

**TRI** Tax Resolution Institute  
*...where your tax debt is your power!*

## TRI Essentials 100A

*Introduction to*  
**Tax Resolution**  
*Busy Season...all year long*

(800) 658-7590

[www.taxresolutioninstitute.org](http://www.taxresolutioninstitute.org)

# TRI Essentials 100A

## Introduction to Tax Resolution

# Why are we here today?

The Tax Resolution Institute prides itself in assisting accounting, legal and other professionals resolve their client's tax problems and grow their businesses

Take advantage of one of our many programs

- We help you make more money
- We teach you how to become a tax resolution specialist
- We become your partner working side-by-side to fix your client's IRS and State income, payroll (collection issues) and tax audit issues
- We become your trusted referral source

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# Meet our speaker



**Peter Y. Stephan, CPA**

(800) 658-7590

[www.taxresolutioninstitute.org](http://www.taxresolutioninstitute.org)

## 3 Professions with Tax Problems

- Real estate brokers
- Attorneys
- Self employed (Schedule 'C') taxpayers

# <sup>6</sup>What will be covered today

- What is “Tax Resolution”?
- Sequence of events
- Payroll taxes
- Offers in compromise (OIC)
- Overview of installment agreements (IA)
- Comparison of OICs to IAs
- Bankruptcy – 3 quick rules for dischargeability of income taxes

# Tax Resolution Essentials 100A

The following materials and more will be available to webinar attendees at [www.taxresolutioninstitute.org/100A](http://www.taxresolutioninstitute.org/100A) for 10 days without a subscription:

- A copy of today's PowerPoint presentation
- Tips and traps pertaining to installment agreements
- Tips and traps pertaining to offers in compromise
- IRS 4180 interview form
- Step-by-step guide to first time penalty abatement
- ...and more

## Polling Question 1

Do you currently have clients with tax issues?

- Yes
- No
- I don't know



What is tax resolution?

# Tax Resolution

The practice of resolving a person's or business's Federal or State tax issues using one or more of the various methods available.

The two main areas are

- ✓ Income taxes
- ✓ Payroll taxes.

# Income Taxes

# Solving Income Tax Issues

## 5 most common methods:

- Installment agreement
- Currently Not Collectible (“CNC”) Status
- Partial-pay installment agreement (“PPIA”)
- Offer in compromise (“OIC”)
- Discharging taxes in bankruptcy

# Payroll Taxes

# Components of Payroll Taxes

Comprised of:

- Trust fund portion (employee withholdings including taxes, Social Security and Medicare)
- Non trust fund portion
- Interest (compounded daily)
- Penalties

Not Dischargeable in Bankruptcy

Trust Fund portion assessed personally to Responsible Person/s

A person will be held **personally liable** for the withheld taxes if...

- They are responsible for its collection and payment
- Their failure to collect the tax and pay it over is “willful”

# Solving Payroll Tax Issues

4 most common methods:

- Installment agreement
- Partial-pay installment agreement (PPIA)
- In-business offer in compromise (“OIC”)
- Hybrid Bulk-Sale and OIC



## Polling Question 2

What is the most common collection issue you are confronted with?

- Unpaid taxes resulting from inability to pay
- Additional tax assessed resulting from audit
- Notices pertaining to past filings or unfiled taxes
- Client's bank account was levied or wages were garnished

<sup>18</sup>  
TRI Definitions

# luck

1. where experience and knowledge come together.

# Sequence of Events

## Step 1: Meet with the client *(by telephone or in person)*

- Identify and define issues
- Discuss the process and expectations from the client
- Estimate fees (more on this later today)

## Step 2: Prepare Documents

- Letter of Engagement (work agreement)
- Power of Attorney Form/s
- Payment Forms – ACH, credit card, PayPal

## Step 3: Contact Government

- Fax power of attorney (east or west coast CAF unit)
- Call government representative (ACS or R/O)
- Assess client's (actual) situation
- Request hold on collection (if applicable)



**Internal Revenue Service** E-services  
DEPARTMENT OF THE TREASURY

This Product Contains Sensitive Taxpayer Data

**Account Transcript**

Request Date: 06-12-2009  
Response Date: 05-12-2009  
Tracking Number: 100045052838

FORM NUMBER: 1040A

TAX PERIOD: Dec 31, 2001

TAXPAYER IDENTIFICATION NUMBER: [REDACTED]

<<<<POWER OF ATTORNEY/TAX INFORMATION AUTHORIZATION (POA/TIA) ON FILE>>>>

--- ANY MINUS SIGN SHOWN BELOW SIGNIFIES A CREDIT AMOUNT ---

ACCOUNT BALANCE: 94,263.33  
ACCRUED INTEREST: 13,959.66 AS OF: Jun. 08, 2009  
ACCRUED PENALTY: 0.00 AS OF: Jun. 08, 2009

ACCOUNT BALANCE PLUS ACCRUALS  
(this is not a payoff amount): 58,225.22

\*\* INFORMATION FROM THE RETURN OR AS REQUESTED \*\*

EXEMPTIONS: 04 FILING STATUS: Single  
ADJUSTED GROSS INCOME: 63,952.00  
TAXABLE INCOME: 63,952.00  
TAX PER RETURN: 0.00  
SE TAXABLE INCOME TAXPAYER: 80,400.00  
SE TAX\BLS INCOME SPOUSE: 0.00  
TOTAL SELF EMPLOYMENT TAX: 12,308.00

RETURN DUE DATE OR RETURN RECEIVED DATE (WHICHEVER IS LATER)  
PROCESSING DATE

TRANSACTIONS

CODE	EXPLANATION OF TRANSACTION	CYCLE	DATE	AMOUNT
150	Substitute tax return prepared by IRS		12-29-2003	\$0.00

49210-334-28288-3		
140	Inquiry for non-filing of tax return	03-17-2003 \$0.00
570	Additional account action pending	12-29-2003 \$0.00
420	Examination of tax return	12-23-2003 \$0.00
170	Penalty for not pre-paying tax	20043508 09-13-2004 \$936.00
160	Penalty for filing tax return after the due date	20043508 09-13-2004 \$5,832.00
300	Additional tax assessed by examination	20043508 09-13-2004 \$50,034.00
49247-639-00298-4		
336	Interest charged for late payment	20043508 09-13-2004 \$7,868.74
276	Penalty for late payment of tax	20043508 09-13-2004 \$7,254.93
976	Duplicate return filed	08-13-2004 \$0.00
89221-228-31849-4		
977	Amended return filed	08-13-2004 \$0.00
49277-445-01093-5		
161	Reduced or removed penalty for filing tax return after the due date	09-13-2004 -\$5,425.65
163	Penalty for filing tax return after the due date	20043508 09-13-2004 \$5,425.65
171	Reduced or removed penalty for not pre-paying tax	09-13-2004 -\$1,044.00
173	Penalty for not pre-paying tax	20043508 09-13-2004 \$1,044.00
291	Prior tax abated	03-14-2005 -\$24,114.00
49254-445-00168-5		
277	Reduced or removed penalty for late payment of tax	03-14-2005 -\$2,718.93
197	Reduced or removed interest charge for late payment	03-14-2005 -\$2,771.19
530	Balance due account currently not collectable	04-28-2005 \$0.00
960	Appointed representative	04-27-2005 \$0.00
531	Account currently considered collectable	05-02-2005 \$0.00
480	Offer in compromise received	06-21-2005 \$0.00
971	Tax period blocked from automated levy program	07-11-2005 \$0.00
481	Denied offer in compromise	08-18-2005 \$0.00
582	Lien placed on assets due to balance owed	09-23-2005 \$0.00
961	Removed appointed representative	12-08-2005 \$0.00
480	Offer in compromise received	01-17-2006 \$0.00
483	Removed offer in compromise	01-27-2006 \$0.00
960	Appointed representative	03-02-2006 \$0.00
971	Tax period blocked from automated levy program	05-08-2006 \$0.00
480	Offer in compromise received	06-14-2006 \$0.00
481	Denied offer in compromise	01-22-2007 \$0.00
530	Balance due account currently not collectable	03-06-2007 \$0.00



## Step 4: Obtain or Prepare Tax Returns

- Collect information
- Prepare delinquent tax returns
- Obtain duplicate original copies of all prepared tax returns
- Calculate total estimated tax liability including penalties and interest

## Step 5: Prepare Collection Information Statement

- Obtain draft copy from client
- Prepare 433A, 433F, 433B, etc.
- If applicable contact the client to discuss options to lower Monthly Disposable Income (“MDI”)

## Step 6: Negotiate with the Government

- Have all paperwork (including IRS auto debit form i.e. 433D) prepared prior to call
- Be ready to submit documents via fax if requested
- If you are on the phone with Automated Collections (“ACS”), and it is not going well, end the call and try again

## Step 7: Provide the client a comprehensive summary

- Let the client know the agreed upon terms
- Provide specific instructions relating to payment dates and amounts
- Let the client know that if automated payments do not start when expected, they should make interim payments until the auto-pay kicks in

On the “lighter” side

# Fax

<b>To:</b>	Norman Kreisman	<b>From:</b>	
<b>Fax:</b>	(818) 704-6657	<b>Pages:</b>	5
<b>Phone:</b>		<b>Date:</b>	11/15/13
<b>Re:</b>	2009-2012 taxes	<b>CC:</b>	

**Urgent**     **For Review**     **Please Comment**     **Please Reply**     **Please Recycle**

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● **Comments:**

Hi Norman,

Here are most the documents you requested. Sorry page two of the 433F is missing but my dog ate it. I am working on redoing this page now.

Should I go ahead and pay what I owe the State for 2013?

# IRS National & Local Standards

## Food, Clothing and Other Items

Expense	1 Person	2 Persons	3 Persons	4 Persons
Food	\$307	\$583	\$668	\$815
Housekeeping supplies	\$30	\$60	\$60	\$71
Apparel & services	\$80	\$148	\$193	\$227
Personal care products & services	\$34	\$61	\$62	\$74
Miscellaneous	\$119	\$231	\$266	\$322
<b>Total</b>	<b>\$570</b>	<b>\$1,083</b>	<b>\$1,249</b>	<b>\$1,509</b>

More than 4 persons	Additional Persons Amount
For each additional person, add to four-person total allowance:	\$341



## Housing and Utilities

	Housing and Utilities for a Family of 1	Housing and Utilities for a Family of 2	Housing and Utilities for a Family of 3	Housing and Utilities for a Family of 4	Housing and Utilities for a Family of 5 or more
Kings County	1,450	1,703	1,794	2,000	2,033
Lake County	1,473	1,730	1,823	2,033	2,065
Lassen County	1,509	1,772	1,867	2,082	2,115
Los Angeles County	2,146	2,521	2,656	2,961	3,009
Madera County	1,482	1,740	1,834	2,045	2,078
Marin County	3,050	3,582	3,775	4,209	4,277

# Transportation

Public Transportation		
National		\$173
Ownership Costs		
	1 Car	2 Cars
National	\$471	\$942
Operating Costs		
	1 Car	2 Cars
West Region	\$213	\$426
Los Angeles	\$266	\$532
Phoenix	\$262	\$524
San Diego	\$271	\$542
San Francisco	\$276	\$552
Seattle	\$173	\$346

## Out-of-Pocket Health Care

Ownership Costs	Out of Pocket costs
Under 65	\$54
65 and Older	\$130

# Why are we here today?

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Take advantage of one of our many programs

- We help you make more money
- We teach you how to become a tax resolution specialist
- We become your partner working side-by-side to fix your client's IRS and State income, payroll (collection issues) and tax audit issues
- We become your trusted referral source

## Polling Question 3

Why are you taking this webinar (choose 1)?

- To better help clients with tax collection issues
- To grow my practice and gain new tax resolution clients
- To find a tax resolution provider as an outside partner
- For general knowledge (none of the above apply)


What to do...  
when things get tough

This course shows you how to fix the  
problem when most think they're  
done!

...don't miss out

**TRI**  
**Offers in Compromise  
& Appeals**

Tax Resolution Essentials



**120A** | Webinar

Webinar: \$99.00

# Offers in Compromise

# Offer in Compromise

Submitting an Offer in Compromise is the process in which a taxpayer requests to reduce their Internal Revenue Service or State tax debt by negotiating for an amount less than the actual amount they owe...



A determination of doubt as to collectability will include a determination of ability to pay. The determination of the amount of such basic living expenses will be founded upon an evaluation of the individual facts and circumstances presented by the taxpayer submitting a collection information statement (Form 433A OIC)

To formulate this determination, guidelines published on National and Local living expense standards are taken into account

The IRS has the authority to settle or “compromise” tax liability by accepting less than full payment under certain circumstances

A Federal tax debt may be legally compromised under one of the three following conditions...

## Doubt as to Collectability

- Taxpayer is unable to pay their tax liability (accounting for income and assets) within the statute of limitations on collection

## Doubt as to Liability

- The taxpayer is not responsible for paying the tax liability in question and should not have been assessed

## Effective Tax Administration

- The taxpayer owes the tax, has the ability to pay (i.e. equity in their home) but collecting from the taxpayer would be unjust

# 10 Minute Break

## Deal of the Day...

Need an extra boost closing the deal?

**50% off**

...for the next 10 minutes only

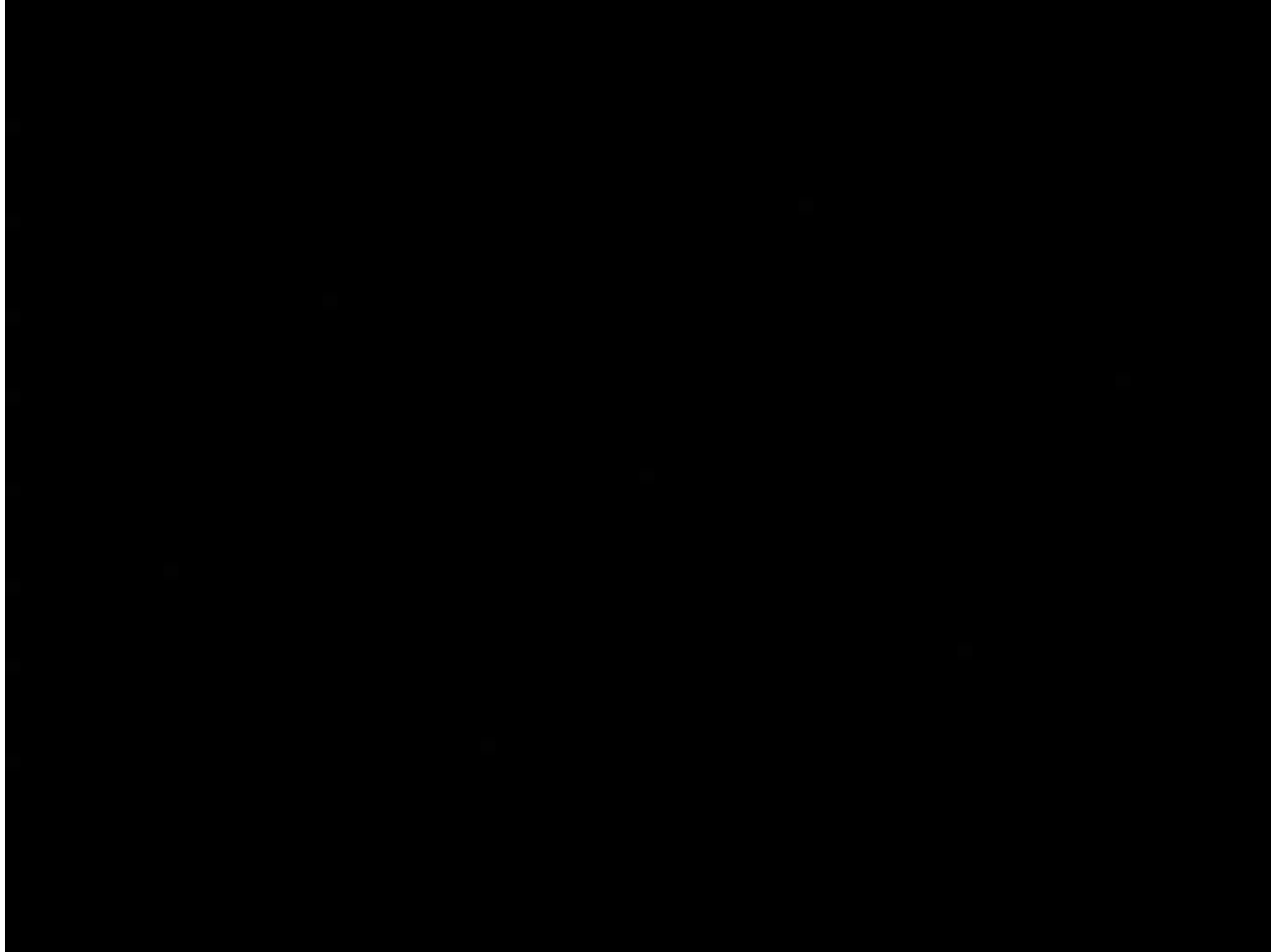
Check out our sales guide  
tailored to service professionals...



