


**IRS Solutions**  
SOFTWARE  
A Tax Pro's Best Friend

**Get that Offer in Compromise Accepted**



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**Meet the Team**

**David, Suzanne & Cindy**



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**Upcoming Webinars**

<p><b>What's New! What's Cool!</b></p> <p>Tuesday, October 8, 2024 10 AM PST or 1 PM EST</p>	<p><b>From Non-filers to CNC to Installment Agreements</b></p> <p>Thursday, October 24, 2024 10 AM PST or 1 PM EST</p>
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**After our webinar you will:**

- Explain the different types of Offers.
- Explain how the IRS computes an acceptable offer.
- Understand how to get an automatic acceptance.
- Help you determine if your client is a viable offer candidate
- Use IRS Solutions Software

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**Polling Question #1**



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**Offer in Compromise** IRS Solutions SOFTWARE

Under 26 U.S.C. § 7122 which allows qualified individuals with an unpaid tax debt to negotiate a settled amount that is less than the total owed to clear the debt.

The ultimate goal is a compromise that suits the best interest of both the taxpayer and the IRS.

The IRS wants to get people back into the system.

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**Know the IRM** IRS Solutions SOFTWARE

- Part 5. Collecting Process
- Chapter 8. Financial Analysis
- Section 1. Offer in Compromise Overview

**IRM 5.8.1**

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**Offers Submitted v. Offers Accepted** IRS Solutions SOFTWARE

Offers in compromise	2021	2022	2023
Number of offers received	49,285	36,022	30,163
Number of offers accepted	15,154	13,165	12,711
Amount of offers accepted	\$220,936	\$234,319	\$214,480
<small>[Money amounts are in thousands of dollars]</small>			
Percent Accepted	31%	36%	42%
Average amount	\$15,154	\$17,799	\$16,873

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**Eligibility** 

- 1) File all tax returns you are legally required to file.
- 2) Make all required estimated tax payments for the current year. If a business must be current with payroll for previous 2 quarters.
- 3) Cannot currently be in an open bankruptcy proceeding.

The IRS will return any filed Offer in Compromise application where the taxpayer has not **filed ALL required tax returns**. Any fees included with the OIC will also be returned. This policy does not apply to current year tax returns if there is a valid extension on file.

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**From the IRS Website** 

**IRS warns of "mills" taking advantage of taxpayers with Offer in Compromise program** News release 9/19/24

These unscrupulous "mills" use aggressive marketing to make false claims of guaranteed settlements for "pennies-on-the-dollar," or will say there's a limited window of time to resolve tax debts through the IRS.

"Taxpayers should be cautious of aggressive marketing that can mislead them" "Many OIC mills charge steep fees, give false assurances and can take advantage of taxpayers with empty promises that their tax debt will disappear. The result is often good money paid for bad results." IRS Commissioner Danny Werfel

<https://www.youtube.com/watch?v=YMiY0Ss1xcM>

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**Doubt as to Liability** 

- **Doubt as to Liability:** you have a legitimate doubt that they owe part or all of the tax debt

Form 656-L, Offer in Compromise (Doubt as to Liability)

- Usually investigated by exam

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**Exceptional Circumstances** IRS Solutions SOFTWARE

Exceptional Circumstances aka (Effective Tax Administration)

- Taxpayer has sufficient assets to pay the full amount.
- Due to exceptional circumstances, requiring full payment would cause an economic hardship or would be unfair and inequitable.

Reasons for Offer

- Health Problems
- Victim of Embezzlement
- Victim of a fraudulent act of a payroll service provider

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**Polling Question #2** IRS Solutions SOFTWARE



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**Doubt as to Collectability** IRS Solutions SOFTWARE

The taxpayer has *insufficient* assets and income to pay the full amount.

You can submit an offer for all tax and penalties (except on those cases that have been referred to DOJ (Department of Justice))

Penalties and interest will *continue to accrue* during consideration of your offer.

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**Statute of Limitations** 

The statutory period for collecting my tax debt will be **suspended (or "tolled")** during the time my offer is pending with the IRS, for **30 days** after any rejection of your offer by the IRS, **and** during the time that any rejection of your offer **is being considered by the Appeals Office**.

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**Current Installment Agreement** 

If you currently have an approved installment agreement, you will not be required to make your installment agreement payments while your offer is being considered. If your offer is not accepted and you have not incurred any additional tax debt, your installment agreement with the IRS will be reinstated with no additional fee. **However...**

If you establish a periodic payment offer in compromise, you will have to make those payments instead.

