in full over _____ months.</p> <p>\$ _____ payable within _____ months after acceptance</p> <p>\$ _____ payable within _____ months after acceptance</p> <p>\$ _____ payable within _____ months after acceptance</p> <p>\$ _____ payable within _____ months after acceptance</p> <p><input type="checkbox"/> Short-Term Partial Payment Offer — Offer amount to be paid within 74 months from the date IRS receives your offer. The first payment must be submitted with your Form 656. You must make regular payments during your offer installment on. Complete the following:</p> <p>\$ _____ will be submitted with the Form 656. Beginning in the month after the offer is accepted (payment month _____) or the _____ day of each month, \$ _____ will be sent for a total of _____ months. (Payments extend more than 24 months from the date the offer was submitted.)</p>			
Catalog Number 167260N		www.irs.gov	Form 656 (Rev. 3-2009)



Assets

- Cash on Hand \$ 155
- Bank Balance \$ 300
- Cash Value Life Insurance \$19,545

Other

- ESOP that T/P cannot access before age 59-1/2 or 5 years after termination (\$50,000x10% vested)\$ 5,000
- Housing Expense – Balance as Secured debt

John B Taxpayer
401-16-3216

Form 433-A (Rev. 1-2008)

Page 4

If the taxpayer is self-employed, sections 5 and 6 must be completed before continuing.

Monthly Income/Expense Statement (For additional information, refer to Publication 1854.)

Total Income		Total Living Expenses			IRS USE ONLY
Source	Gross Monthly	Expense Items ⁵		Actual Monthly	Allowable Expenses
20 Wages (Taxpayer) ¹	\$ 7,000	33 Food, Clothing, and Misc. ⁶		\$ 1,152	
21 Wages (Spouse) ¹	\$ 860	34 Housing and Utilities ⁷		\$ 1,418	
22 Interest - Dividends	\$	35 Vehicle Ownership Costs ⁸		\$ 679	
23 Net Business Income ²	\$	36 Vehicle Operating Costs ⁹		\$ 420	
24 Net Rental Income ³	\$	37 Public Transportation ¹⁰		\$ 0	
25 Distributions ⁴	\$	38 Health Insurance		\$ 0	
26 Pension/Social Security (Taxpayer)	\$	39 Out of Pocket Health Care Costs ¹¹		\$ 180	
27 Pension/Social Security (Spouse)	\$	40 Court Ordered Payments		\$ 0	
28 Child Support	\$	41 Child/Dependent Care		\$ 0	
29 Alimony	\$	42 Life insurance		\$ 0	
30 Other (Rent subsidy, Oil credit, etc.)	\$	43 Taxes (Income and FICA)		\$ 2,052	
31 Other	\$	44 Other Secured Debts & Exps. (Attach)		\$ 459	
32 Total Income (add lines 20-31)	\$ 7,860	45 Total Living Expenses (add lines 33-44)		\$ 6,360	



Worksheet to Calculate an Offer Amount

For use by Wage Earners and Self-Employed Individuals

Keep this worksheet for your records.
Do not send to the IRS.

Use this Worksheet to calculate an offer amount using information from the 433-A

1. Enter total Cash balances from lines 11 and 56	A	155
2. Enter total Personal and Business account balances from lines 12c and 57c	B	300
If less than 0, enter 0		
3. Enter total investments from line 13d	C	0
4. Enter total life insurance cash value from line 15g	D	19,545
5. Enter total accounts/notes receivable from line 58e	E	
	F	20,000
Subtotal: Add boxes A through E =		

6. Real Property Owned

	Enter Fair Market Value (FMV) for each asset	Enter loan balance for each asset	Individual asset value (if less than 0, enter 0)
From line 17a	\$ 200,000 x 0.8 = \$ 160,000	-\$ 190,000	= 0
From line 17b	\$ _____ x _____ = \$ _____	-\$ _____	= _____
Amount from any attachments	\$ _____ x _____ = \$ _____	-\$ _____	= _____
Subtotal =			G 0

7. Purchased Personal Vehicles and Other Licensed Assets

	Enter FMV for each asset	Enter loan balance for each asset	Individual asset value (if less than 0, enter 0)
From line 18a	\$ 6,000 x 0.8 = \$ 4,800	-\$ 6,500	= 0
From line 18b	\$ 26,000 x 0.8 = \$ 20,800	-\$ 25,000	= 0
Amount from any attachments	\$ _____ x _____ = \$ _____	-\$ _____	= _____
Subtotal =			H 0