Paperback \$90.00  
Digital copy \$80.00

45

# Crossing the River



# Offer in Compromise Case Study

## Case Study (CS-1)

### Offer in Compromise

- Family of 4
- Living in Los Angeles
- Both spouses are wage earners
- Owns 1 vehicle and leases another
- Owns a single family home
- Owes \$264,000 in Federal income tax

# IRS Form 433-A OIC

*(part 1)*



Form <b>433-A (OIC)</b> (Rev. February 2016)		Department of the Treasury — Internal Revenue Service <b>Collection Information Statement for Wage Earners and Self-Employed Individuals</b>			
<p>Use this form if you are</p> <ul style="list-style-type: none"> <li>▶ An individual who owes income tax on a Form 1040, U.S. Individual Income Tax Return</li> <li>▶ An individual with a personal liability for Excise Tax</li> <li>▶ An individual responsible for a Trust Fund Recovery Penalty</li> <li>▶ An individual who is self-employed or has self-employment income. You are considered to be self-employed if you are in business for yourself, or carry on a trade or business.</li> <li>▶ An individual who is personally responsible for a partnership liability (only if the partnership is submitting an offer)</li> <li>▶ An individual who operates as a disregarded single member Limited Liability Company (LLC) taxed as a sole proprietor</li> <li>▶ An individual who is submitting an offer on behalf of a deceased person</li> </ul>					
<p>Note: Include attachments if additional space is needed to respond completely to any question.</p>					
Section 1 Personal and Household Information					
Last Name Doe		First Name John		Date of Birth (mm/dd/yyyy) 01/01/1980	Social Security Number 123 - 45 - 6789
Marital status <input type="checkbox"/> Unmarried <input checked="" type="checkbox"/> Married	Home Address (Street, City, State, ZIP Code) 1234 Memory Lane Anytown, USA 12345			Do you: <input checked="" type="checkbox"/> Own your home <input type="checkbox"/> Rent <input type="checkbox"/> Other (specify e.g., share rent, live with relative, etc.)	
County of Residence Los Angeles		Primary Phone ( 123 ) 555 - 1234		Mailing Address (if different from above or Post Office Box number)	
Secondary Phone ( ) -		Fax Number ( ) -			
Provide information about your spouse.					
Spouse's Last Name Doe		Spouse's First Name Jane		Date of Birth (mm/dd/yyyy) 12/31/1985	Social Security Number 987 - 65 - 4321
Provide information for all other persons in the household or claimed as a dependent.					
Name	Age	Relationship	Claimed as a dependent on your Form 1040?		Contributes to household income?
Jimmy Doe	10	Son	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Jeannie Doe	8	Daughter	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
			<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
			<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
Section 2 Employment Information for Wage Earners					

Dependents  
included in OIC  
should appear on  
applicant's tax  
return

**Section 2****Employment Information for Wage Earners**Employment  
Information

Complete this section if you or your spouse are wage earners and received a Form W-2. If you or your spouse have self-employment income (that is you file a Schedule C, E, F, etc.) instead of, or in addition to wage income, you must also complete Business Information in Sections 4, 5, and 6.

Your Employer's Name <b>Self Employed (dba John Doe Sales)</b>		Employer's Address ( <i>street, city, state, zip code</i> ) <b>1234 Memory Lane Anytown, USA 12345</b>
Do you have an ownership interest in this business? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	If yes, check the business interest that applies: <input type="checkbox"/> Partner <input type="checkbox"/> Officer <input checked="" type="checkbox"/> Sole proprietor	
Your Occupation <b>Salesperson</b>	How long with this employer <b>2</b> (years) <b>7</b> (months)	
Spouse's Employer's Name <b>Acme Inc.</b>		Employer's Address ( <i>street, city, state, zip code</i> ) <b>9999 Industrial Way Anytown, USA 12345</b>
Does your spouse have an ownership interest in this business? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	If yes, check the business interest that applies: <input type="checkbox"/> Partner <input type="checkbox"/> Officer <input type="checkbox"/> Sole proprietor	
Spouse's Occupation <b>Salesperson</b>	How long with this employer <b>1</b> (years) <b>3</b> (months)	

**Section 3 Personal Asset Information**

Use the most current statement for each type of account, such as checking, savings, money market and online accounts, stored value cards (such as, a payroll card from an employer), investment and retirement accounts (IRAs, Keogh, 401(k) plans, stocks, bonds, mutual funds, certificates of deposit), life insurance policies that have a cash value, and safe deposit boxes. Asset value is subject to adjustment by IRS based on individual circumstances. Enter the total amount available for each of the following (if additional space is needed include attachments).

Round to the nearest dollar. Do not enter a negative number. If any line item is a negative number, enter "0".

**Cash and Investments (domestic and foreign)**

<input type="checkbox"/> Cash <input checked="" type="checkbox"/> Checking <input type="checkbox"/> Savings <input type="checkbox"/> Money Market/CD <input type="checkbox"/> Online Account <input type="checkbox"/> Stored Value Card		
Bank Name	Account Number	
Main Bank	11-111111-11	(1a) \$ 1,208
<input type="checkbox"/> Checking <input type="checkbox"/> Savings <input type="checkbox"/> Money Market/CD <input type="checkbox"/> Online Account <input type="checkbox"/> Stored Value Card		
Bank Name	Account Number	(1b) \$
Total of bank accounts from attachment		(1c) \$
<b>Add lines (1a) through (1c) minus (\$1,000) =</b>		<b>(1) \$ 208</b>
Investment Account: <input type="checkbox"/> Stocks <input type="checkbox"/> Bonds <input type="checkbox"/> Other		
Name of Financial Institution	Account Number	
Current Market Value	Minus Loan Balance	
\$ _____ X .8 = \$ _____	- \$ _____ =	(2a) \$
Investment Account: <input type="checkbox"/> Stocks <input type="checkbox"/> Bonds <input type="checkbox"/> Other		
Name of Financial Institution	Account Number	
Current Market Value	Minus Loan Balance	
\$ _____ X .8 = \$ _____	- \$ _____ =	(2b) \$
Total investment accounts from attachment. [current market value X.8 minus loan balance(s)]		(2c) \$
<b>Add lines (2a) through (2c) =</b>		<b>(2) \$</b>

**Bank Accounts**

This amount should be \$1,000 less than the actual bank account balance(s)

Retirement Account: <input type="checkbox"/> 401K <input type="checkbox"/> IRA <input type="checkbox"/> Other		
Name of Financial Institution N/A	Account Number	
Current Market Value	Less Loan Balance	
\$ _____ X .7 = \$ _____	- \$ _____ =	(3a) \$ _____
Retirement Account: <input type="checkbox"/> 401K <input type="checkbox"/> IRA <input type="checkbox"/> Other		
Name of Financial Institution	Account Number	
Current Market Value	Less Loan Balance	
\$ _____ X .7 = \$ _____	- \$ _____ =	(3b) \$ _____
Total of investment accounts from attachment. [current market value X .7 less loan balance(s)]		(3c) \$ _____
<b>Add lines (3a) through (3c) =</b>		<b>(3) \$ 0</b>
Cash Value of Life Insurance Policies		
Name of Insurance Company N/A	Policy Number	
Current Cash Value	Less Loan Balance	
\$ _____	- \$ _____ =	(4a) \$ _____
Total of life insurance policies from attachment	Less Loan Balance(s)	
\$ _____	- \$ _____ =	(4b) \$ _____
<b>Add lines (4a) through (4b) =</b>		<b>(4) \$ 0</b>
Catalog Number 55896Q		www.irs.gov
		Form <b>433-A (OIC)</b> (Rev. 1-2014)

## Retirement Accounts

Always put "N/A" with a "0" amount when an item does not apply

Section 3 (Continued)		Personal Asset Information	
Real Estate (Enter information about any house, condo, co-op, time share, etc. that you own or are buying)			
Property Address (Street Address, City, State, ZIP Code) 1234 Memory Lane Anytown, USA 12345	Primary Residence <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No		
	Date Purchased 06/15/2012		
County and Country Anytown, USA	Date of Final Payment 06/15/2042		
How title is held (joint tenancy, etc.) Joint tenancy	Description of Property Single family residence		
Current Market Value \$ 850,000	Minus Loan Balance (Mortgages, etc.) - \$ 778,000	(Total Value of Real Estate) =	(5a) \$ 0
Property Address (Street Address, City, State, ZIP Code)	Primary Residence <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
	Date Purchased		
County and Country	Date of Final Payment		
How title is held (joint tenancy, etc.)	Description of Property		
Current Market Value \$	Minus Loan Balance (Mortgages, etc.) -	(Total Value of Real Estate) =	(5b) \$
Total value of property(s) from attachment [current market value X .8 minus any loan balance(s)]			(5c) \$
<b>Add lines (5a) through (5c) =</b>			<b>(5) \$ 0</b>
Vehicles (Enter information about any cars, boats, motorcycles, etc. that you own or lease)			

Housing  
If the equity  
is negative  
enter "0"

Vehicles (Enter information about any cars, boats, motorcycles, etc. that you own or lease)				
Vehicle Make & Model		Year	Date Purchased	Mileage
Nissan Maxima		2014	01/19/2014	31,770
<input type="checkbox"/> Lease	Name of Creditor		Date of Final Payment	Monthly Lease/Loan Amount
<input checked="" type="checkbox"/> Loan	Nissan Credit		01/19/2019	\$ 350.00
Current Market Value		Minus Loan Balance (Mortgages, etc.)		
\$ 30,218	x .8 = \$ 24,174	- \$ 23,150	Total value of vehicle (if the vehicle is leased, enter 0 as the total value) =	
			(6a) \$	1,024
Subtract \$3,450 from line (6a) (If line (6a) minus line (6b) is a negative number, enter "0")				(6b) \$
				0
Vehicle Make & Model		Year	Date Purchased	Mileage
Ford Edge		2015	7/19/2015	22,060
<input checked="" type="checkbox"/> Lease	Name of Creditor		Date of Final Payment	Monthly Lease/Loan Amount
<input type="checkbox"/> Loan	Ford Credit		07/19/2019	\$ 471.00
Current Market Value		Minus Loan Balance (Mortgages, etc.)		
\$ N/A	x .8 = \$ N/A	- \$ N/A	Total value of vehicle (if the vehicle is leased, enter 0 as the total value) =	
			(6c) \$	0
If you are filing a joint offer, subtract \$3,450 from line (6c) (If line (6c) minus line (6d) is a negative number, enter "0")				(6d) \$
				0
Total value of vehicles listed from attachment [current market value X .8 minus any loan balance(s)]				(6e) \$
<b>Total lines (6a) through (6e) =</b>				<b>(6) \$</b>
				<b>0</b>

## Vehicles

The taxpayers are allowed \$6,900 in equity of their vehicles

<b>Section 3 (Continued)</b>		<b>Personal Asset Information</b>	
Other valuable items (artwork, collections, jewelry, items of value in safe deposit boxes, interest in a company or business that is not publicly traded, etc.)			
<b>Note: Do not include clothing, furniture and other personal effects.</b>			
Description of asset:			
Fixtures			
Current Market Value		Minus Loan Balance	
\$ 1,375	x .8 = \$ 1,100	- \$ 0	= (7a) \$ 268
Description of asset:			
Jewelry, etc			
Current Market Value		Minus Loan Balance	
\$ 985	x .8 = \$ 788	- \$ 0	= (7b) \$ 788
Total value of valuable items listed from attachment [current market value X .8 minus any loan balance(s)]			(7c) \$
<b>Add lines (7a) through (7c) =</b>			<b>(7) \$ 1,056</b>
Do not include amount on the lines with a letter beside the number. Round to the nearest whole dollar. Do not enter a negative number. If any line item is a negative, enter "0" on that line. <b>Add lines (1) through (7) and enter the amount in Box A =</b>			<b>Box A Available Individual Equity in Assets \$ 2,288</b>

## Personal Items

These amounts should be based upon the quick sale value of assets. Not the retail value

## Total Assets

### Section 4 Self-Employed Information

If you or your spouse are self-employed (e.g., files Schedule(s) C, E, F, etc.), complete this section.

Is your business a sole proprietorship? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		Address of Business (If other than personal residence)		
Name of Business N/A				
Business Telephone Number ( ) -	Employer Identification Number	Business Website	Trade Name or dba	
Description of Business	Total Number of Employees	Frequency of Tax Deposits	Average Gross Monthly Payroll \$	
Do you or your spouse have any other business interests? Include any interest in an LLC, LLP, corporation, partnership, etc. <input type="checkbox"/> Yes (Percentage of ownership: ) Title: <input type="checkbox"/> No		Business Address (Street, City, State, ZIP code)		
Business Name		Business Telephone Number ( ) -	Employer Identification Number	
Type of business (Select one) <input type="checkbox"/> Partnership <input type="checkbox"/> LLC <input type="checkbox"/> Corporation <input type="checkbox"/> Other _____				

### Section 5 Business Asset Information (for Self-Employed)

List business assets such as bank accounts, tools, books, machinery, equipment, business vehicles and real property that is owned/leased/rented. If additional space is needed, attach a list of items.

Round to the nearest whole dollar.

Do not enter a negative number. If any line item is a negative number, enter "0".

<input type="checkbox"/> Cash <input type="checkbox"/> Checking <input type="checkbox"/> Savings <input type="checkbox"/> Money Market <input type="checkbox"/> Online Account <input type="checkbox"/> Stored Value Card		
Bank Name N/A	Account Number	(8a) \$
<input type="checkbox"/> Cash <input type="checkbox"/> Checking <input type="checkbox"/> Savings <input type="checkbox"/> Money Market <input type="checkbox"/> Online Account <input type="checkbox"/> Stored Value Card		
Bank Name	Account Number	(8b) \$
Total value of bank accounts from attachment		(8c) \$
Add lines (8a) through (8c) =		(8) \$ 0

## Self Employment Information



**Section 5 (Continued)**

**Business Asset Information (for Self-Employed)**

Description of asset:

Computer

Current Market Value	Minus Loan Balance	<i>(if leased or used in the production of income, enter 0 as the total value)</i>	=	(9a) \$	1,200
\$ 1,500 x .8 = \$ 1,200	- \$ 0				

Description of asset: Sales books

Current Market Value	Minus Loan Balance	<i>(if leased or used in the production of income, enter 0 as the total value)</i>	=	(9b) \$	344
\$ 430 x .8 = \$ 344	- \$ 0				

Total value of assets listed from attachment [current market value X .8 minus any loan balance(s)] (9c) \$

**Add lines (9a) through (9c) = (9) \$ 1,544**

IRS allowed deduction for professional books and tools of trade - (10) \$ [4,560]

**Enter the value of line (9) minus line (10). If less than zero enter zero. = (11) \$ 0**

**Notes Receivable**

Do you have notes receivable?  Yes  No

If yes, attach current listing that includes name(s) and amount of note(s) receivable.

