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OFFER IN COMPROMISE (OIC) UPDATES FROM THE IRS

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If you cannot pay all your taxes owed to the IRS, you may make an offer to pay a smaller sum to fully pay all taxes, penalties, and interests. This is called Offer in Compromise (OIC). Let's discuss recent developments in this area of tax collection.

Update 1: The IRS published an electronic bulletin warning of [scams](#) enticing delinquent taxpayers to settle delinquencies for "[pennies to a dollar](#)." The IRS also asked practitioners to be vigilant and to report such scams to protect taxpayers already in need of help.

Update 2: Offers are becoming tougher. The National Taxpayer Advocate disclosed that the number of offers [returned](#) (not even considered) increased from 39 to 57%, the number of offers accepted decreased from 34% to 16%, while the numbers those rejected increased from 12% to 21%. ☹

Update 3: Taxpayers submitting lump-sum offers must make a [20% nonrefundable, up-front](#) payment to IRS. Similarly, taxpayers submitting a periodic-payment OIC must make nonrefundable, up-front payments while IRS evaluates the offer.

Update 4: IRS to be More Flexible with OICs from Unemployed Taxpayers - The IRS announced that its employees will be permitted to consider a taxpayer's current income and potential for future income when negotiating an offer in compromise. Normally, the standard practice is to judge an offer amount on a taxpayer's earnings in prior years. This new step provides greater flexibility when considering offers in compromise from the unemployed. The IRS may also require that a taxpayer entering into such an offer in compromise agree to pay more if the taxpayer's financial situation improves significantly.

Update 5: Streamlined OIC Program Announced - IRS announced a "streamlined" OIC program that allows taxpayers' with annual household income up to \$100,000 to participate, provided their tax liability is less than \$50,000, and the taxpayer is a wage earner, unemployed, or self-employed with no employees and gross receipts under \$500,000. Benefits of the streamlined OIC program include (1) fewer requests for additional financial information, (2) when required; requests for additional information will be by phone instead of mail, and (3) greater flexibility when considering the taxpayer's ability to pay.

Update 6: Taxpayer Advocate Criticizes IRS Handling of Financially hard-up Taxpayers. In her annual report to Congress, National Taxpayer Advocate Nina Olson noted her "continuing concern that IRS collection practices [inflict unnecessary harm on financially struggling taxpayers](#) and fail to achieve the IRS's overriding objective of increasing long-term voluntary compliance with the tax laws." [By filing a lien against a taxpayer with no money and no assets, "the IRS often collects nothing, yet it inflicts long-term harm on the taxpayer by making it harder for him to get back on his feet when he does get a job,"](#) she said. A filed tax lien on a credit report can render someone [unemployable, unable to obtain housing \(owned or rented\), and unable to obtain car insurance or a credit card, at least at reasonable rates.](#) A tax lien can be particularly [devastating to small businesses, as it often cuts off their access to credit.](#)