8. Personal Assets Except Furniture and Personal Effects

	Enter FMV for each asset	Enter loan balance for each asset	Individual asset value (if less than 0, enter 0)
From line 19a	\$ _____ x _____ = \$ _____	-\$ _____	= _____
From line 19b	\$ _____ x _____ = \$ _____	-\$ _____	= _____
Amount from any attachments	\$ _____ x _____ = \$ _____	-\$ _____	= _____
Subtotal =			I 0

With declining home values, if the taxpayer appears to have Equity, consider an appraisal

Calculate quick sale value for vehicles and personal property



- Note: you are allowed to exempt
- \$7,900 of furniture and personal effects
 - \$3,950 of books and tools

9. Furniture and Personal Effects
 $\$ \underline{5,000} \times 0.8 = \$ \underline{4,000} - \$ \underline{0} = \underline{4,000}$

Allowable Exemption (subtract) – \$7900.00

Subtotal = **J**
 Cannot be less than 0 **0**

10. Business Assets Except Books and Tools

	Enter current value for each asset	= \$	Enter loan balance for each asset	=	Individual asset value (if less than 0, enter 0)
From line 59a	\$ _____ x	= \$ _____	-\$ _____	=	_____
From line 59b	\$ _____ x	= \$ _____	-\$ _____	=	_____
Amount from any attachments	\$ _____ x	= \$ _____	-\$ _____	=	_____

Subtotal = **K**
0

11. Books and Tools

$\$ \underline{0} \times 0.8 = \$ \underline{0} - \$ \underline{0} = \underline{0}$

Allowable Exemption (subtract) – \$3950.00

Subtotal = **L**
 Cannot be less than 0 **0**

12. Add amounts in Boxes F through L to obtain your total equity and assets = **M**
20,000

13. Enter amount from line 32 **\$ 7,860**

Enter amount from line 45 and subtract– **\$ 6,360**

Net Difference = **N**
 This amount would be available to pay monthly on your tax liability. **1,500**

If Box N is 0 or less, STOP. Use the amount from Box M to base your offer amount in Section IV of Form 656. Your offer amount must equal or exceed the amount shown in Box M.



We will be using the lump sum offer in our example, but will discuss the other options and strategies later in the course.

14. Select the payment term below that you have chosen for your offer. For more information on payment terms, please see page 7 of this booklet.

A. Lump Sum Cash paid 5 installments within 5 months or less (or the remainder of the statutory period for collection, whichever is less)	Amount from Box N × 1,500 48 =	\$ 72,000
B. Lump Sum Cash paid 5 installments in more than 5 months but less than 24 months (or the remainder of the statutory period for collection, whichever is less)	Amount from Box N × 1,500 60 =	\$ 90,000
C. Lump Sum Cash paid 5 installments in more than 24 months	Amount from Box N × 1,500 The number of months remaining on the statutory period for collection <u>60</u> =	\$ 90,000
D. Short Term Periodic Payment paid within 6 – 24 months	Amount from Box N × 1,500 60 =	\$ 90,000
E. Deferred Periodic Payment paid within the remainder of the statutory period for collection.	Amount from Box N × 1,500 The number of months remaining on the statutory period for collection <u>60</u> =	\$ 90,000
Insert in Box O the amount from the payment terms you chose above.		O \$ 72,000
Add Boxes M \$ 20,000 + O \$ 72,000 =		P \$ 92,000

Enter the amount in **Box P** as your minimum offer amount in Section IV on the Form 656

Note: If you are submitting an offer under effective tax administration or doubt as to collectibility with special circumstances considerations then refer to page 6 of this booklet.

By law, the IRS has the authority to collect outstanding federal taxes for ten years from the date your liability is assessed. There may be circumstances that extend the ten year collection statute such as when a taxpayer files bankruptcy or an Offer in Compromise.

The IRS may adjust the Reasonable Collection Potential (RCP) during the investigation to a higher or lower amount, depending upon the facts and circumstances of your individual case. Occasionally, the IRS updates the amounts allowed for exempt property (i.e., Line 9, Furniture and Personal Effects, and Item 11, Books and Tools). Please use the amounts listed on page 10 (\$7900 and \$3950, respectively) until this booklet is revised again, or you can call our toll-free number (1-800-829-1040) to confirm the current amounts.

You can call the toll free number 1-800-829-1040 for assistance in calculating the remaining time on your collection statute.