**Accounts Receivable**

Do you have accounts receivable, including e-payment, factoring companies, and any bartering or online auction accounts?  Yes  No

If yes, you may be asked to provide a list of your account(s) receivable.

Do not include amounts from the lines with a letter beside the number [for example: (9c)]. Round to the nearest whole dollar.

Do not enter a negative number. If any line item is a negative, enter "0" on that line.

**Add lines (8) and (11) and enter the amount in Box B =**

**Box B Available Business Equity in Assets**

**0**

## Business Assets

Items on this page are for currently self-employed individuals. If a business is entering into an OIC they would use form 433B (OIC)

**Section 6 Business Income and Expense Information (for Self-Employed)**

If you provide a current profit and loss (P&L) statement for the information below, enter the total gross monthly income on line 17 and your monthly expenses on line 29 below. Do not complete lines (12) - (16) and (18) - (28). You may use the amounts claimed for income and expenses on your most recent Schedule C; however, if the amount has changed significantly within the past year, a current P&L should be submitted to substantiate the claim.

Round to the nearest whole dollar. Do not enter a negative number. If any line item is a negative number, enter "0".

<b>Business Income (You may average 6-12 months income/receipts to determine your Gross monthly income/receipts.)</b>		
Gross receipts	(12) \$	9,850
Gross rental income	(13) \$	
Interest income	(14) \$	
Dividends	(15) \$	
Other income	(16) \$	
<b>Add lines (12) through (16) =</b>		<b>(17) \$ 9,850</b>
<b>Business Expenses (You may average 6-12 months expenses to determine your average expenses.)</b>		
Materials purchased (e.g., items directly related to the production of a product or service)	(18) \$	
Inventory purchased (e.g., goods bought for resale)	(19) \$	
Gross wages and salaries	(20) \$	
Rent	(21) \$	
Supplies (items used to conduct business and used up within one year, e.g., books, office supplies, professional equipment, etc.)	(22) \$	1,865
Utilities/telephones	(23) \$	137
Vehicle costs (gas, oil, repairs, maintenance)	(24) \$	
Business Insurance	(25) \$	187
Current Business Taxes (e.g., Real estate, excise, franchise, occupational, personal property, sales and employer's portion of employment taxes)	(26) \$	
Secured debts (not credit cards)	(27) \$	
Other business expenses (include a list)	(28) \$	
<b>Add lines (18) through (28) =</b>		<b>(29) \$ 2,189</b>
Round to the nearest whole dollar. Do not enter a negative number. If any line item is a negative, enter "0" on that line.		<b>Box C</b>
<b>Subtract line (29) from line (17) and enter the amount in Box C =</b>		<b>Net Business Income</b>
		<b>\$ 7,661</b>

# Business Income and Expenses

Net business income

**Section 7 Monthly Household Income and Expense Information**

Enter your household's gross monthly income. The information below is for yourself, your spouse, and anyone else who contributes to your household's income. The entire household includes spouse, non-liable spouse, significant other, children, and others who contribute to the household. This is necessary for the IRS to accurately evaluate your offer.

**Monthly Household Income**

Round to the nearest whole dollar.

<b>Primary taxpayer</b>					
Wages	Social Security	Pension(s)	Other Income (e.g. unemployment)	Total primary taxpayer income =	(30) \$
\$ _____	+ \$ _____	+ \$ _____	+ \$ _____		
<b>Spouse</b>					
Wages	Social Security	Pension(s)	Other Income (e.g. unemployment)	Total spouse income =	(31) \$ 2,885
\$ 2,885	+ \$ _____	+ \$ _____	+ \$ _____		
Additional sources of income used to support the household, e.g., non-liable spouse, or anyone else who may contribute to the household income, etc.					(32) \$
Interest and dividends					(33) \$
Distributions (e.g., income from partnerships, sub-S Corporations, etc.)					(34) \$
Net rental income					(35) \$
Net business income from Box C					(36) \$ 7,661
Child support received					(37) \$
Alimony received					(38) \$
Round to the nearest whole dollar. Do not enter a negative number. If any line item is a negative, enter "0" on that line. <b>Add lines (30) through (38) and enter the amount in Box D =</b>					<b>Box D Total Household Income \$ 10,546</b>

# Household Income

Enter the taxpayer's gross income here

**Monthly Household Expenses**  
Enter your average monthly expenses.

**Note:** For expenses claimed in boxes (39) and (45) only, you should list the full amount of the allowable standard even if the actual amount you pay is less. You may find the allowable standards at <http://www.irs.gov/Businesses/Small-Businesses-&-Self-Employed/Collection-Financial-Standards>.

Round to the nearest whole dollar.

Food, clothing, and miscellaneous (e.g., housekeeping supplies, personal care products, minimum payment on credit card). A reasonable estimate of these expenses may be used.	(39) \$	1,509
Housing and utilities (e.g., rent or mortgage payment and average monthly cost of property taxes, home insurance, maintenance, dues, fees and utilities including electricity, gas, other fuels, trash collection, water, cable television and internet, telephone, and cell phone).	(40) \$	2,961
Vehicle loan and/or lease payment(s)	(41) \$	821
Vehicle operating costs (e.g., average monthly cost of maintenance, repairs, insurance, fuel, registrations, licenses, inspections, parking, tolls, etc.). A reasonable estimate of these expenses may be used.	(42) \$	532
Public transportation costs (e.g., average monthly cost of fares for mass transit such as bus, train, ferry, taxi, etc.). A reasonable estimate of these expenses may be used.	(43) \$	
Health insurance premiums	(44) \$	195
Out-of-pocket health care costs (e.g. average monthly cost of prescription drugs, medical services, and medical supplies like eyeglasses, hearing aids, etc.)	(45) \$	216
Court-ordered payments (e.g., monthly cost of any alimony, child support, etc.)	(46) \$	
Child/dependent care payments (e.g., daycare, etc.)	(47) \$	89
Life insurance premiums	(48) \$	45
Current monthly taxes (e.g., monthly cost of federal, state, and local tax, personal property tax, etc.)	(49) \$	3,212

Although the Taxpayer's actual housing and utilities cost is \$3,461, the IRS Standard is lower. In this case as with auto ownership costs you use the actual amount up to the standard.

## Household Expenses

Food/Clothing/Misc., vehicle operating costs and out-of-pocket health costs are based upon IRS standards. No substantiation is required for these items.

<b>Section 7 Monthly Household Income and Expense Information (Continued)</b>	
Secured debts (e.g., any loan where you pledged an asset as collateral not previously listed, government guaranteed Student Loan)	(50) \$
Enter the amount of your monthly delinquent State and/or Local Tax payment(s)	(51) \$
Round to the nearest whole dollar. Do not enter a negative number. If any line item is a negative, enter "0" on that line. <b>Add lines (39) through (51) and enter the amount in Box E =</b>	<b>Box E</b> Total Household Expenses \$ 9,580
Round to the nearest whole dollar. Do not enter a negative number. If any line item is a negative, enter "0" on that line. <b>Subtract Box E from Box D and enter the amount in Box F =</b>	<b>Box F</b> Remaining Monthly Income \$ 966

**Section 8 Calculate Your Minimum Offer Amount**

The next steps calculate your minimum offer amount. The amount of time you take to pay your offer in full will affect your minimum offer amount. Paying over a shorter period of time will result in a smaller minimum offer amount.

Round to the nearest whole dollar.

If you will pay your offer in 5 or fewer payments within 5 months or less, multiply "Remaining Monthly Income" (Box F) by 12 to get "Future Remaining Income" (Box G). Do not enter a number less than \$0.

Enter the total from Box F \$ 966	X 12 =	Box G Future Remaining Income \$ 11,592
--------------------------------------	--------	--

If you will pay your offer in 6 to 24 months, multiply "Remaining Monthly Income" (Box F) by 24 to get "Future Remaining Income" (Box H). Do not enter a number less than \$0.

Enter the total from Box F \$ 966	X 24 =	Box H Future Remaining Income \$ 23,184
--------------------------------------	--------	--

Determine your minimum offer amount by adding the total available assets from Box A and Box B (if applicable) to the amount in either Box G or Box H.

Enter the amount from Box A plus Box B (if applicable) \$ 2,288	+	Enter the amount from either Box G or Box H \$ 11,592	=	Offer Amount Your offer must be more than zero (\$0). Do not leave blank. Use whole dollars only. \$ 13,880
--	---	--	---	---

If you cannot pay the Offer Amount shown above due to special circumstances, explain on the Form 656, Offer in Compromise, Section 1, Low Income Certification. You must offer an amount more than \$0.

## Offer Calculation

Monthly disposable income equals gross income minus allowable expenses

It rarely makes sense to choose the 24-month option

The proposed offer amount based upon 12 times disposable income plus the quick-sale value of assets



**Section 10****Signatures**

Under penalties of perjury, I declare that I have examined this offer, including accompanying documents, and to the best of my knowledge it is true, correct, and complete.

 <b>Signature of Taxpayer</b>	Date (mm/dd/yyyy)
 <b>Signature of Spouse</b>	Date (mm/dd/yyyy)

Remember to include all applicable attachments listed below.

- Copies of the most recent pay stub, earnings statement, etc., from each employer
- Copies of the most recent statement for each investment and retirement account
- Copies of the most recent statement, etc., from all other sources of income such as pensions, Social Security, rental income, interest and dividends (including any received from a related partnership, corporation, LLC, LLP, etc.), court order for child support, alimony, and rent subsidies
- Copies of bank statements for the three most recent months
- Copies of the most recent statement from lender(s) on loans such as mortgages, second mortgages, vehicles, etc., showing monthly payments, loan payoffs, and balances
- List of Notes Receivable, if applicable
- Verification of delinquent State/Local Tax Liability, if applicable
- Documentation to support any special circumstances described in the "Explanation of Circumstances" on Form 656, if applicable
- Attach a Form 2848, *Power of Attorney*, if you would like your attorney, CPA, or enrolled agent to represent you and you do not have a current form on file with the IRS.
- Completed and signed Form 656

## Checklist

Be sure to include all items as requested on the form that apply to your client

## Polling Question 4

Have you ever prepared an Offer in Compromise on behalf of a client that was accepted?

- No
- One time
- More than once
- I submitted offer/s but none have been accepted



# IRS Form 656

*(part 2)*

Form <b>656</b> (Rev. February 2016)	Department of the Treasury — Internal Revenue Service	
<b>Offer in Compromise</b>		
<b>To: Commissioner of Internal Revenue Service</b>		
In the following agreement, the pronoun "we" may be assumed in place of "I" when there are joint liabilities and both parties are signing this agreement.		
I submit this offer to compromise the tax liabilities plus any interest, penalties, additions to tax, and additional amounts required by law for the tax type and period(s) marked in Section 1 or Section 2 below.		
Did you use the Pre-Qualifier tool located on our website at <a href="http://irs.treasury.gov/oic_pre_qualifier/">http://irs.treasury.gov/oic_pre_qualifier/</a> prior to filling out this form?		
<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No		
<b>Note: The use of the Pre-Qualifier tool is not mandatory before sending in your offer. However, it is recommended.</b>		
Include the \$186 application fee and initial payment ( <i>personal check, cashier's check, or money order</i> ) with your Form 656. You must also include the completed Form 433-A (OIC) and/or 433-B (OIC) and supporting documentation. You should fill out either Section 1 or Section 2, but not both, depending on the tax debt you are offering to compromise.		
<b>Section 1      Individual Information (Form 1040 filers)</b>		
If you are a 1040 filer, an individual with personal liability for Excise tax, individual responsible for Trust Fund Recovery Penalty, self-employed individual, individual personally responsible for partnership liabilities, and/or an individual who operates as a single member LLC or a disregarded entity taxed as a sole proprietorship you should fill out Section 1. You must also include all required documentation including the Form 433-A (OIC), the \$186 application fee, and initial payment.		
Your First Name, Middle Initial, Last Name	Social Security Number (SSN)	<b>IRS Received Date</b>
John Doe	123 - 45 - 6789	
If a Joint Offer, Spouse's First Name, Middle Initial, Last Name	Social Security Number (SSN)	
Jane Doe	987 - 65 - 4321	
Your Physical Home Address ( <i>Street, City, State, ZIP Code</i> )		
1234 Memory Lane Anytown, USA 12345		
Mailing Address ( <i>if different from above or Post Office Box number</i> )		
Employer Identification Number		
-		

Enter general  
client information  
here

## Individual Tax Periods

## If Your Offer is for Individual Tax Debt Only

- 1040 Income Tax-Year(s) 2011, 2012, 2013, 2014, 2015
- Trust Fund Recovery Penalty as a responsible person of (enter business name) \_\_\_\_\_  
for failure to pay withholding and Federal Insurance Contributions Act taxes (Social Security taxes), for period(s) ending \_\_\_\_\_
- 941 Employer's Quarterly Federal Tax Return - Quarterly period(s) \_\_\_\_\_
- 940 Employer's Annual Federal Unemployment (FUTA) Tax Return - Year(s) \_\_\_\_\_
- Other Federal Tax(es) [specify type(s) and period(s)] \_\_\_\_\_

**Note:** If you need more space, use attachment and title it "Attachment to Form 656 dated \_\_\_\_\_." Make sure to sign and date the attachment.

## Tax Periods

Choose the type of tax owed and enter ALL applicable years or periods. Any year or period left out will not be included if the offer is accepted

### Low-Income Certification *(Individuals and Sole Proprietors Only)*

Do you qualify for Low-Income Certification? You qualify if your gross monthly household income is less than or equal to the amount shown in the chart below based on your family size and where you live. If you qualify, you are not required to submit any payments during the consideration of your offer. Businesses other than sole proprietors or disregarded single member LLCs taxed as a sole proprietor do not qualify for the low income waiver.

Check this box if your household's gross monthly income is equal to or less than the monthly income shown in the table below.

Size of family unit	48 contiguous states and D.C.	Hawaii	Alaska
1	\$2,475	\$2,848	\$3,092
2	\$3,338	\$3,840	\$4,171
3	\$4,200	\$4,831	\$5,250
4	\$5,063	\$5,823	\$6,329
5	\$5,925	\$6,815	\$7,408
6	\$6,788	\$7,806	\$8,488
7	\$7,652	\$8,798	\$9,567
8	\$8,519	\$9,794	\$10,650
For each additional person, add	\$867	\$996	\$1,083

This section is  
for low income  
applicants

**Section 4**

**Payment Terms**

Check one of the payment options below to indicate how long it will take you to pay your offer in full. You must offer more than \$0. The offer amount should be in whole dollars only.

**Lump Sum Cash**

Check here if you will pay your offer in 5 or fewer payments within 5 or fewer months from the date of acceptance:

Enclose a check for 20% of the offer amount (waived if you are an individual or sole proprietor and met the requirements for Low Income Certification) and fill in the amount(s) of your future payment(s).

