

Tax Resolution Essentials



Including: Sequence of Events
Payroll Taxes
Installment Agreements
Offers in Compromise
Bankruptcy

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Tax Resolution

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Introduction

Tax Resolution is the practice of resolving one's tax issues be they related to business or personal matters at the Federal, State, and local levels. The two main areas of tax liability that will be covered in this abbreviated manual are income taxes and payroll taxes.

Solving Income Tax Issues

The majority of income tax issues are best resolved using one of the following 5 methods:

- 1. Entering into an Installment Agreement.**
- 2. Placement into Currently Not Collectible ("CNC") Status.**
- 3. Entering into a Partial Pay Installment Agreement ("PPIA").**
- 4. Preparing an Offer in Compromise ("OIC").**
- 5. Filing for Bankruptcy - (under the 3-year rule, 2-year rule or 240-day rule).**

There are several other solutions which occur far less often than those listed above. Examples of alternate solutions include subordination of a Federal or State tax lien, providing Innocent Spouse relief, assisting in a bulk sale of a business and assisting in an assignment for benefit of creditors. Upon completing this manual, you will see that performing certain tasks such as obtaining client wage and income and account transcripts should be done for most if not all of the above mentioned items. Doing so will both determine the client's reported income as well as which returns have yet to be filed.

Solving Payroll Tax Issues

Unlike income taxes, payroll taxes are not dischargeable in bankruptcy and are assessed to both the business and the "Responsible Person/s" jointly and severally. There are four main aspects which comprise delinquent payroll taxes. They are the:

- Trust fund portion ("Responsible Person/s" are liable for this portion),
- Non trust fund portion,
- Interest (compounded daily) and
- Penalties

Payroll Tax Solutions:

- 1. Entering into an Installment Agreement.**
- 2. Entering into a Partial Pay Installment Agreement (PPIA).**
- 3. Preparing an in-business Offer in Compromise ("OIC").**
- 4. Selling the business with complete knowledge of the IRS for liquidation value then submitting an Offer in Compromise on behalf of the Responsible Person/s.**

Continue reading this manual for a more in depth explanation of how to practice Tax Resolution.

Sequence of Events

Handling tax resolution matters properly is a meticulous process that requires a systematic approach. The footprint for practicing properly is set forth below in the following annotated outline.

I also wish to stress that careful and thorough documentation which includes both properly completed forms as well as substantiation to support the information in said forms is vitally important throughout the process. As you will quickly discover, the knowledge that resolving a client's tax issues often requires making constant adjustments to your overall strategy because the information that the client provides initially is always different than what you will see in the substantiation that follows. Tax issues are often complex, and clients frequently fail to provide material information without being continually reminded that time is of the essence and not reacting quickly will cost them more in fees and could negatively affect the outcome of their case.

Steps in the handling of tax resolution cases are as follows:

1. **Meet with the client.** This initial client meeting involves several important steps:
 - Define the extent of the issue(s) and obtain information in order to identify all pertinent information including the years/periods in question, the tax form types in question and the approximate amount owed.
 - Estimate fees in order to discuss with the client what they should anticipate spending.
 - Obtain a signed Power of Attorney from the client. An IRS Form 2848 is used for Federal taxes. It can also be used to pursue cases involving many State agencies if the box indicating the appropriate type of tax is properly filled out with the

appropriate State form numbers. The Power of Attorney is a call to action demonstrating that a client is committed to addressing their tax issue by hiring a professional.

2. **Prepare Letter of Engagement Power of Attorney Form and Retainer Agreement** that spells out in no uncertain terms what you will be performing in order to resolve the client's issues. This letter should include:

- Specific periods/forms identifying with what needs to be dealt.
- A full scope of services that you will be addressing. Although these documents may be sent to the client for signature after your initial meeting, it is preferable to have them available at the time of the initial consultation so they may be executed immediately.
- Obtain a retainer payment prior to commencing work. Make sure that the client understands you will cease work to his/her case if the retainer becomes exhausted. Indicate that you will not continue work until further payment has been made. **Obtaining a retainer at the time an agreement has been executed is a must.** You might consider having your clients pay by credit card (Visa, Master Card or American Express) or ACH payments in order to facilitate the collection process. The ability to process these types of payments are relatively easy, and you will find that they not only help expedite collection in the area of tax resolution, but also in your general accounting or law practice.

