

## State Sales Tax Offer in Compromise - Case Study

CLIENT X was a partner in a retail business that owed the California State Board of Equalization (“SBE”) approximately \$120,000 in past sales tax. The business had been moderately successful for several years but as the economy worsened, expenses became harder to cover and sales taxes went unpaid for several quarters.

Once the business ceased operating, the SBE assessed the sales tax against both CLIENT X and her partner personally. The total liability was assessed both partners jointly and severally. This means that both partners were responsible for the entire liability. If one partner had the ability to pay and the other did not, the SBE would go after the partner with the ability to pay. If both partners had the ability to full-pay the liability the SBE would attempt to collect from both partners but would most likely be more aggressive with the partner whose funds were easiest to access. In this case neither partner could full pay so they were both being sought after for collection. Other than knowing CLIENT X had an ex-partner, we had no additional knowledge pertaining to the status of their current working relationship or where the partner stood in terms of collection by the SBE. We negotiated on behalf of CLIENT X and reached a resolution without regard to her partner. The governmental agencies do not share information with us regarding other debtors, especially without a power of attorney. Often when more than one person or entity is being collected upon, the relationship between the debtors is estranged.

After several months of trying to remove herself from the financial burden the sales tax liability had created including filing an unsuccessful appeal, CLIENT X sought out The Tax Resolution Institute to determine what we could do to resolve her tax matters.

When CLIENT X first came to us, we reviewed the facts of her case to see to which for programs she was best suited (i.e. installment agreement, offer in compromise, currently non-collectable status, etc.). In this particular case CLIENT X is a woman, 50+ years of age, unable to work due to a physical disability, whose sole source of income was unemployment due to expire soon. In addition CLIENT X had no assets to speak of (an older automobile and a few pieces of furniture). Based upon her financial condition as well as her inability to earn going forward, we concluded that she was a good candidate for an Offer in Compromise (“OIC”).

We prepared the paperwork required by the SBE to submit an Offer in Compromise on her behalf. The SBE is notorious for being difficult so we made sure to cross every “t” and dot every “i” before submitting the required forms. In addition we made sure that every number on the form was substantiated with no less than three months of invoices, proof of payments, bank statement and other documents as applicable.

It took several months for the SBE to review CLIENT X’s application and several telephone conversations thereafter to satisfy their concerns. The SBE’s concern in this case related to legitimacy of the financial information we provided. We were contending that our client did not have the ability to pay more than the offer we made. This amount we offered was less than 1% of the liability. Prior to approving such an offer, the government is going to do their due diligence to ensure that they are unable to collect more.

As part of the review process, the SBE Collector contacted us several times to question and verify the information we provided with the application. After several conversations back and forth, the SBE accepted CLIENT X’s offer. CLIENT X ended up paying \$1,700 to resolve a sales tax liability of approximately \$120,000 for which she was fully responsible to pay.