Total Offer Amount		20% Initial Payment	=	Remaining Balance
\$ 13,880	-	\$ 2,776	=	\$ 11,104
You may pay the remaining balance in one payment after acceptance of the offer or up to five payments, but cannot exceed 5 months.				
Amount of payment	\$ 2,220.80	payable within	1	Month after acceptance
Amount of payment	\$ 2,220.80	payable within	2	Months after acceptance
Amount of payment	\$ 2,220.80	payable within	3	Months after acceptance
Amount of payment	\$ 2,220.80	payable within	4	Months after acceptance
Amount of payment	\$ 2,220.80	payable within	5	Months after acceptance

**Periodic Payment**

Check here if you will pay your offer in full in 6 to 24 months.

Enter the amount of your offer \$ \_\_\_\_\_

Note: The total amount must equal all of the proposed payments including the first and last payments.

Enclose a check for the first month's payment.

\$ \_\_\_\_\_ is included with this offer then \$ \_\_\_\_\_ will be sent in on the \_\_\_\_\_ day of each month thereafter for a total of \_\_\_\_\_ months with a final payment of \$ \_\_\_\_\_ to be paid on the \_\_\_\_\_ day of the \_\_\_\_\_ month.

Note: The total months may not exceed a total of 24 months, including the first payment. Your first payment is considered to be month 1; therefore, the remainder of the payments must be made within 23 months for a total of 24.

You must continue to make these monthly payments while the IRS is considering the offer (waived if you met the requirements for Low Income Certification). Failure to make regular monthly payments will cause your offer to be returned with no appeal rights.

**IRS Use Only**

Attached is an addendum dated (insert date) \_\_\_\_\_ setting forth the amended offer amount and payment terms.

Payment Terms

This amount is carried over from the 433A (OIC)

**Section 5****Designation of Payment and Deposit****Designation of Payment**

If you want your payment to be applied to a specific tax year and a specific tax debt, such as a Trust Fund Recovery Penalty, please tell us the tax year/quarter \_\_\_\_\_. If you do not designate a preference, we will apply any money you send to the government's best interest. If you wish to designate any payments not included with this offer, you must designate a preference for each payment at the time the payment is made. However, you cannot designate the \$186 application fee or any payment after the IRS accepts the offer.

**Deposit**

If you are paying more than the initial payment when you submit your offer and want any part of that payment treated as a deposit, check the box below and insert the amount. Deposits will be returned to you if the offer is rejected, returned, or withdrawn, unless you provide a request in writing that you want your payment(s) to be applied to your tax debt.

My payment of \$ \_\_\_\_\_ includes the \$186 application fee and \$ \_\_\_\_\_ for my first month's payment. I am requesting the additional amount of \$ \_\_\_\_\_ be held as a deposit.

**CAUTION:** Do NOT designate the amounts sent in with your offer to cover the initial payment and application fee as "deposits." Doing so will result in the return of your offer with no right to appeal.

# Designated Payment

We recommend you  
leave this portion  
blank

## Section 6 Source of Funds, Making Your Payment, Filing Requirements, and Tax Payment Requirements

### Source of Funds

Tell us where you will obtain the funds to pay your offer. You may consider borrowing from friends and/or family, taking out a loan, or selling assets.

We will borrow the amount necessary to pay for the offer in compromise from family and friends.

### Making Your Payment

Include separate checks for the payment and application fee.

Make checks payable to the "United States Treasury" and attach to the front of your Form 656, Offer in Compromise. All payments must be in U.S. dollars. Do not send cash. Send a separate application fee with each offer; do not combine it with any other tax payments, as this may delay processing of your offer. Your offer will be returned to you if the application fee and the required payment are not included, or if your check is returned for insufficient funds.

### Filing Requirements

- I have filed all required tax returns.
- I was not required to file a tax return for the following years:

### Tax Payment Requirements *(check all that apply)*


- I have made all required estimated tax payments for the current tax year.
- I am not required to make any estimated tax payments for the current tax year.
- I have made all required federal tax deposits for the current quarter.
- I am not required to make any federal tax deposits for the current quarter.

## Source of Funds

This is where you explain from where the funds to pay the offer will come

## Tips & Traps

### Offers in Compromise

1. It can take up to two years for an Offer to be accepted or rejected. By IRS definition an Offer is deemed accepted if no answer is given within the 2-year period. The **Tax Resolution Institute** has yet to see an Offer be accepted based upon this rule.
  2. A typical Offer takes 12-18 months to be accepted.
  3. It can take up to 6 months for an Offer just to be deemed processable.
  4. If an Offer is not processable, the taxpayer must correct the items that deem it non-processable and resubmit the Offer.
  5. The chance of having an Offer accepted is much lower than the chance of entering into a manageable installment agreement.
- 
6. There is a 10-year statute of limitation for the IRS to actively collect against a tax assessment. Submitting an Offer freezes the statute for the time the Offer is under consideration plus a time period following if the Offer is rejected or accepted and then the taxpayer defaults on the Offer.
  7. If a taxpayer is near the end of their collection statute, it may make sense to forgo an Offer and request an installment agreement based upon hardship.
  8. Acceptance of an Offer is based upon a taxpayer's ability to pay over the life of the statute of limitations on collection. Just because a taxpayer is unable to pay at the time an Offer is submitted, does not mean that their situation will not improve within the 10-year collection period. One example of this may be a realtor in a down market or a Lawyer that has been laid off by previously earned a significant salary.
  9. A taxpayer must stay in compliance for 5 years after an Offer has been accepted. If they default on the Offer, the original liability, penalties and interest are placed back on the taxpayer's account and they will again be exposed to collection.
  10. A taxpayer is often required to resubmit financial substantiation within the time period an Offer is being considered.
  11. The IRS will often negotiate certain parts of an Offer in lieu of rejecting an Offer outright.
  12. When an Offer is rejected, the IRS' reason is almost always that the taxpayer has the ability to full-pay their liability within the collection statute.
  13. The amount to be paid for an Offer is formula based. That is 12 or 24 times one's monthly disposable income plus the quick-sale value of their assets. Some people, in planning for an Offer may try and sell, give away or transfer their assets in order to lower the Offer amount. If this is done solely with the intention of lowering one's Offer amount or done within a certain period of time prior to submission of the Offer, the asset in question may still be included in the Offer calculation by the IRS. For example, if a person refinances their home to pay off credit card debt, the IRS may include the cash taken out of the refinance as a dissipated asset for Offer purposes. Their contention is that Federal taxes should be paid prior to credit card companies.
  14. When entering bank balances on Form 433-A (OIC) it is prudent to put the ending balance of the most current bank statement if the amount is relatively low. If not include the lowest average daily balance within the three-month period of the statements being submitted.

Find these tips and other valuable materials  
on the web at  
[www.taxresolutioninstitute.org/100a](http://www.taxresolutioninstitute.org/100a)  
or email us at  
[info@taxresolutioninstitute.org](mailto:info@taxresolutioninstitute.org)



## Polling Question 5

In which of the following area/s would you be interested in learning more?

- IRS Audits - Are They Art or Science
- Appeals – what to do when you thought your case was dead
- Dischargeability of Taxes in Bankruptcy
- Innocent spouse relief

# Have you downloaded your materials?

Visit [www.taxresolutioninstitute.org/100A](http://www.taxresolutioninstitute.org/100A) to get  
your free content for the next 10 days

If you currently have a client or clients with tax resolution issues  
and need assistance right away

*call our office at*

**(800) 658-7590**

*or*

*email us at*

**[info@taxresolutioninstitute.org](mailto:info@taxresolutioninstitute.org)**

**(800) 658-7590**

**[www.taxresolutioninstitute.org](http://www.taxresolutioninstitute.org)**

# Installment Agreements

Find us on the web at [www.taxresolutioninstitute.org](http://www.taxresolutioninstitute.org)

## Streamlined Installment Agreements

- Taxpayer is in compliance and able to full-pay their liability over time (up to 72 months)
- Taxpayer owes less than \$25,000
- Taxpayer owes less than \$50,000
- Representation fees are lower but installment payments are typically higher
- If client is “uncollectable” this type of agreement will not work

## Standard Installment Agreements

- Monthly payment amount is based upon ACTUAL necessary and reasonable living expenses as opposed to IRS national and local standards
- The maximum number of monthly payments made occur over the remaining life of the 10-year collection statute

# <sup>78</sup> Installment Agreement Forms


- 433A  
Collection information statement for individuals (Revenue Officer)
- 433F  
Abridged collection information statement for individuals (automated collections)
- 433B  
Collection information statement for businesses
- 9465  
Installment agreement request form

(800) 658-7590

[www.taxresolutioninstitute.org](http://www.taxresolutioninstitute.org)

## Tips & Traps

### Installment Agreements

1. Be sure to complete Form 433-F or 433-A before you contact the IRS.
  2. The information in Form 433-F is often supplied to the IRS over the phone. Be sure to fill on all boxes in sections that apply to you. The IRS does not like blanks.
  3. Create a separate sheet showing your income and expenses. Calculate your take-home income minus your living expenses prior to contacting the IRS. This will be the amount the IRS will expect you to pay on a monthly basis.
- 

Helpful  
Tips
4. The installment agreement calculation may be negative. If the amount is less than zero, request to be placed into Currently Non Collectable status.
  5. If your calculation is too low (i.e. substantially below zero) then the IRS may not consider your expenses to be real.
  6. The IRS will compare your bank account deposits with the amount you claim as take-home income. Be sure that either these amounts match or that you can trace excess deposits as non-income (i.e. loans, transfers from savings, transfers from other accounts listed on the 433).
7. Provide three months billing statements, invoices, etc. to substantiate living expenses. Also include proof of payment either as copies of checks or bank statements showing the paid expenses. Simply owing the money is not enough to make an expense allowable.
  8. If you have more Monthly Disposable Income ("MDI") than you are able to pay to the IRS as an ongoing installment payment, you can increase your expenses to lower your MDI. For example you could:
    - a. Trade in a car you own outright and lease or purchase another car. Note that leasing a car will add a new allowable expense without adding an additional asset.
    - b. If you are self-employed you can make or increase estimated tax payments for the current tax year. This will lower your disposable income and increase the chance of staying in compliance moving forward.
    - c. If you are an employee you can increase your withholding tax if you typically owe taxes at the end of the year. Be careful not to over withhold as refunds will be kept by the IRS and applied to the back taxes owed.
    - d. Buy term life insurance. This is an allowable expense that carries no cash value.
  9. Ask for 72 months to pay. If your MDI is too high, try taking your total liability and dividing it by 72. If the amount is less than your MDI, you may request that your full liability be paid over the 6-year period. This does not always work but it is worth a try.

Find these tips and other valuable materials on the web at [www.taxresolutioninstitute.org/100a](http://www.taxresolutioninstitute.org/100a)

or email us at [info@taxresolutioninstitute.org](mailto:info@taxresolutioninstitute.org)

## Polling Question 6

On a scale from 1 – 4, what is your comfort level performing tax resolution work?

- 4 (very comfortable)
- 3
- 2
- 1 (uncomfortable)



Offer in Compromise  
VS  
Installment Agreement  
*(comparison)*

### Installment Agreement and Offer in Compromise Comparison - Family of Four

<u>Item</u>		<u>IA</u>	<u>OIC</u>	<u>Notes</u>
<b>Income</b>				
Wages	Taxpayer	7,661	7,661	Actual
	Spouse	2,885	2,885	Actual
Taxes	Taxpayer	(2,386)	(2,386)	Actual
	Spouse	(826)	(826)	Actual
Total net income:		7,334	7,334	
<b>Expenses</b>				
	Mortgage	3,228		Actual for IA
	Utilities	233		Actual for IA
		3,461	2,961	OIC amount is based upon IRS local std.
	Food/Clothing/Etc.	1,509	1,509	IRS national standard
	Car payments	821	821	Actual
	Maint./gas/insurance	532	532	IRS local standard
	Health insurance	195	195	Actual
	Out-of-pocket health	216	216	IRS national standard
<b>Other</b>				
	Childcare	89	89	Actual
	Life insurance	45	45	Actual
Total living expenses:		6,868	6,868	
<b>Monthly Disposable Income:</b>		<b>466</b>	<b>966</b>	

should they do an

Offer

or an

Installment Agreement?

...let's see

# OIC vs Installment Agreement

## Installment Agreement

Monthly payment amount - \$466

Number of months to pay - 120 (10 years)

$466 \times 120 = \$55,920$  (this number may increase as the IRS revisits installment agreements every 1 -2 years)

## Offer in Compromise

Offer amount - **\$13,880\***

*\*Paid as follows - 20% down and the balance paid within 5 months after offer is accepted (typically 18 to 24 months after offer is submitted).*

# Taxes and Bankruptcy

# Bankruptcy Tax Dischargeability Rules:

- Three-Year Rule

At least Three years from the due date of the tax return including extensions;  
or

- Two-Year Rule

At least Two years from the date the tax return was filed (we say assessed)  
for delinquent returns; and

- 240-Day Rule

At least 240 days from the date of assessment of an audited or amended tax  
return

Get comfortable in  
front of the IRS....

This audit course is a must  
for anyone that represents  
clients in IRS audits...

**TRI**

IRS Audits...Art or Science

Tax Resolution Essentials



305A | Webinar

Webinar: \$99.00

eLearning: \$79.00 (science only)

## Polling Question 7

Would you like us to call you to discuss a client's current or potential resolution issue?

- Yes
- No



## <sup>89</sup>FAQ's

1. **Installment Agreements** – what should I do if my client qualifies for a streamlined installment agreement but is unable to afford the monthly payment amount?
2. **Offer in Compromise** – can my client who has been assessed a Civil Penalty stemming from the Trust Fund portion of payroll tax liability submit an offer?
3. **Bankruptcy** – if my client filed their 2009 tax return on June 15, 2010 which was on extension, can they file for bankruptcy on June 16, 2013 and discharge their 2009 tax liability under the 3-year rule?
4. **Appeals** – which type of appeal, CAP or CDP allows you to make an argument in tax court? (Stay tuned for the next webinar...)

# Tax Resolution Essentials 100A

The following materials and more will be available to webinar attendees at [www.taxresolutioninstitute.org/100A](http://www.taxresolutioninstitute.org/100A) for 10 days without a subscription:

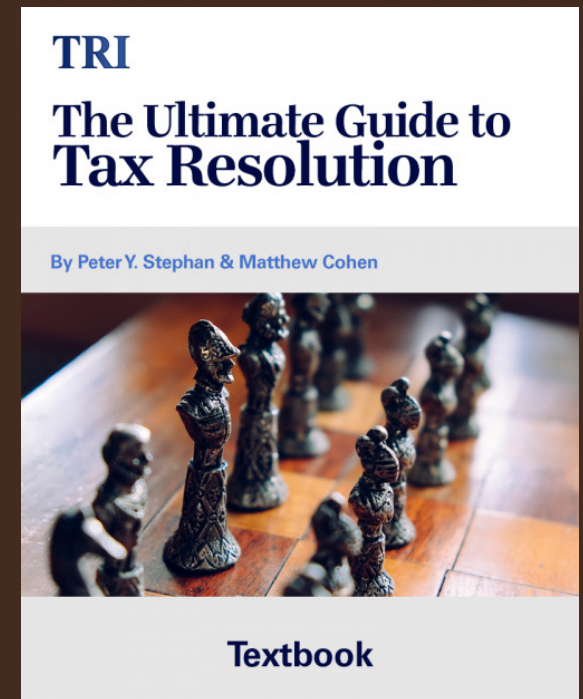
- A copy of today's PowerPoint presentation
- Tips and traps pertaining to installment agreements
- Tips and traps pertaining to offers in compromise
- IRS 4180 interview form
- Step-by-step guide to Step-by-step guide to first time penalty abatement
- ...and more

# Summary of topics covered today

- What is “Tax Resolution”?
- Sequence of events
- Payroll taxes
- Offers in compromise (OIC)
- Overview of installment agreements (IA)
- Comparison of OICs to IAs
- Bankruptcy – 3 quick rules for dischargeability of income taxes

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Thank you  
Busy Season...*all year long*



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**TRI** Tax Resolution Institute

# TRI Essentials 100A

## Introduction to Tax Resolution

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# Why are we here today?