Valuing assets

- Outside appraisals, NADA, Quick Sale Value

Departure from IRS standard expenses

- using expenses necessary to produce income

Creating additional allowable expenses

purchase vehicle, dental, vision, and disability insurance, life insurance, trade up for newer car, accounting / legal fees, Charitable contributions if condition of employment, child care, court or state ordered payments, education for special needs child, union dues, uniforms, work shoes (requirement of employment), unsecured debts if necessary for health & welfare or production of income, cell or pager if necessary, student loans,



Revised 433A

Client took out life insurance policy

Client took out dental, vision, & disability insurance policies

Client traded in 2003 van for 2010 van

Remaining income is \$150 per month
x 48 months reducing offer from
\$92,000 to \$27,200

Total Living Expenses		
Expense Items ⁵	Actual Monthly	
33 Food, Clothing, and Misc. ⁶	\$	1,152
34 Housing and Utilities ⁷	\$	1,418
35 Vehicle Ownership Costs ⁸	\$	679
36 Vehicle Operating Costs ⁹	\$	420
37 Public Transportation ¹⁰	\$	0
38 Health Insurance	\$	0
39 Out of Pocket Health Care Costs ¹¹	\$	180
40 Court Ordered Payments	\$	0
41 Child/Dependent Care	\$	0
42 Life insurance	\$	0
43 Taxes (Income and FICA)	\$	2,052
44 Other Secured Debts & Exps. (Attach)	\$	459
45 Total Living Expenses (add lines 33-44)	\$	6,360

Original

Revised

John B Taxpayer
401-16-3216

Form 433-A (Rev. 1-2008)

Page 4

If the taxpayer is self-employed, sections 5 and 6 must be completed before continuing.

Monthly Income/Expense Statement (For additional information, refer to Publication 1854.)

Total Income		Total Living Expenses		IRS USE ONLY
Source	Gross Monthly	Expense Items ⁵	Actual Monthly	Allowable Expenses
20 Wages (Taxpayer) ¹	\$ 7,000	33 Food, Clothing, and Misc. ⁶	\$ 1,152	
21 Wages (Spouse) ¹	\$ 860	34 Housing and Utilities ⁷	\$ 1,418	
22 Interest - Dividends	\$	35 Vehicle Ownership Costs ⁸	\$ 988	
23 Net Business Income ²	\$	36 Vehicle Operating Costs ⁹	\$ 420	
24 Net Rental Income ³	\$	37 Public Transportation ¹⁰	\$ 0	
25 Distributions ⁴	\$	38 Health Insurance	\$ 862	
26 Pension/Social Security (Taxpayer)	\$	39 Out of Pocket Health Care Costs ¹¹	\$ 180	
27 Pension/Social Security (Spouse)	\$	40 Court Ordered Payments	\$ 0	
28 Child Support	\$	41 Child/Dependent Care	\$ 0	
29 Alimony	\$	42 Life insurance	\$ 179	
30 Other (Rent subsidy, Oil credit, etc.)	\$	43 Taxes (Income and FICA)	\$ 2,052	
31 Other	\$	44 Other Secured Debts & Exps. (Attach)	\$ 459	
32 Total Income (add lines 20-31)	\$ 7,860	45 Total Living Expenses (add lines 33-44)	\$ 7,710	



Double check - Real fussy about tax years, don't include years without balance or leave out any years with balances.

In this scenario the taxpayer will be making a lump sum offer.