(more about the payment options in a few moments)

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**Application Process** 

The application **must** include:

- Form 656, Offer in Compromise
- Completed Form 433-A (OIC), Collection Information Statement for Wage Earners and Self-Employed Individuals, if applicable
- Completed Form 433-B (OIC), Collection Information Statement for Businesses, if applicable
- An application fee, unless you meet Low Income Certification
- Initial offer payment, unless you meet Low Income Certification
- Back-up documentation

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**Payment Options** **IRS Solutions**  
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Generally, the IRS will not accept an offer if you can pay your tax debt in full or through an installment agreement and/or equity in assets.

**Lump Sum Cash:** This option requires 20% of the total offer amount to be paid with the offer and the remaining balance paid in 5 or fewer payments within 5 or fewer months of the date your offer is accepted.

**Periodic Payment:** This option requires the first payment with the offer and the remaining balance paid within 6 to 24 months, in accordance with your proposed offer terms.

- Under this option, you must **make monthly payments while the IRS is evaluating your offer.**

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**Polling Question #3** **IRS Solutions**  
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**Application Fee** **IRS Solutions**  
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- Offers require an application fee
- EXCEPTION:** An individual and the household gross income meets the Low-Income Certification guidelines, they will not be required to send the application fee.
- These income amounts are listed in the Form 656B package

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**Offer Accepted** 

Review Form 656-B package (**IMPORTANT**)

Any refunds due within the calendar year in which your offer is accepted will ~~be applied to your tax debt~~ BE REFUNDED;

Federal tax liens are not released until your offer terms are satisfied;

If your offer is rejected the IRS must tell you what your best alternative is.

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**Freedom of Information Act** 

The law requires the IRS to make certain information from accepted offers available for public inspection and review. These public inspection files are located in designated IRS Area Offices.

You can file a request by following the instructions on the IRS website.  
<https://www.irs.gov/privacy-disclosure/freedom-of-information-act-foia-guidelines>

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**What amount is Acceptable** 

Bert & Janet owes \$50,000 for 2018 – 2019

Latest CSED 09/30/30 (60 months on CSED)

No assets - ability to pay \$1,000/month

60 \* \$1,000 = \$60000 = Taxpayer can Full Pay

No Offer Acceptable

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**What amount is Acceptable** **IRS Solutions**  
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	<u>Qualify</u>	<u>Offer Amount</u>
Bert & Janet		
Net equity in assets	\$ -	
Future income		
Monthly remaining income	\$ 1,000	
Collection statute (months remaining)	60 months	
Ability to pay (\$1,000 * 60 months)	\$ 60,000	
Tax balance due	\$ 50,000	
Minimum offer	Can Full Pay - Does not qualify for OIC	

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**What amount is Acceptable** **IRS Solutions**  
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Jim & Linda owe \$70,000 for 2018 – 2019  
 Latest CSED 09/30/30 (60 months on CSED)  
 No assets - ability to pay \$1,000/month  
 We suggest they buy a car at \$300/month  
 60 \* \$700 = \$42,000 = No ability to FP  
 Offer amount = \$12,000

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**What amount is Acceptable** **IRS Solutions**  
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	<u>Qualify</u>	<u>Offer Amount</u>
Bert & Janet		
Net equity in assets	\$ -	\$ -
Future income		
Monthly remaining income	\$ 700	\$ 700
Collection statute (months remaining)	60 months	12 months
Ability to pay (\$700 * 60 months)	\$ 42,000	\$ 8,400
Tax balance due	\$ 50,000	\$ 50,000
Minimum offer	Will Never Full Pay	\$ 8,400

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**Mandatory Acceptance** IRS Solutions SOFTWARE

This applies to ALL offers

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.

Note: This is a LAW, not an IRS procedure - <https://www.law.cornell.edu/uscode/text/26/7122>

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**Compliance – MOST IMPORTANT** IRS Solutions SOFTWARE

After you file your offer, you must continue to timely file and pay all required tax returns, estimated tax payments, and federal tax payments. If your offer is accepted, you must continue to stay current with all tax filing and payment obligations **through the fifth year** after your offer is accepted (including any extensions).

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**Polling Question #4** IRS Solutions SOFTWARE



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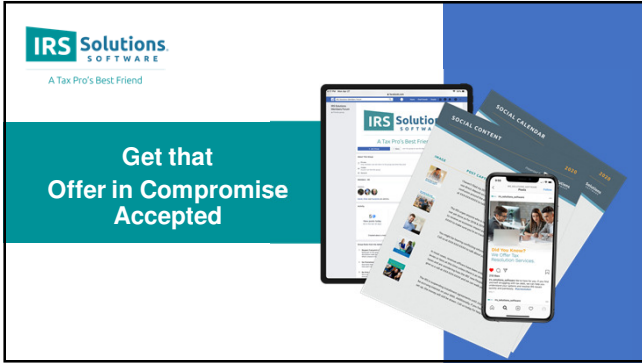
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