The Tax Resolution Institute prides itself in assisting accounting, legal and other professionals resolve their client's tax problems and grow their businesses

Take advantage of one of our many programs

- **We help you make more money**
- We teach you how to become a tax resolution specialist
- We become your partner working side-by-side to fix your client's IRS and State income, payroll (collection issues) and tax audit issues
- We become your trusted referral source

# Meet our speaker



**Peter Y. Stephan, CPA**

(800) 658-7590

www.taxresolutioninstitute.org



## 3 Professions with Tax Problems

- Real estate brokers
- Attorneys
- Self employed (Schedule 'C') taxpayers

# <sup>6</sup>What will be covered today

- What is “Tax Resolution”?
- Sequence of events
- Payroll taxes
- Offers in compromise (OIC)
- Overview of installment agreements (IA)
- Comparison of OICs to IAs
- Bankruptcy – 3 quick rules for dischargeability of income taxes

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- Step-by-step guide to first time penalty abatement
- ...and more

## Polling Question 1

Do you currently have clients with tax issues?

- Yes
- No
- I don't know

What is tax resolution?

# Tax Resolution

The practice of resolving a person's or business's Federal or State tax issues using one or more of the various methods available.

The two main areas are

- ✓ Income taxes
- ✓ Payroll taxes.

# Income Taxes

# Solving Income Tax Issues

## 5 most common methods:

- Installment agreement
- Currently Not Collectible (“CNC”) Status
- Partial-pay installment agreement (“PPIA”)
- Offer in compromise (“OIC”)
- Discharging taxes in bankruptcy



# Payroll Taxes

# Components of Payroll Taxes

Comprised of:

- Trust fund portion (employee withholdings including taxes, Social Security and Medicare)
- Non trust fund portion
- Interest (compounded daily)
- Penalties

Not Dischargeable in Bankruptcy

Trust Fund portion assessed personally to Responsible Person/s

A person will be held personally liable for the withheld taxes if...

- They are responsible for its collection and payment
- Their failure to collect the tax and pay it over is “willful”

# Solving Payroll Tax Issues

4 most common methods:

- Installment agreement
- Partial-pay installment agreement (PPIA)
- In-business offer in compromise (“OIC”)
- Hybrid Bulk-Sale and OIC

## Polling Question 2

What is the most common collection issue you are confronted with?

- Unpaid taxes resulting from inability to pay
- Additional tax assessed resulting from audit
- Notices pertaining to past filings or unfiled taxes
- Client's bank account was levied or wages were garnished

<sup>18</sup>  
**TRI Definitions**

# **luck**

1. where experience and knowledge come together.

# Sequence of Events

## Step 1: Meet with the client (*by telephone or in person*)

- Identify and define issues
- Discuss the process and expectations from the client
- Estimate fees (more on this later today)



## Step 2: Prepare Documents

- Letter of Engagement (work agreement)
- Power of Attorney Form/s
- Payment Forms – ACH, credit card, PayPal

## Step 3: Contact Government

- Fax power of attorney (east or west coast CAF unit)
- Call government representative (ACS or R/O)
- Assess client's (actual) situation
- Request hold on collection (if applicable)



Internal Revenue Service E-services  
DEPARTMENT OF THE TREASURY

This Product Contains Sensitive Taxpayer Data

Account Transcript

Request Date: 06-12-2009  
Response Date: 05-12-2009  
Tracking Number: 100045052838

FORM NUMBER: 1040A

TAX PERIOD: Dec 31, 2001

TAXPAYER IDENTIFICATION NUMBER: [REDACTED]

<<<<POWER OF ATTORNEY/TAX INFORMATION AUTHORIZATION (POA/TIA) ON FILE>>>>

--- ANY MINUS SIGN SHOWN BELOW SIGNIFIES A CREDIT AMOUNT ---

ACCOUNT BALANCE: 94,263.33  
ACCRUED INTEREST: 13,959.66 AS OF: Jun 08, 2009  
ACCRUED PENALTY: 0.00 AS OF: Jun 08, 2009

ACCOUNT BALANCE PLUS ACCRUALS  
(this is not a payoff amount): 58,225.22

\*\* INFORMATION FROM THE RETURN OR AS REQUESTED \*\*

EXEMPTIONS: FILING STATUS: Single  
ADJUSTED GROSS INCOME: 63,952.00  
TAXABLE INCOME: 63,952.00  
TAX PER RETURN: 0.00  
SE TAXABLE INCOME TAXPAYER: 80,400.00  
SE TAX\BLS INCOME SPOUSE: 0.00  
TOTAL SELF EMPLOYMENT TAX: 12,308.00

RETURN DUE DATE OR RETURN RECEIVED DATE (WHICHEVER IS LATER)  
PROCESSING DATE

TRANSACTIONS

CODE	EXPLANATION OF TRANSACTION	CYCLE	DATE	AMOUNT
150	Substitute tax return prepared by IRS		12-29-2003	\$0.00

SAMPLE

	49210-334-28288-3		
140	Inquiry for non-filing of tax return	03-17-2003	\$0.00
570	Additional account action pending	12-29-2003	\$0.00
420	Examination of tax return	12-23-2003	\$0.00
170	Penalty for not pre-paying tax	20043508 09-13-2004	\$936.00
160	Penalty for filing tax return after the due date	20043508 09-13-2004	\$5,832.00
300	Additional tax assessed by examination	20043508 09-13-2004	\$50,034.00
	49247-639-00298-4		
336	Interest charged for late payment	20043508 09-13-2004	\$7,868.74
276	Penalty for late payment of tax	20043508 09-13-2004	\$7,254.93
976	Duplicate return filed	08-13-2004	\$0.00
	89221-228-31849-4		
977	Amended return filed	08-13-2004	\$0.00
	49277-445-01093-5		
161	Reduced or removed penalty for filing tax return after the due date	09-13-2004	-\$5,425.65
163	Penalty for filing tax return after the due date	20043508 09-13-2004	\$5,425.65
171	Reduced or removed penalty for not pre-paying tax	09-13-2004	-\$1,044.00
173	Penalty for not pre-paying tax	20043508 09-13-2004	\$1,044.00
291	Prior tax abated	03-14-2005	-\$24,114.00
	49254-445-00168-5		
277	Reduced or removed penalty for late payment of tax	03-14-2005	-\$2,718.93
197	Reduced or removed interest charge for late payment	03-14-2005	-\$2,771.19
530	Balance due account currently not collectable	04-28-2005	\$0.00
960	Appointed representative	04-27-2005	\$0.00
531	Account currently considered collectable	05-02-2005	\$0.00
480	Offer in compromise received	06-21-2005	\$0.00
971	Tax period blocked from automated levy program	07-11-2005	\$0.00
481	Denied offer in compromise	08-18-2005	\$0.00
582	Lien placed on assets due to balance owed	09-23-2005	\$0.00
961	Removed appointed representative	12-08-2005	\$0.00
480	Offer in compromise received	01-17-2006	\$0.00
483	Removed offer in compromise	01-27-2006	\$0.00
960	Appointed representative	03-02-2006	\$0.00
971	Tax period blocked from automated levy program	05-08-2006	\$0.00
480	Offer in compromise received	06-14-2006	\$0.00
481	Denied offer in compromise	01-22-2007	\$0.00
530	Balance due account currently not collectable	03-06-2007	\$0.00

## Step 4: Obtain or Prepare Tax Returns

- Collect information
- Prepare delinquent tax returns
- Obtain duplicate original copies of all prepared tax returns
- Calculate total estimated tax liability including penalties and interest

## Step 5: Prepare Collection Information Statement

- Obtain draft copy from client
- Prepare 433A, 433F, 433B, etc.
- If applicable contact the client to discuss options to lower Monthly Disposable Income (“MDI”)

## Step 6: Negotiate with the Government

- Have all paperwork (including IRS auto debit form i.e. 433D) prepared prior to call
- Be ready to submit documents via fax if requested
- If you are on the phone with Automated Collections (“ACS”), and it is not going well, end the call and try again

## Step 7: Provide the client a comprehensive summary

- Let the client know the agreed upon terms
- Provide specific instructions relating to payment dates and amounts
- Let the client know that if automated payments do not start when expected, they should make interim payments until the auto-pay kicks in



On the “lighter” side

# Fax

<b>To:</b>	Norman Kreisman	<b>From:</b>	
<b>Fax:</b>	(818) 704-6657	<b>Pages:</b>	5
<b>Phone:</b>		<b>Date:</b>	11/15/13
<b>Re:</b>	2009-2012 taxes	<b>CC:</b>	

**Urgent**     **For Review**     **Please Comment**     **Please Reply**     **Please Recycle**

---

● **Comments:**

Hi Norman,

Here are most the documents you requested. Sorry page two of the 433F is missing but my dog ate it. I am working on redoing this page now.

Should I go ahead and pay what I owe the State for 2013?

# IRS National & Local Standards

## Food, Clothing and Other Items

Expense	1 Person	2 Persons	3 Persons	4 Persons
<b>Food</b>	\$307	\$583	\$668	\$815
<b>Housekeeping supplies</b>	\$30	\$60	\$60	\$71
<b>Apparel &amp; services</b>	\$80	\$148	\$193	\$227
<b>Personal care products &amp; services</b>	\$34	\$61	\$62	\$74
<b>Miscellaneous</b>	\$119	\$231	\$266	\$322
<b>Total</b>	\$570	\$1,083	\$1,249	\$1,509

More than 4 persons	Additional Persons Amount
<b>For each additional person, add to four-person total allowance:</b>	\$341

## Housing and Utilities

	Housing and Utilities for a Family of 1	Housing and Utilities for a Family of 2	Housing and Utilities for a Family of 3	Housing and Utilities for a Family of 4	Housing and Utilities for a Family of 5 or more
Kings County	1,450	1,703	1,794	2,000	2,033
Lake County	1,473	1,730	1,823	2,033	2,065
Lassen County	1,509	1,772	1,867	2,082	2,115
Los Angeles County	2,146	2,521	2,656	2,961	3,009
Madera County	1,482	1,740	1,834	2,045	2,078
Marin County	3,050	3,582	3,775	4,209	4,277

# Transportation

## Public Transportation

**National**

**\$173**

### Ownership Costs

	1 Car	2 Cars
<b>National</b>	\$471	\$942

### Operating Costs

	1 Car	2 Cars
<b>West Region</b>	\$213	\$426
<b>Los Angeles</b>	\$266	\$532
<b>Phoenix</b>	\$262	\$524
<b>San Diego</b>	\$271	\$542
<b>San Francisco</b>	\$276	\$552
<b>Seattle</b>	\$173	\$346

## Out-of-Pocket Health Care

<b>Ownership Costs</b>	<b>Out of Pocket costs</b>
<b>Under 65</b>	\$54
<b>65 and Older</b>	\$130

# Why are we here today?

The Tax Resolution Institute prides itself in assisting accounting, legal and other professionals resolve their client's tax problems and grow their businesses

Take advantage of one of our many programs

- **We help you make more money**
- We teach you how to become a tax resolution specialist
- We become your partner working side-by-side to fix your client's IRS and State income, payroll (collection issues) and tax audit issues
- We become your trusted referral source



## Polling Question 3

Why are you taking this webinar (choose 1)?

- To better help clients with tax collection issues
- To grow my practice and gain new tax resolution clients
- To find a tax resolution provider as an outside partner
- For general knowledge (none of the above apply)

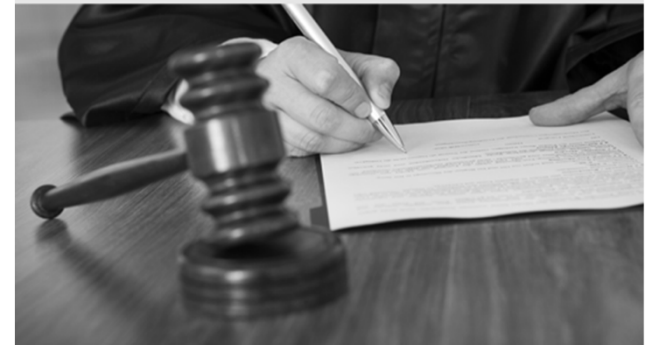
What to do...  
when things get tough

This course shows you how to fix the  
problem when most think they're  
done!

...don't miss out

**TRI**  
**Offers in Compromise  
& Appeals**

Tax Resolution Essentials



**120A** | Webinar

Webinar: \$99.00

# Offers in Compromise

# Offer in Compromise

Submitting an Offer in Compromise is the process in which a taxpayer requests to reduce their Internal Revenue Service or State tax debt by negotiating for an amount less than the actual amount they owe...

A determination of doubt as to collectability will include a determination of ability to pay. The determination of the amount of such basic living expenses will be founded upon an evaluation of the individual facts and circumstances presented by the taxpayer submitting a collection information statement (Form 433A OIC)

To formulate this determination, guidelines published on National and Local living expense standards are taken into account

The IRS has the authority to settle or “compromise” tax liability by accepting less than full payment under certain circumstances

A Federal tax debt may be legally compromised under one of the three following conditions...

## Doubt as to Collectability

- Taxpayer is unable to pay their tax liability (accounting for income and assets) within the statute of limitations on collection

## Doubt as to Liability

- The taxpayer is not responsible for paying the tax liability in question and should not have been assessed

## Effective Tax Administration

- The taxpayer owes the tax, has the ability to pay (i.e. equity in their home) but collecting from the taxpayer would be unjust

# 10 Minute Break

Deal of the Day...

Need an extra boost closing the deal?

**50% off**

...for the next 10 minutes only

Check out our sales guide  
tailored to service professionals...