Form 656 (March 2009)	Department of the Treasury — Internal Revenue Service Offer in Compromise		
Attach Application Fee and Payment (check or money order) here.			
IRS RECEIVED DATE			
Section I Taxpayer Contact Information			
Taxpayer's First Name and Middle Initial John B	Last Name Taxpayer		
If a joint offer, spouse's First Name and Middle Initial Jennifer B	Last Name Taxpayer		
Business Name			
Taxpayer's Address (Home and Business) (number, street, and room or suite no., city, state, ZIP code) 400 S Main St Des Moines, IA, 50304			
Mailing Address (if different from above) (number, street, and room or suite no., city, state, ZIP code)			
DATE RETURNED			
Social Security Number (SSN) (Primary) 401 - 16 - 3216	(Secondary) 402 - 16 - 3217	Employer Identification Number (EIN) (EIN included in offer) -	(EIN not included in offer) -
Section II To: Commissioner of Internal Revenue Service			
I/We (includes all types of taxpayers) submit this offer to compromise the tax liabilities plus any interest, penalties, additions to tax, and additional amounts required by law (tax liability) for the tax type and period marked below: (Please mark an "X" in the box for the correct description and fill-in the correct tax period(s), adding additional periods if needed).			
<input checked="" type="checkbox"/> 1040/1120 Income Tax - Year(s) 12/31/2005			
<input type="checkbox"/> 941 Employer's Quarterly Federal Tax Return - Quarterly period(s)			
<input type="checkbox"/> 940 Employer's Annual Federal Unemployment (FUTA) Tax Return — Year(s) ending _____			
<input type="checkbox"/> 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 _____			
<input type="checkbox"/> Other Federal Tax(es) [specify type(s) and period(s)] _____			
Note: If you need more space, use a separate sheet of paper and title it "Attachment to Form 656 Dated _____." Sign and date the attachment following the listing of the tax periods.			
Section III Reason for Offer in Compromise			
I/We submit this offer for the reason(s) checked below:			
<input checked="" type="checkbox"/> Doubt as to Collectibility — "I have insufficient assets and income to pay the full amount." You must include a complete Collection Information Statement, Form 433-A and/or Form 433-B.			
<input type="checkbox"/> 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." You must include a complete Collection Information Statement, Form 433-A and/or Form 433-B and complete Section VI.			
Section IV Offer in Compromise Terms			
I/We offer to pay \$ 92,000 (must be more than zero). Complete Section VII to explain where you will obtain the funds to make this offer. Check only one of the following:			
<input checked="" type="checkbox"/> Lump sum cash offer — 20% of the amount of the offer \$ 18,400 must be sent with Form 656. Upon written acceptance of the offer, the balance must be paid in 5 or fewer installments.			
\$ 73,600 payable within 2 months after acceptance			
\$ _____ payable within _____ months after acceptance			
\$ _____ payable within _____ months after acceptance			
\$ _____ payable within _____ months after acceptance			
\$ _____ payable within _____ months after acceptance			
<input type="checkbox"/> Short Term Periodic Payment Offer - Offer amount is paid within 24 months from the date IRS received your offer. The first payment must be submitted with your Form 656. You must make regular payments during your offer investigation. Complete the following: \$ _____ will be submitted with the Form 656. Beginning in the month after the offer is submitted (insert month _____), on the _____ day of each month, \$ _____ will be sent in for a total of _____ months. (Cannot extend more than 24 months from the date the offer was submitted.)			
Catalog Number 16728N		www.irs.gov	
Form 656 (Rev. 3-2009)			



John B Taxpayer
401-46-3216
Page 2 of 4

Section IV Cont.

- Deferred Periodic Payment Offer** – Offer amount will be paid over the remaining life of the collection statute. The first payment must be submitted with your Form 656. You must make regular payments during your offer investigation. Complete the following:
- \$ _____ will be submitted with the Form 656. Beginning in the month after the offer is submitted (insert month _____), on the _____ day of each month, \$ _____ will be sent in for a total of _____ months.

Optional - Designation of Required Payment under IRC 7122(c)

You have the option to designate the required payment you made under Section IV above. If you choose not to designate your required payment, then the IRS will apply your payment in the best interest of the government. If the required payment is not paid, the offer will be returned even if you make a payment you designated as a deposit. Please complete the following if you choose to designate your payment:

\$ **18,400** paid under IRC 7122 (c) is to be applied to my **2005/12** Tax Year/Quarter(s) (whichever is applicable) for my/our tax form **1040**.

If you pay more than the required payment when you submit your offer and want any part of that additional payment treated as a deposit, check the box below and insert the amount. It is not required that you designate any portion of your payment as a deposit.

- I am making a deposit of \$ _____ with this offer.