3. **Fax the Power of Attorney form** to East or West Coast Internal Revenue Service unit as applicable. The fax number for the West Coast IRS Unit, which is located in Ogden, Utah, is (855) 214-7522. The fax number of the East Coast IRS Unit, which is located in Memphis, Tennessee, is (855) 214-7519.

4. **Call the IRS or use e-services available to tax professionals online at www.irs.gov to order copies of the client's transcripts.**

5. **Contact the Revenue Officer** assigned to your client's case (assuming one has been assigned), and:
 - Introduce yourself. It's always good to develop a rapport with a Revenue Officer. You should also always ask for his or her name, badge number, phone number, and fax number, and be sure to document this information. Professionalism over anger and frustration always yields more favorable results.

 - Determine the status and urgency of case. Is the IRS planning to levy against the client tomorrow? Talk to the Revenue Officer about placing a hold on collection activity for as long a period as possible. Typically the IRS will put a hold on an account that will be able to full-pay within 60 days.

 - Determine if the Revenue Officer is requiring additional information to proceed with the case.

6. **Obtain tax returns from client.** This step is important in determining if a filing or payment is delinquent. In some instances you may find that the client has the tax returns that need to be filed in his/her possession but remain unfiled, while in other instances it may be necessary for the client to go back to his or her records and have the returns prepared. It is our preference to prepare a client's delinquent returns. This ensures that control is maintained for all aspects of the client's case, ensuring it is handled properly.

7. **Send the client a questionnaire or Collection Information Statement form (433A, 433F or 433B)** regarding their personal or business matters as applicable. These documents are for your benefit and should capture all relevant information, such as contact information (address, phone numbers, and e-mail), job or business

information, as well as information on the client's spouse. In general, the forms are used as follows:

433A – for individuals submitting Offers and Installment Agreements in which a Revenue Officer has been assigned.

433B – for businesses submitting Offers and Installment Agreements in which a Revenue Officer has been assigned.

433F – for individuals submitting Installment Agreements that have been assigned to automated collections (“ACS”).

8. **Compare the following:**

- Returns filed by the client vs. what the IRS has on file (via the transcripts that you requested in item 4 listed above).
- Payments indicated to have been made by the client vs. the information that the IRS has on file via the account transcripts.

You will also need to compare your client's filings and their payments to the records of payments and filings of the other taxing agencies to which your client owes tax. For example if your client is in California they would most likely be dealing with the Franchise Tax Board (“FTB”) for income taxes, the Employment Development Department (“EDD”) for payroll taxes or the State Board of Equalization (“SBE”) for sales taxes. You must contact each applicable agency separately in order to obtain the appropriate information.

9. **Calculate the penalties and interest** using a “tax interest program” or other appropriate program to create a realistic estimate of how much is owed in total. These programs may be downloaded from the Internet and should be easy to find doing a web search.

10. **Determine if the following is correct:**

- Assessments for all Federal and State taxing authorities are correct.
- There are still returns that need to be filed.
- There are additional items that the Taxpayer needs to address yet is unaware.

Payroll Tax Withholding and the IRS

Trust Fund Recovery

It is tempting to “borrow” payroll taxes withheld from your employee’s paychecks in order to “buy” time between payday and the day you are supposed to make the payroll tax deposits to the Internal Revenue Service.

Section 6672 of the tax code makes a person liable “in addition to other penalties provided by law... to a penalty equal to the total amount of the tax” not accounted for and paid over. There is a civil penalty that may at the government’s discretion be assessed to the “Responsible Person/s”. The penalty may also be augmented to include criminal prosecution. The Tax code (section 7202) makes it a felony to willfully fail “to account for; and pay over” taxes withheld from employees.

One is deemed to have withheld the taxes (withholding tax, as well as the employees’ share of Social Security and Medicare taxes) by paying the employees their wages, net the deductions. The withheld amounts constitute a fund one holds in “Trust” for the government. **This “Trust Fund” is not the same as other debts such as accounts payable.**

A typical debt is the amount one owes their creditors for goods or services, or the amount one owes for a loan that one has acquired. **Even one’s personal income tax is a “debt” to the government.** The taxes that are withheld from an employees’ compensation is considered the government’s money which the employer is holding in trust as an agent or trustee. IRS regulations stipulate that once an employer has withheld the tax, their employees are entitled to a credit for it, regardless of when (or if) it was paid to the government.

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

- (a) **They are responsible for its collection and payment.** Whether as the owner of the business or a person authorized to handle its funds; and

- (b) **Their failure to collect the tax and pay it over is “willful.”** They have the burden of proving the absence of at least one of the elements if you do not want to be considered “Responsible”.