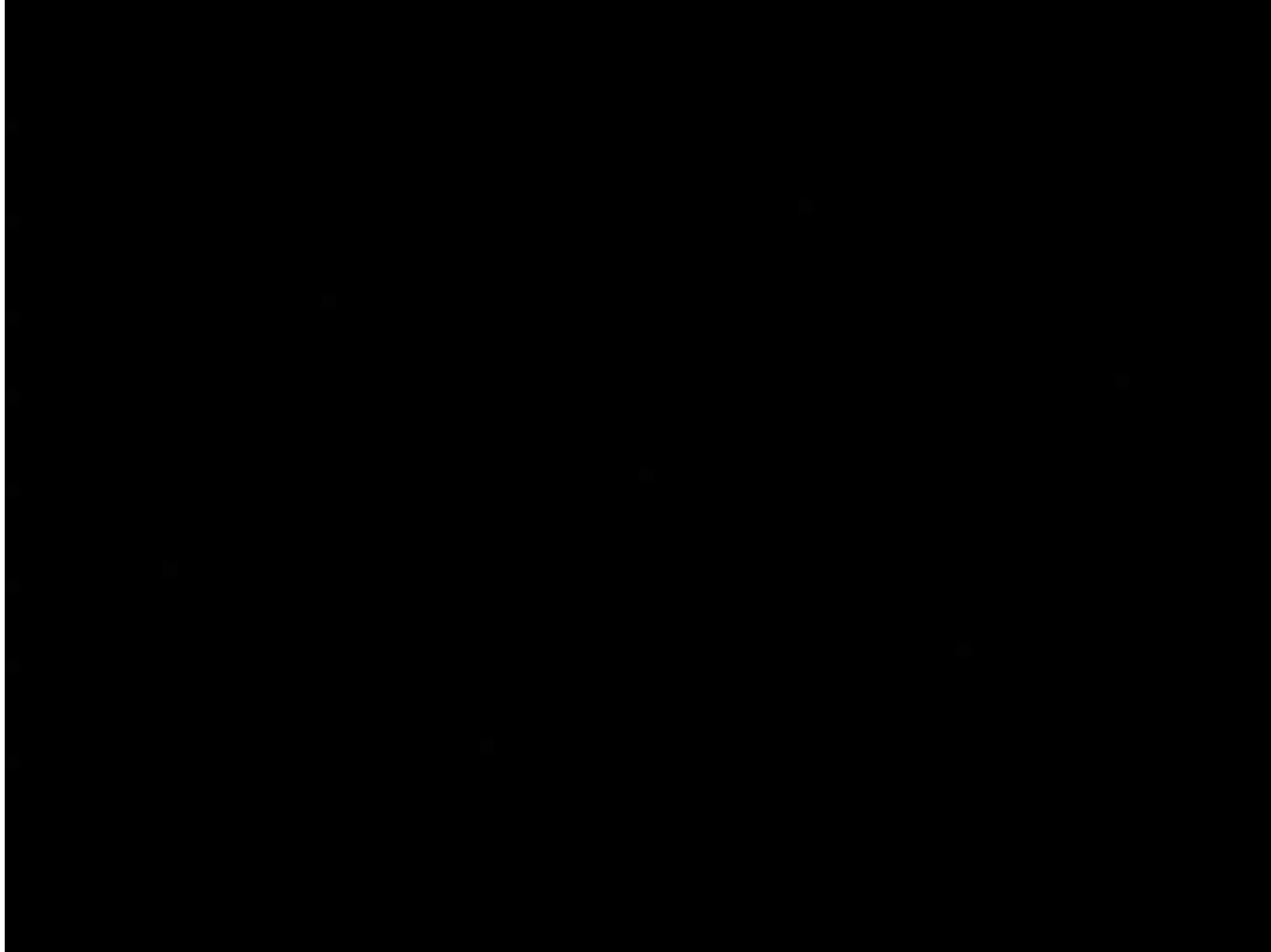


Paperback \$90.00  
Digital copy \$80.00



45

# Crossing the River



# Offer in Compromise Case Study

## Case Study (CS-1)

### Offer in Compromise

- Family of 4
- Living in Los Angeles
- Both spouses are wage earners
- Owns 1 vehicle and leases another
- Owns a single family home
- Owes \$264,000 in Federal income tax

# IRS Form 433-A OIC

*(part 1)*

Form **433-A (OIC)**  
(Rev. February 2016)

Department of the Treasury — Internal Revenue Service  
**Collection Information Statement for Wage Earners and Self-Employed Individuals**

Use this form if you are

- ▶ An individual who owes income tax on a Form 1040, U.S. Individual Income Tax Return
- ▶ An individual with a personal liability for Excise Tax
- ▶ An individual responsible for a Trust Fund Recovery Penalty
- ▶ An individual who is self-employed or has self-employment income. You are considered to be self-employed if you are in business for yourself, or carry on a trade or business.
- ▶ An individual who is personally responsible for a partnership liability (only if the partnership is submitting an offer)
- ▶ An individual who operates as a disregarded single member Limited Liability Company (LLC) taxed as a sole proprietor
- ▶ An individual who is submitting an offer on behalf of a deceased person

Note: Include attachments if additional space is needed to respond completely to any question.

**Section 1 Personal and Household Information**

Last Name Doe	First Name John	Date of Birth (mm/dd/yyyy) 01/01/1980	Social Security Number 123 - 45 - 6789
------------------	--------------------	--	---

Marital status <input type="checkbox"/> Unmarried <input checked="" type="checkbox"/> Married	Home Address (Street, City, State, ZIP Code) 1234 Memory Lane Anytown, USA 12345	Do you: <input checked="" type="checkbox"/> Own your home <input type="checkbox"/> Rent <input type="checkbox"/> Other (specify e.g., share rent, live with relative, etc.)
---	--	---

County of Residence Los Angeles	Primary Phone ( 123 ) 555 - 1234	Mailing Address (if different from above or Post Office Box number)
Secondary Phone ( ) -	Fax Number ( ) -	

Provide information about your spouse.

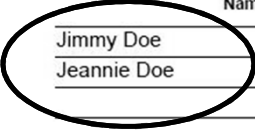
Spouse's Last Name Doe	Spouse's First Name Jane	Date of Birth (mm/dd/yyyy) 12/31/1985	Social Security Number 987 - 65 - 4321
---------------------------	-----------------------------	--	---

Provide information for all other persons in the household or claimed as a dependent.

Name	Age	Relationship	Claimed as a dependent on your Form 1040?	Contributes to household income?
Jimmy Doe	10	Son	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Jeannie Doe	8	Daughter	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
			<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
			<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No

**Section 2 Employment Information for Wage Earners**

Dependents included in OIC should appear on applicant's tax return



## Section 2 Employment Information for Wage Earners

## Employment Information

Complete this section if you or your spouse are wage earners and received a Form W-2. If you or your spouse have self-employment income (that is you file a Schedule C, E, F, etc.) instead of, or in addition to wage income, you must also complete Business Information in Sections 4, 5, and 6.

Your Employer's Name <b>Self Employed (dba John Doe Sales)</b>		Employer's Address (street, city, state, zip code) <b>1234 Memory Lane Anytown, USA 12345</b>
Do you have an ownership interest in this business? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	If yes, check the business interest that applies: <input type="checkbox"/> Partner <input type="checkbox"/> Officer <input checked="" type="checkbox"/> Sole proprietor	
Your Occupation <b>Salesperson</b>	How long with this employer <b>2</b> (years) <b>7</b> (months)	
Spouse's Employer's Name <b>Acme Inc.</b>		Employer's Address (street, city, state, zip code) <b>9999 Industrial Way Anytown, USA 12345</b>
Does your spouse have an ownership interest in this business? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	If yes, check the business interest that applies: <input type="checkbox"/> Partner <input type="checkbox"/> Officer <input type="checkbox"/> Sole proprietor	
Spouse's Occupation <b>Salesperson</b>	How long with this employer <b>1</b> (years) <b>3</b> (months)	

**Section 3 Personal Asset Information**

Use the most current statement for each type of account, such as checking, savings, money market and online accounts, stored value cards (such as, a payroll card from an employer), investment and retirement accounts (IRAs, Keogh, 401(k) plans, stocks, bonds, mutual funds, certificates of deposit), life insurance policies that have a cash value, and safe deposit boxes. Asset value is subject to adjustment by IRS based on individual circumstances. Enter the total amount available for each of the following (if additional space is needed include attachments).

Round to the nearest dollar. Do not enter a negative number. If any line item is a negative number, enter "0".

**Cash and Investments (domestic and foreign)**

<input type="checkbox"/> Cash <input checked="" type="checkbox"/> Checking <input type="checkbox"/> Savings <input type="checkbox"/> Money Market/CD <input type="checkbox"/> Online Account <input type="checkbox"/> Stored Value Card		
Bank Name	Account Number	
Main Bank	11-111111-11	(1a) \$ 1,208
<input type="checkbox"/> Checking <input type="checkbox"/> Savings <input type="checkbox"/> Money Market/CD <input type="checkbox"/> Online Account <input type="checkbox"/> Stored Value Card		
Bank Name	Account Number	(1b) \$
Total of bank accounts from attachment		(1c) \$
<b>Add lines (1a) through (1c) minus (\$1,000) =</b>		<b>(1) \$ 208</b>
Investment Account: <input type="checkbox"/> Stocks <input type="checkbox"/> Bonds <input type="checkbox"/> Other		
Name of Financial Institution	Account Number	
Current Market Value	Minus Loan Balance	
\$ _____ X .8 = \$ _____	- \$ _____ =	(2a) \$
Investment Account: <input type="checkbox"/> Stocks <input type="checkbox"/> Bonds <input type="checkbox"/> Other		
Name of Financial Institution	Account Number	
Current Market Value	Minus Loan Balance	
\$ _____ X .8 = \$ _____	- \$ _____ =	(2b) \$
Total investment accounts from attachment. [current market value X.8 minus loan balance(s)]		(2c) \$
<b>Add lines (2a) through (2c) =</b>		<b>(2) \$</b>

Bank Accounts

This amount should be \$1,000 less than the actual bank account balance(s)

Retirement Account: <input type="checkbox"/> 401K <input type="checkbox"/> IRA <input type="checkbox"/> Other		
Name of Financial Institution	Account Number	
N/A		
Current Market Value	Less Loan Balance	
\$ _____ X .7 = \$ _____	- \$ _____	= (3a) \$
Retirement Account: <input type="checkbox"/> 401K <input type="checkbox"/> IRA <input type="checkbox"/> Other		
Name of Financial Institution	Account Number	
Current Market Value	Less Loan Balance	
\$ _____ X .7 = \$ _____	- \$ _____	= (3b) \$
Total of investment accounts from attachment. [current market value X .7 less loan balance(s)]		(3c) \$
<b>Add lines (3a) through (3c) =</b>		<b>(3) \$ 0</b>
<b>Cash Value of Life Insurance Policies</b>		
Name of Insurance Company	Policy Number	
N/A		
Current Cash Value	Less Loan Balance	
\$ _____	- \$ _____	= (4a) \$
Total of life insurance policies from attachment	Less Loan Balance(s)	
\$ _____	- \$ _____	= (4b) \$
<b>Add lines (4a) through (4b) =</b>		<b>(4) \$ 0</b>

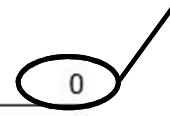
## Retirement Accounts

Always put "N/A" with a "0" amount when an item does not apply



Section 3 (Continued)		Personal Asset Information	
<b>Real Estate (Enter information about any house, condo, co-op, time share, etc. that you own or are buying)</b>			
Property Address (Street Address, City, State, ZIP Code) 1234 Memory Lane Anytown, USA 12345	Primary Residence <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No		
	Date Purchased 06/15/2012		
County and Country Anytown, USA	Date of Final Payment 06/15/2042		
How title is held (joint tenancy, etc.) Joint tenancy	Description of Property Single family residence		
Current Market Value \$ 850,000	Minus Loan Balance (Mortgages, etc.) - \$ 778,000	(Total Value of Real Estate) =	(5a) \$ 0
$\$ 850,000 \times .8 = \$ 680,000$			
Property Address (Street Address, City, State, ZIP Code)	Primary Residence <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		
	Date Purchased		
County and Country	Date of Final Payment		
How title is held (joint tenancy, etc.)	Description of Property		
Current Market Value \$	Minus Loan Balance (Mortgages, etc.) -	(Total Value of Real Estate) =	(5b) \$
$\$ \times .8 = \$ - \$$			
Total value of property(s) from attachment [current market value X .8 minus any loan balance(s)]			(5c) \$
<b>Add lines (5a) through (5c) =</b>		<b>(5) \$</b>	<b>0</b>

Housing  
If the equity is negative enter "0"



Vehicles (Enter information about any cars, boats, motorcycles, etc. that you own or lease)

Vehicles (Enter information about any cars, boats, motorcycles, etc. that you own or lease)				
Vehicle Make & Model		Year	Date Purchased	Mileage
Nissan Maxima		2014	01/19/2014	31,770
<input type="checkbox"/> Lease	Name of Creditor		Date of Final Payment	Monthly Lease/Loan Amount
<input checked="" type="checkbox"/> Loan	Nissan Credit		01/19/2019	\$ 350.00
Current Market Value		Minus Loan Balance (Mortgages, etc.)		
\$ 30,218		x .8 = \$ 24,174		- \$ 23,150
Total value of vehicle (if the vehicle is leased, enter 0 as the total value) =				(6a) \$ 1,024
Subtract \$3,450 from line (6a) (If line (6a) minus line (6b) is a negative number, enter "0")				(6b) \$ 0
Vehicle Make & Model		Year	Date Purchased	Mileage
Ford Edge		2015	7/19/2015	22,060
<input checked="" type="checkbox"/> Lease	Name of Creditor		Date of Final Payment	Monthly Lease/Loan Amount
<input type="checkbox"/> Loan	Ford Credit		07/19/2019	\$ 471.00
Current Market Value		Minus Loan Balance (Mortgages, etc.)		
\$ N/A		x .8 = \$ N/A		- \$ N/A
Total value of vehicle (if the vehicle is leased, enter 0 as the total value) =				(6c) \$ 0
If you are filing a joint offer, subtract \$3,450 from line (6c) (If line (6c) minus line (6d) is a negative number, enter "0")				(6d) \$ 0
Total value of vehicles listed from attachment [current market value X .8 minus any loan balance(s)]				(6e) \$
<b>Total lines (6a) through (6e) =</b>				<b>(6) \$ 0</b>

## Vehicles

The taxpayers are allowed \$6,900 in equity of their vehicles

**Section 3 (Continued)**

**Personal Asset Information**

Other valuable items (artwork, collections, jewelry, items of value in safe deposit boxes, interest in a company or business that is not publicly traded, etc.)  
 Note: Do not include clothing, furniture and other personal effects.

