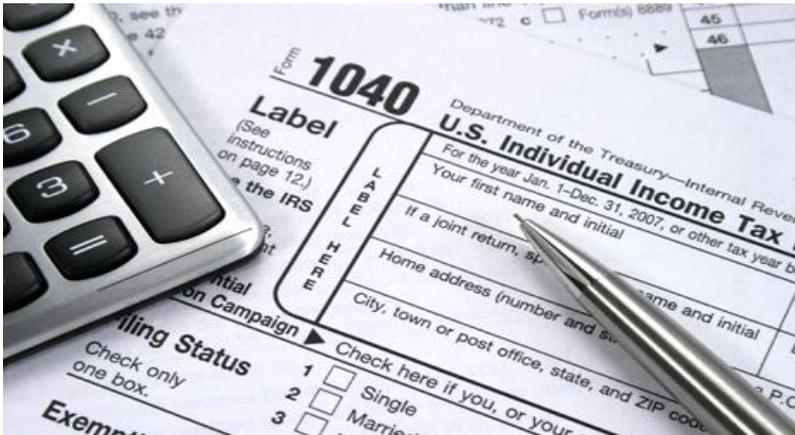


Tenenbaum Law, P.C.

Tax Attorneys

YOUR GUIDE TO AN IRS OFFER IN COMPROMISE



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WHAT IS AN OFFER IN COMPROMISE?

An Offer in Compromise (“OIC”) is an agreement between you, the taxpayer, and the Internal Revenue Service (“IRS”). An OIC is a settlement agreement in which the taxpayer’s liability is generally reduced to an amount that the taxpayer can afford to pay, not what the taxpayer actually owes.

Benefits of an Offer in Compromise include:

- An OIC can provide a fresh start free from tax liabilities
- During the pendency of an OIC, the IRS will cease all collection action, meaning no more bank levies or seizure of assets
- Once an OIC is complete, any Federal Tax Liens that were filed will be released, improving credit scores and ability to borrow.

TERMS AND CONDITIONS

By entering into an OIC with the IRS, the taxpayer agrees to the following terms:

- The taxpayer will pay the offer amount agreed upon in the OIC.
- The taxpayer must file tax returns and pay taxes for the following five years.
- The taxpayer agrees that the IRS will keep any tax refunds, payments, and credits applied to the taxpayer's tax debts prior to the submission of the OIC.
- The taxpayer agrees to forfeit any tax refunds that would have been payable during the pendency of the OIC.



QUALIFYING FOR AND CALCULATING AN OFFER AMOUNT

To qualify for an OIC, the taxpayer must be current on all tax filings and payments with respect to any tax returns and estimated tax payments for the current year. If the taxpayer is an employer, they must be current on any federal tax deposits for the current quarter.

Generally, the IRS will not accept an OIC unless the amount offered is equal to or greater than the reasonable collection potential (RCP) of the taxpayer. The RCP is how the IRS measures the taxpayer's ability to pay the liability. It includes amounts that can be realized from the liquidation of the taxpayer's assets, such as real property, automobiles, retirement accounts, investment funds, bank accounts, and other property. In addition, RCP also includes the taxpayer's anticipated future income less specified amounts allowed for reasonable living expenses.

GROUNDS FOR AN OFFER IN COMPROMISE

The IRS may accept an OIC based on the following three grounds:

- **Doubt as to liability.** There must be a genuine dispute as to the existence or amount of the correct tax debt under the law.
- **Doubt as to collectability.** The taxpayer's assets and income must be insufficient to pay the full amount of the tax liability.
- **Effective tax administration.** In this situation, there is no doubt that the tax is legally owed and that the full amount owed can be collected. However, requiring payment in full would either create an economic hardship or would be unfair and inequitable due to exceptional circumstances.



FORMS

Individual

- Form 433-A(OIC), *Collection Information Statement for Wage Earners and Self-Employed Individuals*
- Form 656, *Offer in Compromise*

Business

- Form 433-B(OIC), *Collection Information Statement for Businesses*
- Form 656, *Offer in Compromise*



PAYMENT OF THE OFFER IN COMPROMISE

Option One: Lump Sum

- \$186 non-refundable application fee
- Initial payment of 20 percent of the total offer amount, submitted with the application.
- Once accepted, the remaining balance of the offer, paid off within five months.

Option Two: Periodic Payment

- \$186 non-refundable application fee
- Initial payment with the application.
- Payment of the remaining balance in monthly installments while the IRS considers the offer.
- Once accepted, continuous monthly installment payments sufficient to pay the offer in full within a twenty-four month period, beginning with the submission of the offer.

Low Income Taxpayers: If eligible under the Low Income Certification guidelines, the IRS may waive the application fee and the initial payment or payments while the offer is pending whichever is applicable.

INTERESTING FACTS:

In the 2018 tax year...

- Over \$3.3 billion in outstanding gross tax liability was slated for collections by the United States government for income, employment, gift, estate and excise taxes.
- Taxpayers submitted 63,000 OICs to the IRS.
- The IRS accepted 27,000 proposed OICs, amounting to nearly \$226 million.
- The IRS assessed \$27.3 billion in civil penalties.
- Almost \$9 billion in civil penalties were abated by the IRS.
- The IRS initiated 3,395 criminal investigations.



ABOUT US

The law firm of Tenenbaum Law, P.C. focuses its practice on the resolution of tax controversies. It has been repeatedly recognized as one of the top tax law firms on Long Island by ***Long Island Business News***, as well as one of the Top 100 Women Owned Firms by ***New York Law Journal***. The founding member of the firm, Karen Tenenbaum, has experience in the area of taxation and is skilled in New York State and New York City residency audits.

In addition to comprehensive legal support to taxpayers facing or planning against residency audits, the firm offers comprehensive services to businesses and individuals with respect to their Federal and State tax matters including:

- Tax Controversy Resolution
- Federal and State Tax Audits
- Sales and Use Taxes
- IRS Appeals
- NYS Conciliation Conferences
- Federal and New York State Collection Issues
- Liens, Levies, Warrants and Seizures
- Offers in Compromise
- Installment Agreements and Installment Payment Agreements
- Innocent Spouse Claims
- Responsible Person Assessments
- Non-Filers

The firm is located in Melville, New York, on the border of Nassau and Suffolk counties on Long Island. Our clients are based primarily in the greater New York City area, with others from other states throughout the country.

Tenenbaum Law, P.C. welcomes the opportunity to discuss your tax controversy matter with any of the firm's seasoned attorneys.

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