To be “Responsible” a person does not have to be the owner of the business. The court system has made it clear that one may be held liable for the tax if they are in a position to exercise significant control even if they do not have the final word over the disbursement of funds. Whether someone is called the Chief Financial Officer or the bookkeeper, if they were the individual who determined which creditors were to be paid, and were the individual who issued or signed checks, they may be held responsible even if some of the payments were subject to a superior’s approval.

The easier question has to do with the “willfulness,” since the courts have provided an answer that is very simple: Failure to pay withholding taxes is willful within the meaning of IRC section 6672 if you pay other creditors when you do not have sufficient funds to pay the taxes you know to be due. Even an employee to whom you owe wages is regarded as just another creditor.

If your client’s company is teetering on the edge, they are generally better advised to close it down rather than to use the government’s money as working capital...

or you can always...

CALL THE TAX RESOLUTION INSTITUTE!!!

Installment Agreements

An **Installment Agreement** is a payment plan between a delinquent taxpayer and the IRS or State taxing agency. The taxing agencies encourage one to pay the tax debt they owe as well as to file all unfiled income tax returns as quickly as possible. When an individual or a business is unable to satisfy a tax debt immediately, an **Installment Agreement** becomes a valuable option which when done properly is both reasonable to the taxpayer while at the same time acceptable to the government. Some Installment Agreements require the full payment of the tax liability which broken down into monthly installments paid over a set period of time. Other **Installment Agreements** allow the taxpayer to partially pay their liability in monthly installments based upon their ability (or inability) to pay, typically until the statute of limitations for collection of the tax debt expires.

Generally, in order to be eligible for an **Installment Agreement** with the IRS, a taxpayer must be in compliance. This means that all unfiled tax returns must first be filed. In addition, the taxpayer must be up-to-date on their tax payments for the current period (i.e. estimated tax payments have been made for the current quarter). Once all of the returns are filed and an accurate tax liability is determined, the taxpayer or a qualified tax representative may begin negotiating an **Installment Agreement**. Keep in mind that it is the goal of the IRS to collect as much of the tax due as possible before the statute of limitation for collection expires. By law, the IRS has the authority to collect outstanding federal taxes for ten years from the date of assessment. State statutes vary.

If a taxpayer is able to prove that they cannot full-pay their liability; even over time, they may enter into a payment plan that allows them to continue covering their “necessary and reasonable” monthly living expenses and thus pay less than the amount owed in taxes by making lower monthly installments. This is what is referred to as a **Partial Pay Installment Agreement (“PPIA”)**.

The IRS charges a nominal fee to set-up an **Installment Agreement**. In addition, as mentioned above the taxpayer is required to stay in compliance. This means that they must, in addition to making the agreed upon monthly installments, continue to file future tax returns and pay all future tax

liabilities in full. This must be done over the entire course of the **Installment Agreement** period otherwise the taxpayer will be in default of the agreement and responsible for their full liability due immediately and will once again be subject to collection.

Streamlined Installment Agreements

If a taxpayer is in compliance and able to pay his or her liability in full over a given period of time (up to 72 months), they may qualify for a **Streamlined Installment Agreement**. In order to qualify the taxpayer must owe less than \$50,000. If the taxpayer owes less than \$25,000 then the qualifications become a little easier and the taxpayer may be able to have a Federal tax lien removed if one exists.

Without question, a negotiated payment plan in the form of an **Installment Agreement** is more favorable than a Wage Garnishment, Bank Levy, Third Party Levy or Asset Seizure. If one cannot afford to pay their back taxes in full and at the present time, and they do not qualify for an **Offer in Compromise** or placement into **Currently Not Collectible** (“CNC”) status an **Installment Agreement** may be their best option to resolve their tax debt.

Installment Agreement Forms

The IRS states that the taxpayer should use Form 9465 to request a monthly installment plan if they cannot pay the full amount they owe. Generally, one has up to 72 months to pay. In certain circumstances, they may take longer to pay or their agreement may be approved for an amount that is less than the amount of tax you owe. However, before requesting an installment agreement, the IRS states that the taxpayer should consider other less costly alternatives, such as getting a bank loan or using available credit on a credit card. In most cases, neither of these alternatives is practical.