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

- (a) I/We voluntarily submit all tax payments made on this offer, including the mandatory payments of tax required under section 7122(c). These tax payments are not refundable even if I/we withdraw the offer prior to acceptance or the IRS returns or rejects the offer. If the offer is accepted, the IRS will apply payments made after acceptance in the best interest of the government.
- (b) Any payments made in connection with this offer will be applied to the tax liability unless I have specified that they be treated as a deposit. Only amounts that exceed the mandatory payments can be treated as a deposit. Such a deposit will be refundable if the offer is rejected or returned by the IRS or is withdrawn. I/we understand that the IRS will not pay interest on any deposit.
- (c) The application fee for this offer will be kept by the IRS unless the offer was not accepted for processing.
- (d) I/We will comply with all provisions of the Internal Revenue Code relating to filing my/our returns and paying my/our required taxes for 5 years or until the offered amount is paid in full, whichever is longer. In the case of a jointly submitted Offer in Compromise of Joint Liabilities, I/we understand that default with respect to the compliance provisions described in this paragraph by one party to this agreement will not result in the default of the entire agreement. The default provisions described in Section V(l) of this agreement will be applied only to the party failing to comply with the requirements of this paragraph.
- (e) I/We waive and agree to the suspension of any statutory periods of limitation (time limits provided by law) for the IRS assessment of the liability for the periods identified in Section II. I/We understand that I/we have the right not to waive these statutory periods or to limit the waiver to a certain length or to certain periods. I/we understand, however, that the IRS may not consider this offer if I/we refuse to waive the statutory periods for assessment or if we provide only a limited waiver. The amount of any Federal tax due for the periods described in Section II may be assessed at any time prior to the acceptance of this offer or within one year of the rejection of this offer. I/We understand that the statute of limitations for collection will be suspended during the period an offer is considered pending by the IRS (paragraph (k) of this section defines pending).
- (f) The IRS will keep all payments and credits made, received or applied to the total original liability before submission of this offer and all payments required under section 7122(c). The IRS will also keep all payments in excess of those required by section 7122(c) that are received in connection with the offer and that are not designated as deposits in Section IV. The IRS may keep any proceeds from a levy served prior to submission of the offer, but not received at the time the offer is submitted. As additional consideration beyond the amount of my/our offer, the IRS will keep any refund, including interest, due to me/us because of overpayment of any tax or other liability, for tax periods extending through the calendar year in which the IRS accepts the offer. The date of acceptance is the date on the written notice of acceptance issued by the IRS to me/us or to my/our representative. I/We may not designate an overpayment ordinarily subject to refund, to which the IRS is entitled, to be applied to estimated tax payments for the following year.
- (g) I/We will return to the IRS any refund identified in paragraph (f) received after submission of this offer.
- (h) The IRS cannot collect more than the full amount of the liability under this offer.
- (i) I/We understand that I/we remain responsible for the full amount of the liabilities, unless and until the IRS accepts the offer in writing and I/we have met all the terms and conditions of the offer. The IRS will not remove the original amount of the liabilities from its records until I/we have met all the terms and conditions of the offer. I/we understand that the liabilities I/we offer to compromise are and will remain liabilities until I/we meet all the terms and conditions of this offer. If I/we file for bankruptcy before the terms and conditions of this offer are completed, any claim the IRS files in the bankruptcy proceedings will be a tax claim.
- (j) Once the IRS accepts the offer in writing, I/we have no right to contest, in court or otherwise, the amount of the liability.
- (k) The offer is pending starting with the date an authorized IRS official signs the form. The offer remains pending until an authorized IRS official accepts, rejects, returns or acknowledges withdrawal of the offer in writing. If I/we appeal an IRS rejection decision on the offer, the IRS will continue to treat the offer as pending until the Appeals Office accepts or rejects the offer in writing.

08/15/11



Use *summary statement* and “See Exhibit X”; very rarely will Section VI provide enough space to paint a picture for the agent.

John B Taxpayer
401-16-3216
Page 3 of 4

If I/we don't file a protest within 30 days of the date the IRS notifies me/us of the right to protest the decision, I/we waive the right to a hearing before the Appeals Office about the Offer in Compromise.

(m) The IRS generally files a Notice of Federal Tax Lien to protect the Government's interest on offers with deferred payments. Also, the IRS may file a Notice of Federal Tax Lien during the offer investigation. This tax lien will be released when the payment terms of the offer agreement have been satisfied.

(l) If I/we fail to meet any of the terms and conditions of the offer and the offer defaults, the IRS may:

- immediately file suit to collect the entire unpaid balance of the offer;
- immediately file suit to collect an amount equal to the original amount of the liability, minus any payment already received under the terms of this offer;
- disregard the amount of the offer and apply all amounts already paid under the offer against the original amount of the liability; and/or
- file suit or levy to collect the original amount of the liability, without further notice of any kind.

(n) I/We understand that IRS employees may contact third parties in order to respond to this request and I/we authorize the IRS to make such contacts. Further, by authorizing the IRS to contact third parties, I/we understand that I/we will not receive notice, pursuant to section 7602(c) of the Internal Revenue Code, of third parties contacted in connection with this request.