Description of asset:			
Fixtures			
Current Market Value	Minus Loan Balance		
\$ 1,375	x .8 = \$ 1,100	- \$ 0	= (7a) \$ 268
Description of asset:			
Jewelry, etc			
Current Market Value	Minus Loan Balance		
\$ 985	x .8 = \$ 788	- \$ 0	= (7b) \$ 788
Total value of valuable items listed from attachment [current market value X .8 minus any loan balance(s)]			(7c) \$
<b>Add lines (7a) through (7c) =</b>			<b>(7) \$ 1,056</b>
Do not include amount on the lines with a letter beside the number. Round to the nearest whole dollar. Do not enter a negative number. If any line item is a negative, enter "0" on that line. <b>Add lines (1) through (7) and enter the amount in Box A =</b>		Box A Available Individual Equity in Assets	\$ 2,288

**Personal Items**

These amounts should be based upon the quick sale value of assets. Not the retail value

**Total Assets**

Section 4 Self-Employed Information					
<b>If you or your spouse are self-employed (e.g., files Schedule(s) C, E, F, etc.), complete this section.</b>					
Is your business a sole proprietorship? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No			Address of Business <i>(If other than personal residence)</i>		
Name of Business N/A					
Business Telephone Number ( ) -	Employer Identification Number	Business Website			
Description of Business	Total Number of Employees	Frequency of Tax Deposits	Average Gross Monthly Payroll \$		
Do you or your spouse have any other business interests? Include any interest in an LLC, LLP, corporation, partnership, etc. <input type="checkbox"/> Yes <i>(Percentage of ownership: )</i> Title: <input type="checkbox"/> No			Business Address <i>(Street, City, State, ZIP code)</i>		
Business Name		Business Telephone Number ( ) -	Employer Identification Number		
Type of business <i>(Select one)</i> <input type="checkbox"/> Partnership <input type="checkbox"/> LLC <input type="checkbox"/> Corporation <input type="checkbox"/> Other _____					

# Self Employment Information

Section 5 Business Asset Information <i>(for Self-Employed)</i>			
<b>List business assets such as bank accounts, tools, books, machinery, equipment, business vehicles and real property that is owned/leased/rented. If additional space is needed, attach a list of items.</b>			
			<b>Round to the nearest whole dollar.</b>
<b>Do not enter a negative number. If any line item is a negative number, enter "0".</b>			
<input type="checkbox"/> Cash <input type="checkbox"/> Checking <input type="checkbox"/> Savings <input type="checkbox"/> Money Market <input type="checkbox"/> Online Account <input type="checkbox"/> Stored Value Card			
Bank Name N/A	Account Number	(8a) \$	
<input type="checkbox"/> Cash <input type="checkbox"/> Checking <input type="checkbox"/> Savings <input type="checkbox"/> Money Market <input type="checkbox"/> Online Account <input type="checkbox"/> Stored Value Card			
Bank Name	Account Number	(8b) \$	
Total value of bank accounts from attachment			(8c) \$
<b>Add lines (8a) through (8c) =</b>			<b>(8) \$ 0</b>

**Section 5 (Continued) Business Asset Information (for Self-Employed)**

Description of asset: Computer					
Current Market Value	Minus Loan Balance	<i>(if leased or used in the production of income, enter 0 as the total value)</i>	=	(9a) \$	1,200
\$ 1,500 x .8 = \$ 1,200	- \$ 0				
Description of asset: Sales books					
Current Market Value	Minus Loan Balance	<i>(if leased or used in the production of income, enter 0 as the total value)</i>	=	(9b) \$	344
\$ 430 x .8 = \$ 344	- \$ 0				
Total value of assets listed from attachment [current market value X .8 minus any loan balance(s)]				(9c) \$	
<b>Add lines (9a) through (9c) =</b>				<b>(9) \$</b>	<b>1,544</b>
IRS allowed deduction for professional books and tools of trade -				(10) \$	[4,560]
<b>Enter the value of line (9) minus line (10). If less than zero enter zero. =</b>				<b>(11) \$</b>	<b>0</b>
<b>Notes Receivable</b> Do you have notes receivable? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No If yes, attach current listing that includes name(s) and amount of note(s) receivable.					
<b>Accounts Receivable</b> Do you have accounts receivable, including e-payment, factoring companies, and any bartering or online auction accounts? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No If yes, you may be asked to provide a list of your account(s) receivable.					
Do not include amounts from the lines with a letter beside the number [for example: (9c)]. Round to the nearest whole dollar. Do not enter a negative number. If any line item is a negative, enter "0" on that line. <b>Add lines (8) and (11) and enter the amount in Box B =</b>				<b>Box B</b> Available Business Equity in Assets	0

## Business Assets

Items on this page are for currently self-employed individuals. If a business is entering into an OIC they would use form 433B (OIC)

**Section 6 Business Income and Expense Information (for Self-Employed)**

If you provide a current profit and loss (P&L) statement for the information below, enter the total gross monthly income on line 17 and your monthly expenses on line 29 below. Do not complete lines (12) - (16) and (18) - (28). You may use the amounts claimed for income and expenses on your most recent Schedule C; however, if the amount has changed significantly within the past year, a current P&L should be submitted to substantiate the claim.

Round to the nearest whole dollar. Do not enter a negative number. If any line item is a negative number, enter "0".

<b>Business Income (You may average 6-12 months income/receipts to determine your Gross monthly income/receipts.)</b>		
Gross receipts	(12) \$	9,850
Gross rental income	(13) \$	
Interest income	(14) \$	
Dividends	(15) \$	
Other income	(16) \$	
<b>Add lines (12) through (16) =</b>		<b>(17) \$ 9,850</b>
<b>Business Expenses (You may average 6-12 months expenses to determine your average expenses.)</b>		
Materials purchased (e.g., items directly related to the production of a product or service)	(18) \$	
Inventory purchased (e.g., goods bought for resale)	(19) \$	
Gross wages and salaries	(20) \$	
Rent	(21) \$	
Supplies (items used to conduct business and used up within one year, e.g., books, office supplies, professional equipment, etc.)	(22) \$	1,865
Utilities/telephones	(23) \$	137
Vehicle costs (gas, oil, repairs, maintenance)	(24) \$	
Business Insurance	(25) \$	187
Current Business Taxes (e.g., Real estate, excise, franchise, occupational, personal property, sales and employer's portion of employment taxes)	(26) \$	
Secured debts (not credit cards)	(27) \$	
Other business expenses (include a list)	(28) \$	
<b>Add lines (18) through (28) =</b>		<b>(29) \$ 2,189</b>
Round to the nearest whole dollar. Do not enter a negative number. If any line item is a negative, enter "0" on that line.		<b>Box C</b>
<b>Subtract line (29) from line (17) and enter the amount in Box C =</b>		<b>Net Business Income</b>
		<b>\$ 7,661</b>

Business Income  
and Expenses  
Net business income

58

**Section 7 Monthly Household Income and Expense Information**

Enter your household's gross monthly income. The information below is for yourself, your spouse, and anyone else who contributes to your household's income. The entire household includes spouse, non-liable spouse, significant other, children, and others who contribute to the household. This is necessary for the IRS to accurately evaluate your offer.

**Monthly Household Income**

Round to the nearest whole dollar.

<b>Primary taxpayer</b>					
Wages	Social Security	Pension(s)	Other Income (e.g. unemployment)	Total primary taxpayer income =	(30) \$
\$ _____	+ \$ _____	+ \$ _____	+ \$ _____		
<b>Spouse</b>					
Wages	Social Security	Pension(s)	Other Income (e.g. unemployment)	Total spouse income =	(31) \$ 2,885
\$2,885	+ \$ _____	+ \$ _____	+ \$ _____		
Additional sources of income used to support the household, e.g., non-liable spouse, or anyone else who may contribute to the household income, etc.					(32) \$
Interest and dividends					(33) \$
Distributions (e.g., income from partnerships, sub-S Corporations, etc.)					(34) \$
Net rental income					(35) \$
Net business income from Box C					(36) \$ 7,661
Child support received					(37) \$
Alimony received					(38) \$
Round to the nearest whole dollar. Do not enter a negative number. If any line item is a negative, enter "0" on that line. <b>Add lines (30) through (38) and enter the amount in Box D =</b>					<b>Box D Total Household Income \$ 10,546</b>

Household Income

Enter the taxpayer's gross income here

**Monthly Household Expenses**

Enter your average monthly expenses.

**Note:** For expenses claimed in boxes (39) and (45) only, you should list the full amount of the allowable standard even if the actual amount you pay is less. You may find the allowable standards at <http://www.irs.gov/Businesses/Small-Businesses-&-Self-Employed/Collection-Financial-Standards>.

Round to the nearest whole dollar.

Food, clothing, and miscellaneous (e.g., housekeeping supplies, personal care products, minimum payment on credit card). A reasonable estimate of these expenses may be used.	(39) \$	1,509
Housing and utilities (e.g., rent or mortgage payment and average monthly cost of property taxes, home insurance, maintenance, dues, fees and utilities including electricity, gas, other fuels, trash collection, water, cable television and internet, telephone, and cell phone).	(40) \$	2,961
Vehicle loan and/or lease payment(s)	(41) \$	821
Vehicle operating costs (e.g., average monthly cost of maintenance, repairs, insurance, fuel, registrations, licenses, inspections, parking, tolls, etc.). A reasonable estimate of these expenses may be used.	(42) \$	532
Public transportation costs (e.g., average monthly cost of fares for mass transit such as bus, train, ferry, taxi, etc.). A reasonable estimate of these expenses may be used.	(43) \$	
Health insurance premiums	(44) \$	195
Out-of-pocket health care costs (e.g. average monthly cost of prescription drugs, medical services, and medical supplies like eyeglasses, hearing aids, etc.)	(45) \$	216
Court-ordered payments (e.g., monthly cost of any alimony, child support, etc.)	(46) \$	
Child/dependent care payments (e.g., daycare, etc.)	(47) \$	89
Life insurance premiums	(48) \$	45
Current monthly taxes (e.g., monthly cost of federal, state, and local tax, personal property tax, etc.)	(49) \$	3,212

Although the Taxpayer's actual housing and utilities cost is \$3,461, the IRS Standard is lower. In this case as with auto ownership costs you use the actual amount up to the standard.

**Household Expenses**

Food/Clothing/Misc., vehicle operating costs and out-of-pocket health costs are based upon IRS standards. No substantiation is required for these items.



<b>Section 7 Monthly Household Income and Expense Information (Continued)</b>	
Secured debts (e.g., any loan where you pledged an asset as collateral not previously listed, government guaranteed Student Loan)	(50) \$
Enter the amount of your monthly delinquent State and/or Local Tax payment(s)	(51) \$
Round to the nearest whole dollar. Do not enter a negative number. If any line item is a negative, enter "0" on that line. <b>Add lines (39) through (51) and enter the amount in Box E =</b>	Box E Total Household Expenses \$ 9,580
Round to the nearest whole dollar. Do not enter a negative number. If any line item is a negative, enter "0" on that line. <b>Subtract Box E from Box D and enter the amount in Box F =</b>	Box F Remaining Monthly Income \$ 966

## Offer Calculation

Monthly disposable income equals gross income minus allowable expenses

### Section 8 Calculate Your Minimum Offer Amount

The next steps calculate your minimum offer amount. The amount of time you take to pay your offer in full will affect your minimum offer amount. Paying over a shorter period of time will result in a smaller minimum offer amount.

Round to the nearest whole dollar.

If you will pay your offer in 5 or fewer payments within 5 months or less, multiply "Remaining Monthly Income" (Box F) by 12 to get "Future Remaining Income" (Box G). Do not enter a number less than \$0.

Enter the total from Box F \$ 966	X 12 =	Box G Future Remaining Income \$ 11,592
--------------------------------------	--------	--

If you will pay your offer in 6 to 24 months, multiply "Remaining Monthly Income" (Box F) by 24 to get "Future Remaining Income" (Box H). Do not enter a number less than \$0.

Enter the total from Box F \$ 966	X 24 =	Box H Future Remaining Income \$ 23,184
--------------------------------------	--------	--

Determine your minimum offer amount by adding the total available assets from Box A and Box B (if applicable) to the amount in either Box G or Box H.

Enter the amount from Box A plus Box B (if applicable) \$ 2,288	+	Enter the amount from either Box G or Box H \$ 11,592	=	Offer Amount Your offer must be more than zero (\$0). Do not leave blank. Use whole dollars only. \$ 13,880
--	---	--	---	---

It rarely makes sense to choose the 24-month option

The proposed offer amount based upon 12 times disposable income plus the quick-sale value of assets

If you cannot pay the Offer Amount shown above due to special circumstances, explain on the Form 656, Offer in Compromise, Section 1, Low Income Certification. You must offer an amount more than \$0.



**Section 10****Signatures**

Under penalties of perjury, I declare that I have examined this offer, including accompanying documents, and to the best of my knowledge it is true, correct, and complete.

Signature of Taxpayer	Date (mm/dd/yyyy)
Signature of Spouse	Date (mm/dd/yyyy)

Remember to include all applicable attachments listed below.

- Copies of the most recent pay stub, earnings statement, etc., from each employer
- Copies of the most recent statement for each investment and retirement account
- Copies of the most recent statement, etc., from all other sources of income such as pensions, Social Security, rental income, interest and dividends (including any received from a related partnership, corporation, LLC, LLP, etc.), court order for child support, alimony, and rent subsidies
- Copies of bank statements for the three most recent months
- Copies of the most recent statement from lender(s) on loans such as mortgages, second mortgages, vehicles, etc., showing monthly payments, loan payoffs, and balances
- List of Notes Receivable, if applicable
- Verification of delinquent State/Local Tax Liability, if applicable
- Documentation to support any special circumstances described in the "Explanation of Circumstances" on Form 656, if applicable
- Attach a Form 2848, *Power of Attorney*, if you would like your attorney, CPA, or enrolled agent to represent you and you do not have a current form on file with the IRS.
- Completed and signed Form 656

## Checklist

Be sure to include all items as requested on the form that apply to your client

## Polling Question 4

Have you ever prepared an Offer in Compromise on behalf of a client that was accepted?

- No
- One time
- More than once
- I submitted offer/s but none have been accepted

# IRS Form 656

*(part 2)*

Form **656**

(Rev. February 2016)

Department of the Treasury — Internal Revenue Service

**Offer in Compromise****To: Commissioner of Internal Revenue Service**

In the following agreement, the pronoun "we" may be assumed in place of "I" when there are joint liabilities and both parties are signing this agreement.

I submit this offer to compromise the tax liabilities plus any interest, penalties, additions to tax, and additional amounts required by law for the tax type and period(s) marked in Section 1 or Section 2 below.

Did you use the Pre-Qualifier tool located on our website at [http://irs.treasury.gov/oic\\_pre\\_qualifier/](http://irs.treasury.gov/oic_pre_qualifier/) prior to filling out this form?

Yes  No

**Note: The use of the Pre-Qualifier tool is not mandatory before sending in your offer. However, it is recommended.**

Include the \$186 application fee and initial payment (*personal check, cashier's check, or money order*) with your Form 656. You must also include the completed Form 433-A (OIC) and/or 433-B (OIC) and supporting documentation. You should fill out either Section 1 or Section 2, but not both, depending on the tax debt you are offering to compromise.

**Section 1 Individual Information (Form 1040 filers)**

If you are a 1040 filer, an individual with personal liability for Excise tax, individual responsible for Trust Fund Recovery Penalty, self-employed individual, individual personally responsible for partnership liabilities, and/or an individual who operates as a single member LLC or a disregarded entity taxed as a sole proprietorship you should fill out Section 1. You must also include all required documentation including the Form 433-A (OIC), the \$186 application fee, and initial payment.

Your First Name, Middle Initial, Last Name	Social Security Number (SSN)	IRS Received Date
John Doe	123 - 45 - 6789	
If a Joint Offer, Spouse's First Name, Middle Initial, Last Name	Social Security Number (SSN)	
Jane Doe	987 - 65 - 4321	
Your Physical Home Address ( <i>Street, City, State, ZIP Code</i> )		
1234 Memory Lane Anytown, USA 12345		
Mailing Address ( <i>if different from above or Post Office Box number</i> )		
Employer Identification Number		
-		

Enter general  
client information  
here

## Individual Tax Periods

## If Your Offer is for Individual Tax Debt Only

- 1040 Income Tax-Year(s) 2011, 2012, 2013, 2014, 2015
- Trust Fund Recovery Penalty as a responsible person of (enter business name) \_\_\_\_\_  
for failure to pay withholding and Federal Insurance Contributions Act taxes (Social Security taxes), for period(s) ending \_\_\_\_\_
- 941 Employer's Quarterly Federal Tax Return - Quarterly period(s) \_\_\_\_\_
- 940 Employer's Annual Federal Unemployment (FUTA) Tax Return - Year(s) \_\_\_\_\_
- Other Federal Tax(es) [specify type(s) and period(s)] \_\_\_\_\_

**Note:** If you need more space, use attachment and title it "Attachment to Form 656 dated \_\_\_\_\_." Make sure to sign and date the attachment.

## Tax Periods

Choose the type of tax owed and enter ALL applicable years or periods. Any year or period left out will not be included if the offer is accepted

### Low-Income Certification *(Individuals and Sole Proprietors Only)*

Do you qualify for Low-Income Certification? You qualify if your gross monthly household income is less than or equal to the amount shown in the chart below based on your family size and where you live. If you qualify, you are not required to submit any payments during the consideration of your offer. Businesses other than sole proprietors or disregarded single member LLCs taxed as a sole proprietor do not qualify for the low income waiver.