Case Study – CS1

In order to illustrate how a non-streamlined installment agreement works we have created the “Doe” family. The Doe family is made up of John (Taxpayer), Jane (Spouse) and their two children Jimmy and Jeannie. John and Jane own a home. John and Jane both work. They own Jane’s automobile and lease John’s. John and Jane owe \$264,000 in income tax liability. To summarize:

- Family of 4
- Living in Los Angeles
- Husband & Wife Work
- Owns 1 vehicle and lease another
- Owns a single family home
- Owes \$264,000 in unpaid income taxes

First we will take a look at the Doe’s income, expenses, assets and liabilities via a collection information statement. In this case we will assume that John and Jane are in automated collections and therefore will need to complete a 433F. If a Revenue Officer had been assigned to their case, John and Jane would most likely need to submit a 433A (referenced later in this manual).

You will note that based upon the Doe’s limited assets and their Monthly Disposable Income (“MDI”), they should be able to make a \$468 monthly payment to the IRS. This amount is then transferred to the installment agreement request form (9465) also shown below.

Collection Information Statement

Name(s) and Address John and Jane Doe 1234 Memory Lane Anytown, USA 12345 <input type="checkbox"/> If address provided above is different than last return filed, please check here	Your Social Security Number or Individual Taxpayer Identification Number 123-45-6789 Your Spouse's Social Security Number or Individual Taxpayer Identification Number 987-65-4321								
County of Residence Los Angeles	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <th style="width: 50%;">Your Telephone Numbers</th> <th style="width: 50%;">Spouse's Telephone Numbers</th> </tr> <tr> <td>Home: (818) 555-1212</td> <td>Home: _____</td> </tr> <tr> <td>Work: _____</td> <td>Work: _____</td> </tr> <tr> <td>Cell: _____</td> <td>Cell: _____</td> </tr> </table>	Your Telephone Numbers	Spouse's Telephone Numbers	Home: (818) 555-1212	Home: _____	Work: _____	Work: _____	Cell: _____	Cell: _____
Your Telephone Numbers	Spouse's Telephone Numbers								
Home: (818) 555-1212	Home: _____								
Work: _____	Work: _____								
Cell: _____	Cell: _____								

Enter the number of people in the household who can be claimed on this year's tax return including you and your spouse. Under 65 4 65 and Over _____

If you or your spouse are self employed or have self employment income, provide the following information:

Name of Business	Business EIN	Type of Business	Number of Employees (not counting owner)
N/A			

A. ACCOUNTS / LINES OF CREDIT Include checking, online, mobile (e.g., PayPal) and savings accounts, Certificates of Deposit, Trusts, Individual Retirement Accounts (IRAs), Keogh Plans, Simplified Employee Pensions, 401(k) Plans, Profit Sharing Plans, Mutual Funds, Stocks, Bonds and other investments. If applicable, include business accounts. (Use additional sheets if necessary.)

Name and Address of Institution	Account Number	Type of Account	Current Balance/Value	Check if Business Account
Main Bank	111111111	Checking	1,400	<input type="checkbox"/>
				<input type="checkbox"/>
				<input type="checkbox"/>
				<input type="checkbox"/>
				<input type="checkbox"/>
				<input type="checkbox"/>
				<input type="checkbox"/>

B. REAL ESTATE Include home, vacation property, timeshares, vacant land and other real estate. (Use additional sheets if necessary.)

Description/Location/County	Monthly Payment(s)	Financing		Current Value	Balance Owed	Equity
Single Family Residence 1234 Memory Lane Anytown, USA 12345 Los Angeles <input checked="" type="checkbox"/> Primary Residence <input type="checkbox"/> Other	3,200	Year Purchased	Purchase Price	435,000	517,000	0
		2008	785,000			
		Year Refinanced	Refinance Amount			
		Year Purchased	Purchase Price			
		Year Refinanced	Refinance Amount			

C. OTHER ASSETS Include cars, boats, recreational vehicles, whole life policies, etc. Include make, model and year of vehicles and name of Life Insurance company in Description. If applicable, include business assets such as tools, equipment, inventory, etc. (Use additional sheets if necessary.)

Description	Monthly Payment	Year Purchased	Final Payment (mo/yr)	Current Value	Balance Owed	Equity
Nissan Sentra	473	2013	1 / 18	11,438	18,447	0
Acura Integra (Lease)	517	2012	6 / 17	0	19,129	0
			/			
			/			
			/			
			/			

NOTES (For IRS Use Only)

TURN PAGE TO CONTINUE

D. CREDIT CARDS (Visa, MasterCard, American Express, Department Stores, etc.)

Type	Credit Limit	Balance Owed	Minimum Monthly Payment
N/A			

E. BUSINESS INFORMATION Complete E1 for Accounts Receivable owed to you or your business. (Use additional sheets if necessary.) Complete E2 if you or your business accepts credit card payments.