(o) I/We are offering to compromise all the liabilities assessed against me/us as of the date of this offer and under the taxpayer identification numbers listed in Section II above. I/We authorize the IRS to amend Section II, above, to include any assessed liabilities we failed to list on Form 656.

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. The IRS will add interest from the date the offer is defaulted until I/we completely satisfy the amount owed.

Section VI Explanation of Circumstances

I am requesting an Offer in Compromise for the reason(s) listed below:

Note: If you believe you have special circumstances affecting your ability to fully pay the amount due, explain your situation. You may attach additional sheets if necessary. Please include your name and SSN or EIN on all additional sheets or supporting documentation.

We no longer have the business income that resulted in our 2005 tax liability, see Exhibit 1-A for further details.

Section VII Source of Funds

I / We shall obtain the funds to make this offer from the following source(s):

We will be taking out a personal loan from a family member.

This loan along with our life insurance policy, cash & bank balance will be used to pay the proposed amount.



Taxpayer(s) will separately sign statement of health and education.

Form 656 – Offer In Compromise

John B Taxpayer
401-16-3216
Page 4 of 4

Section VIII Mandatory Signatures

If I / we submit this offer on a substitute form, I / we affirm that this form is a verbatim duplicate of the official Form 656, and I/we agree to be bound by all the terms and conditions set forth in the official Form 656.

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.

Taxpayer Attestation	Signature of Taxpayer	Daytime Telephone Number (515) 222 - 1254	Date (mmddyyyy) 12/02/2010
	Signature of Taxpayer		Date (mmddyyyy) 12/02/2010

Official Use Only

I accept the waiver of the statutory period of limitations on assessment for the Internal Revenue Service, as described in Section V(e).

Signature of Authorized Internal Revenue Service Official	Title	Date (mmddyyyy)

Section IX Application Prepared by Someone Other than the Taxpayer

If this application was prepared by someone other than the taxpayer, please fill in that person's name and address below.

Name _____

Address (if known) (Street, City, State, ZIP code) _____

Section X Paid Preparer Use Only

Name of Preparer **Sonya Wilt**

Signature of Preparer	Date (mmddyyyy) 12/02/2010	Check if self-employed <input type="checkbox"/>	Preparer's CAF no. or PTIN 7005-65414R
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Firm's name (or yours if self-employed), address, and ZIP code
IRS Tax Problems Solved, LLC
508 Main St
Schaller, IA, 51053

Section XI Third Party Designee

Do you want to allow another person to discuss this offer with the IRS? Yes. Complete the information below. No

Designee's Name	Telephone Number () -

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 in Compromise. You are not required to make an Offer in Compromise; 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 X 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.

Attention:

Instructions and pertaining forms for completing an accurate Offer in Compromise are available in the Form 656-B, Offer in Compromise Booklet. The Form 656-B is available through the IRS website www.irs.gov.

Fees - Paying for the Offer



	One person is liable	Two people are liable for one joint liability	Two people have joint liabilities but want to file separate offers	Two people have joint liabilities and one has joint and separate liabilities	Corporation has a liability	Partnership has a liability	Individual and Corporate or Partnership liabilities
Number of Forms 656 required	1	1	2 Each will show the joint liabilities	2 One with the joint and the 2nd with the joint and separate liabilities	1	1	2
Number of fees to be sent with the Form 656*	1 - \$150 fee	1 - \$150	2 - \$150	2 - \$150	1 - \$150	1 - \$150	2 - \$150
Lump Sum Cash Offer amount to be sent with the Form 656	20% of the amount offered	20% of the amount offered	20% for each offered amount	20% for each offered amount	20% of the amount offered	20% of the amount offered	20% for each offered amount
Amount to be sent with the Short Term or Deferred Periodic Payment Offer	First payment amount shown in Section IV of the Form 656	First payment amount shown in Section IV of the Form 656	First payment for each offer that is shown in Section IV of the Form 656	First payment for each offer that is shown in Section IV of the Form 656	First payment amount shown in Section IV of the Form 656	First payment amount shown in Section IV of the Form 656	First payment for each offer that is shown in Section IV of the Form 656



Beware! If the Internal Revenue Service determines that you were required to pay a fee or payment, your Offer in Compromise will be returned without further consideration. See the guidelines – next...