Check this box if your household's gross monthly income is equal to or less than the monthly income shown in the table below.

Size of family unit	48 contiguous states and D.C.	Hawaii	Alaska
1	\$2,475	\$2,848	\$3,092
2	\$3,338	\$3,840	\$4,171
3	\$4,200	\$4,831	\$5,250
4	\$5,063	\$5,823	\$6,329
5	\$5,925	\$6,815	\$7,408
6	\$6,788	\$7,806	\$8,488
7	\$7,652	\$8,798	\$9,567
8	\$8,519	\$9,794	\$10,650
For each additional person, add	\$867	\$996	\$1,083

This section is  
for low income  
applicants



**Section 4**

**Payment Terms**

Check one of the payment options below to indicate how long it will take you to pay your offer in full. You must offer more than \$0. The offer amount should be in whole dollars only.

**Lump Sum Cash**

Check here if you will pay your offer in 5 or fewer payments within 5 or fewer months from the date of acceptance:

Enclose a check for 20% of the offer amount (waived if you are an individual or sole proprietor and met the requirements for Low Income Certification) and fill in the amount(s) of your future payment(s).

Total Offer Amount		20% Initial Payment	=	Remaining Balance
\$ 13,880	-	\$ 2,776	=	\$ 11,104
You may pay the remaining balance in one payment after acceptance of the offer or up to five payments, but cannot exceed 5 months.				
Amount of payment	\$ 2,220.80	payable within	1	Month after acceptance
Amount of payment	\$ 2,220.80	payable within	2	Months after acceptance
Amount of payment	\$ 2,220.80	payable within	3	Months after acceptance
Amount of payment	\$ 2,220.80	payable within	4	Months after acceptance
Amount of payment	\$ 2,220.80	payable within	5	Months after acceptance

**Periodic Payment**

Check here if you will pay your offer in full in 6 to 24 months.

Enter the amount of your offer \$ \_\_\_\_\_

**Note:** The total amount must equal all of the proposed payments including the first and last payments.

Enclose a check for the first month's payment.

\$ \_\_\_\_\_ is included with this offer then \$ \_\_\_\_\_ will be sent in on the \_\_\_\_\_ day of each month thereafter for a total of \_\_\_\_\_ months with a final payment of \$ \_\_\_\_\_ to be paid on the \_\_\_\_\_ day of the \_\_\_\_\_ month.

**Note:** The total months may not exceed a total of 24 months, including the first payment. Your first payment is considered to be month 1; therefore, the remainder of the payments must be made within 23 months for a total of 24.

You must continue to make these monthly payments while the IRS is considering the offer (waived if you met the requirements for Low Income Certification). Failure to make regular monthly payments will cause your offer to be returned with no appeal rights.

**IRS Use Only**

Attached is an addendum dated (insert date) \_\_\_\_\_ setting forth the amended offer amount and payment terms.

Payment Terms

This amount is carried over from the 433A (OIC)

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**Section 5 Designation of Payment and Deposit**
**Designation of Payment**

If you want your payment to be applied to a specific tax year and a specific tax debt, such as a Trust Fund Recovery Penalty, please tell us the tax year/quarter \_\_\_\_\_. If you do not designate a preference, we will apply any money you send to the government's best interest. If you wish to designate any payments not included with this offer, you must designate a preference for each payment at the time the payment is made. However, you cannot designate the \$186 application fee or any payment after the IRS accepts the offer.

**Deposit**

If you are paying more than the initial payment when you submit your offer and want any part of that payment treated as a deposit, check the box below and insert the amount. Deposits will be returned to you if the offer is rejected, returned, or withdrawn, unless you provide a request in writing that you want your payment(s) to be applied to your tax debt.

My payment of \$ \_\_\_\_\_ includes the \$186 application fee and \$ \_\_\_\_\_ for my first month's payment. I am requesting the additional amount of \$ \_\_\_\_\_ be held as a deposit.

**CAUTION:** Do NOT designate the amounts sent in with your offer to cover the initial payment and application fee as "deposits." Doing so will result in the return of your offer with no right to appeal.

# Designated Payment

We recommend you  
leave this portion  
blank

**Section 6 Source of Funds, Making Your Payment, Filing Requirements, and Tax Payment Requirements**

**Source of Funds**

Tell us where you will obtain the funds to pay your offer. You may consider borrowing from friends and/or family, taking out a loan, or selling assets.

We will borrow the amount necessary to pay for the offer in compromise from family and friends.

**Making Your Payment**

Include separate checks for the payment and application fee.

Make checks payable to the "United States Treasury" and attach to the front of your Form 656, Offer in Compromise. All payments must be in U.S. dollars. Do not send cash. Send a separate application fee with each offer; do not combine it with any other tax payments, as this may delay processing of your offer. Your offer will be returned to you if the application fee and the required payment are not included, or if your check is returned for insufficient funds.

**Filing Requirements**

- I have filed all required tax returns.
- I was not required to file a tax return for the following years:

**Tax Payment Requirements** (check all that apply)


- I have made all required estimated tax payments for the current tax year.
- I am not required to make any estimated tax payments for the current tax year.
- I have made all required federal tax deposits for the current quarter.
- I am not required to make any federal tax deposits for the current quarter.

Source of Funds

This is where you explain from where the funds to pay the offer will come

## Tips & Traps

### Offers in Compromise

1. It can take up to two years for an Offer to be accepted or rejected. By IRS definition an Offer is deemed accepted if no answer is given within the 2-year period. The **Tax Resolution Institute** has yet to see an Offer be accepted based upon this rule.
  2. A typical Offer takes 12-18 months to be accepted.
  3. It can take up to 6 months for an Offer just to be deemed processable.
  4. If an Offer is not processable, the taxpayer must correct the items that deem it non-processable and resubmit the Offer.
  5. The chance of having an Offer accepted is much lower than the chance of entering into a manageable installment agreement.
- 
- Helpful Tips
6. There is a 10-year statute of limitation for the IRS to actively collect against a tax assessment. Submitting an Offer freezes the statute for the time the Offer is under consideration plus a time period following if the Offer is rejected or accepted and then the taxpayer defaults on the Offer.
  7. If a taxpayer is near the end of their collection statute, it may make sense to forgo an Offer and request an installment agreement based upon hardship.
  8. Acceptance of an Offer is based upon a taxpayer's ability to pay over the life of the statute of limitations on collection. Just because a taxpayer is unable to pay at the time an Offer is submitted, does not mean that their situation will not improve within the 10-year collection period. One example of this may be a realtor in a down market or a Lawyer that has been laid off by previously earned a significant salary.
  9. A taxpayer must stay in compliance for 5 years after an Offer has been accepted. If they default on the Offer, the original liability, penalties and interest are placed back on the taxpayer's account and they will again be exposed to collection.
  10. A taxpayer is often required to resubmit financial substantiation within the time period an Offer is being considered.
  11. The IRS will often negotiate certain parts of an Offer in lieu of rejecting an Offer outright.
  12. When an Offer is rejected, the IRS' reason is almost always that the taxpayer has the ability to full-pay their liability within the collection statute.
  13. The amount to be paid for an Offer is formula based. That is 12 or 24 times one's monthly disposable income plus the quick-sale value of their assets. Some people, in planning for an Offer may try and sell, give away or transfer their assets in order to lower the Offer amount. If this is done solely with the intention of lowering one's Offer amount or done within a certain period of time prior to submission of the Offer, the asset in question may still be included in the Offer calculation by the IRS. For example, if a person refinances their home to pay off credit card debt, the IRS may include the cash taken out of the refinance as a dissipated asset for Offer purposes. Their contention is that Federal taxes should be paid prior to credit card companies.
  14. When entering bank balances on Form 433-A (OIC) it is prudent to put the ending balance of the most current bank statement if the amount is relatively low. If not include the lowest average daily balance within the three-month period of the statements being submitted.

Find these tips and other valuable materials  
on the web at  
[www.taxresolutioninstitute.org/100a](http://www.taxresolutioninstitute.org/100a)  
or email us at  
[info@taxresolutioninstitute.org](mailto:info@taxresolutioninstitute.org)

## Polling Question 5

In which of the following area/s would you be interested in learning more?

- IRS Audits - Are They Art or Science
- Appeals – what to do when you thought your case was dead
- Dischargeability of Taxes in Bankruptcy
- Innocent spouse relief

# Have you downloaded your materials?

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your free content for the next 10 days

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If you currently have a client or clients with tax resolution issues  
and need assistance right away

*call our office at*

**(800) 658-7590**

*or*

*email us at*

**[info@taxresolutioninstitute.org](mailto:info@taxresolutioninstitute.org)**

**(800) 658-7590**

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# Installment Agreements

Find us on the web at [www.taxresolutioninstitute.org](http://www.taxresolutioninstitute.org)

## Streamlined Installment Agreements

- Taxpayer is in compliance and able to full-pay their liability over time (up to 72 months)
- Taxpayer owes less than \$25,000
- Taxpayer owes less than \$50,000
- Representation fees are lower but installment payments are typically higher
- If client is “uncollectable” this type of agreement will not work



# Standard Installment Agreements

- Monthly payment amount is based upon ACTUAL necessary and reasonable living expenses as opposed to IRS national and local standards
- The maximum number of monthly payments made occur over the remaining life of the 10-year collection statute

## <sup>78</sup> Installment Agreement Forms

- 433A

Collection information statement for individuals (Revenue Officer)

- 433F

Abridged collection information statement for individuals (automated collections)

- 433B

Collection information statement for businesses

- 9465

Installment agreement request form

(800) 658-7590

## Tips & Traps

### Installment Agreements

1. Be sure to complete Form 433-F or 433-A before you contact the IRS.
2. The information in Form 433-F is often supplied to the IRS over the phone. Be sure to fill on all boxes in sections that apply to you. The IRS does not like blanks.
3. Create a separate sheet showing your income and expenses. Calculate your take-home income minus your living expenses prior to contacting the IRS. This will be the amount the IRS will expect you to pay on a monthly basis.



4. The installment agreement calculation may be negative. If the amount is less than zero, request to be placed into Currently Non Collectable status.
5. If your calculation is too low (i.e. substantially below zero) then the IRS may not consider your expenses to be real.
6. The IRS will compare your bank account deposits with the amount you claim as take-home income. Be sure that either these amounts match or that you can trace excess deposits as non-income (i.e. loans, transfers from savings, transfers from other accounts listed on the 433).
7. Provide three months billing statements, invoices, etc. to substantiate living expenses. Also include proof of payment either as copies of checks or bank statements showing the paid expenses. Simply owing the money is not enough to make an expense allowable.
8. If you have more Monthly Disposable Income ("MDI") than you are able to pay to the IRS as an ongoing installment payment, you can increase your expenses to lower your MDI. For example you could:
  - a. Trade in a car you own outright and lease or purchase another car. Note that leasing a car will add a new allowable expense without adding an additional asset.
  - b. If you are self-employed you can make or increase estimated tax payments for the current tax year. This will lower your disposable income and increase the chance of staying in compliance moving forward.
  - c. If you are an employee you can increase your withholding tax if you typically owe taxes at the end of the year. Be careful not to over withhold as refunds will be kept by the IRS and applied to the back taxes owed.
  - d. Buy term life insurance. This is an allowable expense that carries no cash value.
9. Ask for 72 months to pay. If your MDI is too high, try taking your total liability and dividing it by 72. If the amount is less than your MDI, you may request that your full liability be paid over the 6-year period. This does not always work but it is worth a try.

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## Polling Question 6

On a scale from 1 – 4, what is your comfort level performing tax resolution work?

- 4 (very comfortable)
- 3
- 2
- 1 (uncomfortable)

Offer in Compromise  
VS  
Installment Agreement  
*(comparison)*

---

**Installment Agreement and Offer in Compromise Comparison - Family of Four**

<u>Item</u>		<u>IA</u>	<u>OIC</u>	<u>Notes</u>
<b>Income</b>				
Wages	Taxpayer	7,661	7,661	Actual
	Spouse	2,885	2,885	Actual
Taxes	Taxpayer	(2,386)	(2,386)	Actual
	Spouse	(826)	(826)	Actual
Total net income:		<u>7,334</u>	<u>7,334</u>	
<b>Expenses</b>				
	Mortgage	3,228		Actual for IA
	Utilities	233		Actual for IA
		3,461	2,961	OIC amount is based upon IRS local std.
	Food/Clothing/Etc.	1,509	1,509	IRS national standard
	Car payments	821	821	Actual
	Maint./gas/insurance	532	532	IRS local standard
	Health insurance	195	195	Actual
	Out-of-pocket health	216	216	IRS national standard
Other				
	Childcare	89	89	Actual
	Life insurance	45	45	Actual
Total living expenses:		<u>6,868</u>	<u>6,868</u>	
<b>Monthly Disposable Income:</b>		<b>466</b>	<b>966</b>	

---

should they do an

**Offer**

or an

**Installment Agreement?**

...let's see

# OIC vs Installment Agreement

## Installment Agreement

Monthly payment amount - \$466

Number of months to pay - 120 (10 years)

$466 \times 120 = \$55,920$  (this number may increase as the IRS revisits installment agreements every 1 -2 years)

## Offer in Compromise

Offer amount - \$13,880\*

*\*Paid as follows - 20% down and the balance paid within 5 months after offer is accepted (typically 18 to 24 months after offer is submitted).*



# Taxes and Bankruptcy

# Bankruptcy Tax Dischargeability Rules:

- **Three-Year Rule**

At least Three years from the due date of the tax return including extensions;  
or

- **Two-Year Rule**

At least Two years from the date the tax return was filed (we say assessed)  
for delinquent returns; and

- **240-Day Rule**

At least 240 days from the date of assessment of an audited or amended tax  
return

Get comfortable in  
front of the IRS....

This audit course is a must  
for anyone that represents  
clients in IRS audits...

**TRI**

IRS Audits...Art or Science

Tax Resolution Essentials



Webinar: \$99.00  
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## Polling Question 7

Would you like us to call you to discuss a client's current or potential resolution issue?

- Yes
- No

## <sup>89</sup>FAQ's

1. **Installment Agreements** – what should I do if my client qualifies for a streamlined installment agreement but is unable to afford the monthly payment amount?
2. **Offer in Compromise** – can my client who has been assessed a Civil Penalty stemming from the Trust Fund portion of payroll tax liability submit an offer?
3. **Bankruptcy** – if my client filed their 2009 tax return on June 15, 2010 which was on extension, can they file for bankruptcy on June 16, 2013 and discharge their 2009 tax liability under the 3-year rule?
4. **Appeals** – which type of appeal, CAP or CDP allows you to make an argument in tax court? (Stay tuned for the next webinar...)

# Tax Resolution Essentials 100A

The following materials and more will be available to webinar attendees at [www.taxresolutioninstitute.org/100A](http://www.taxresolutioninstitute.org/100A) for 10 days without a subscription:

- A copy of today's PowerPoint presentation
- Tips and traps pertaining to installment agreements
- Tips and traps pertaining to offers in compromise
- IRS 4180 interview form
- Step-by-step guide to Step-by-step guide to first time penalty abatement
- ...and more

# Summary of topics covered today

- What is “Tax Resolution”?
- Sequence of events
- Payroll taxes
- Offers in compromise (OIC)
- Overview of installment agreements (IA)
- Comparison of OICs to IAs
- Bankruptcy – 3 quick rules for dischargeability of income taxes

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