Form 656-A (March 2009)	Department of the Treasury — Internal Revenue Service Income Certification for Offer in Compromise Application Fee and Payment (For Individual Taxpayers Only)
-----------------------------------	--

If you are not required to submit the fee or payments based on your income level, you must complete this form and attach it to the front of your Form 656. You do not need to attach the Offer in Compromise Application Fee and Payment Worksheet to the Form 656.

1. Your Name (Last, First, Middle Initial) (Please Print)	2. Social Security Number (SSN) or Taxpayer Identification Number (TIN)
3. Spouse's Name (Last, First, Middle Initial) (Please Print)	4. Social Security Number (SSN) or Taxpayer Identification Number (TIN)
5. Family Unit Size (This number is transferred over from your Offer in Compromise Application Fee and Payment Worksheet)	
6. Total Household Monthly Income (This amount is transferred over from your Offer in Compromise Application Fee and Payment Worksheet) \$	
Certification: Under the penalty of perjury, I certify that I am not required to submit an Offer in Compromise application fee or payment, based on family unit size and income.	



Minimize deposits for low income families – See chart below
Form 656-A - <http://www.irs.gov/pub/irs-pdf/f656a.pdf>

IRS OIC Low Income Guidelines

Size of Family Unit	48 Contiguous States and D.C.	Hawaii	Alaska
1	\$2,256	\$2,596	\$2,819
2	\$3,035	\$3,492	\$3,794
3	\$3,815	\$4,388	\$4,769
4	\$4,594	\$5,283	\$5,744
5	\$5,373	\$6,179	\$6,719
6	\$6,152	\$7,075	\$7,694
7	\$6,931	\$7,971	\$8,669
8	\$7,710	\$8,867	\$9,644
For each additional person, add	\$779	\$896	\$975

OIC Payment Options

- A. Cash
- B. Short Term Periodic Payments
- C. Deferred Periodic Payments
- D. Strategizing 20% down payment requirement (remember, it is non-refundable)



OIC Negotiating Strategies

- A. Short term departure for National Standards
- B. Future Income Collateral Agreements (possibly in lieu of IRS averaging last three years of income)
http://www.irs.gov/irm/part5/irm_05-008-006.html
- C. Negotiable Offer amount (last I knew, IRS denies this is possible, but I've seen it happen)



Offers in Compromise can be funded in one of three ways:

- **Lump Sum Offer**
 - 5 or fewer payments
 - 20% cash down with Form 656
 - Covers assets and earnings for 48 months
 - Note:if payments are for more than 5 months, but less than 24 months, you must make offer considering assets and earnings for 60 months
- **Short-Term Periodic Payment**
 - 24 months or less
 - Continue to make installment payments
 - Covers assets and earnings for 60 months
- **Deferred Periodic Payment**
 - Through the end of the Statute of Limitations – up to 10 years
 - Continue to make installment payments
 - Covers assets and earnings through the end of SOL



When and how do you choose an option when preparing the Form 656?

- Lump Sum Offer
- Short-Term Periodic Payment
- Deferred Periodic Payment

Remember – that 20% deposit with the lump sum is not refundable if offer is rejected

Can you select a Periodic Payment option with the initial offer then switch to lump sum offer at the end?



Payments do not have to be even. If your client knows they are refinancing, or expecting lump sums from commissions, bonuses, royalties, etc., they may make larger payments periodically.

They may specify when those lump sums will be paid.

Suggestion – have your client promise the payment two months after they really expect it, in case there are any delays in receiving the monies.

Section IV

Offer in Compromise Terms

I/We offer to pay \$ 92,000 (must be more than zero). Complete Section VII to explain where you will obtain the funds to make this offer.

Check **only one** of the following:

Lump sum cash offer – 20% of the amount of the offer \$ 18,400 must be sent with Form 656. Upon written acceptance of the offer, the balance must be paid in 5 or fewer installments.

\$ 73,600 payable within 2 months after acceptance
 \$ _____ payable within _____ months after acceptance
 \$ _____ payable within _____ months after acceptance
 \$ _____ payable within _____ months after acceptance
 \$ _____ payable within _____ months after acceptance

Short Term Periodic Payment Offer - Offer amount is paid within 24 months from the date IRS received your offer. The first payment must be submitted with your Form 656. You must make regular payments during your offer investigation. Complete the following:

\$ _____ will be submitted with the Form 656. Beginning in the month after the offer is submitted (insert month _____), on the _____ day of each month, \$ _____ will be sent in for a total of _____ months. (Cannot extend more than 24 months from the date the offer was submitted.)



Nearly 100% of the time IRS will ask for additional information and more often than not they've already got it.

Preparation

Table of Contents

Numbering/Labeling pages

Documentation

- Backup your numbers, especially anything outside standard, the more prepared

Presentation Clean, Crisp, Organized, Typed

Cover Letter

- You will need to take them by the hand and walk them through your calculations, documentation, and set the stage.



IF YOU RESIDE IN

Alaska, Alabama, Arizona, California, Colorado, Hawaii, Idaho, Kentucky, Louisiana, Mississippi, Montana, Nevada, New Mexico, Oregon, Tennessee, Texas, Utah, Washington, Wisconsin or Wyoming,

AND

You are a wage earner, retiree, or a self-employed individual without employees,

THEN MAIL

Form 656 and attachments to:

Memphis Internal Revenue Service
Center COIC Unit
PO Box 30803, AMC
Memphis, TN 38130-0803

AND

You are **OTHER** than a wage earner, retiree, or a self-employed individual without employees,

THEN MAIL

Form 656 and attachments to:

Memphis Internal Revenue Service
Center COIC Unit
PO Box 30804, AMC
Memphis, TN 38130-0804



IF YOU RESIDE IN

Arkansas, Connecticut, Delaware, District of Columbia, Florida, Georgia, Illinois, Indiana, Iowa, Kansas, Maine, Maryland, Massachusetts, Michigan, Minnesota, Missouri, Nebraska, New Hampshire, New Jersey, New York, North Carolina, North Dakota, Ohio, Oklahoma, Pennsylvania, Puerto Rico, Rhode Island, South Carolina, South Dakota, Vermont, Virginia, West Virginia or have a foreign address,

AND

You are a wage earner, retiree, or a self-employed individual without employees,

THEN MAIL

Form 656 and attachments to:
Brookhaven Internal Revenue Service
Center COIC Unit
PO Box 9007
Holtsville, NY 11742-9007

AND

You are **OTHER** than a wage earner, retiree, or a self-employed individual without employees,

THEN MAIL

Form 656 and attachments to:
Brookhaven Internal Revenue Service
Center COIC Unit
PO Box 9008
Holtsville, NY 11742-9008



Setting Expectations

Tolling Statute of Limitations

Waiting Period

Requirements once OIC is accepted



Expect the best, but plan for the appeal

- Document all your conversations with the OIC agent
- Document the who, what, when and how information was provided – for example
 - Nov 18, 10 3:25 pm PT Mr. Cheever #061510
 - Discussed missing documents. I explained which documents he already had that met his request. He agreed they are adequate.
- Document your activities and your clients activities
- Retain copies of all documentation provided to the IRS, you will probably need to provide it again.



1. Understanding the types of “Offers” and how to fill out the Forms 656 and 656-L
2. Influence/optimize the outcome with the techniques for reducing disposable income
3. Utilize the strategies presented to negotiate the best deal for your client
4. Present the Offer in a clear and logical manner; walk the IRS through the file – keep an exact copy.
5. Set expectations with your client
6. Plan for appeals; document, document, document



Remember, two very important things when it comes to dealing with Offers in Compromise

1 - Keep a close eye on the timeline.

- OICs can drag out for years, if you leave it to IRS.
- It's up to you to keep control of the deadlines

2 - Make sure your client communicates with you.

- Make sure the offer is paid on time.
- If the OIC includes installments, make sure your client lets you know INSTANTLY if there is any impediment to making any payment.
- **PAYMENTS MAY NOT BE MISSED!**



Form 656-L – Offer In Compromise – Doubt as to Liability

<http://www.irs.gov/pub/irs-pdf/f656l.pdf>

Form 656 – Offer In Compromise

<http://www.irs.gov/pub/irs-pdf/f656.pdf>

Form 656-B – IRS Offer in Compromise Booklet

<http://www.irs.gov/pub/irs-pdf/f656b.pdf>



Thanks for coming.

Remember to give CPE Link your evaluations.

Drop by to sign up for other TaxMama classes –
<http://www.cpelink.com/teamtaxmama>

The next class in the series is – Unagreed Collections
Alternatives and Appeals

Two new series are available as Self-Study or Resources:

- International Taxpayer issues – dealing with resident aliens and Americans overseas.
- The Tax Practice Series - Taxpayer representation – Collections, Offers In Compromise, other payment alternatives