E1. Accounts Receivable owed to you or your business

Name	Address	Amount Owed
N/A		
List total amount owed from additional sheets		
Total amount of accounts receivable available to pay to IRS now		0

E2. Name of individual or business on account

Credit Card (Visa, Master Card, etc.)	Issuing Bank Name and Address	Merchant Account Number
N/A		

F. EMPLOYMENT INFORMATION If you have more than one employer, include the information on another sheet of paper. (If attaching a copy of current pay stub, you do not need to complete this section.)

<p>Your current Employer (name and address) ACME Inc. 9999 Industrial Way Los Angeles, CA 90000</p> <p>How often are you paid? (Check one) <input type="checkbox"/> Weekly <input type="checkbox"/> Biweekly <input checked="" type="checkbox"/> Semi-monthly <input type="checkbox"/> Monthly</p> <p>Gross per pay period <u>3,831</u></p> <p>Taxes per pay period (Fed) <u>866</u> (State) <u>227</u> (Local) _____</p> <p>How long at current employer <u>2 yrs 7 mos</u></p>	<p>Spouse's current Employer (name and address) ACME Inc. 9999 Industrial Way Los Angeles, CA 90000</p> <p>How often are you paid? (Check one) <input type="checkbox"/> Weekly <input type="checkbox"/> Biweekly <input checked="" type="checkbox"/> Semi-monthly <input type="checkbox"/> Monthly</p> <p>Gross per pay period <u>1,884</u></p> <p>Taxes per pay period (Fed) <u>396</u> (State) <u>117</u> (Local) _____</p> <p>How long at current employer <u>1 yr 3 mos</u></p>
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G. NON-WAGE HOUSEHOLD INCOME List monthly amounts. For Self-Employment and Rental Income, list the monthly amount received after expenses or taxes and attach a copy of your current year profit and loss statement.

Alimony Income	Net Rental Income	Interest/Dividends Income
Child Support Income	Unemployment Income	Social Security Income
Net Self Employment Income	Pension Income	Other:

H. MONTHLY NECESSARY LIVING EXPENSES List monthly amounts. (For expenses paid other than monthly, see instructions.)

<p>1. Food / Personal Care See instructions. If you do not spend more than the standard allowable amount for your family size, fill in the Total amount only.</p> <table style="width: 100%;"> <tr><td>Food</td><td style="text-align: right;">821</td></tr> <tr><td>Housekeeping Supplies</td><td style="text-align: right;">78</td></tr> <tr><td>Clothing and Clothing Services</td><td style="text-align: right;">244</td></tr> <tr><td>Personal Care Products & Services</td><td style="text-align: right;">70</td></tr> <tr><td>Miscellaneous</td><td style="text-align: right;">300</td></tr> <tr><td>Total</td><td style="text-align: right;">1,513</td></tr> </table>	Food	821	Housekeeping Supplies	78	Clothing and Clothing Services	244	Personal Care Products & Services	70	Miscellaneous	300	Total	1,513	<p>3. Housing & Utilities</p> <table style="width: 100%;"> <tr><td>Rent</td><td></td></tr> <tr><td>Electric, Oil/Gas, Water/Trash</td><td style="text-align: right;">433</td></tr> <tr><td>Telephone/Cell/Cable/Internet</td><td></td></tr> <tr><td>Real Estate Taxes and Insurance (if not included in B above)</td><td></td></tr> <tr><td>Maintenance and Repairs</td><td></td></tr> <tr><td>Total</td><td style="text-align: right;">433</td></tr> </table>	Rent		Electric, Oil/Gas, Water/Trash	433	Telephone/Cell/Cable/Internet		Real Estate Taxes and Insurance (if not included in B above)		Maintenance and Repairs		Total	433	<p>5. Other</p> <table style="width: 100%;"> <tr><td>Child / Dependent Care</td><td style="text-align: right;">319</td></tr> <tr><td>Estimated Tax Payments</td><td></td></tr> <tr><td>Term Life Insurance</td><td style="text-align: right;">270</td></tr> <tr><td>Retirement (Employer Required)</td><td></td></tr> <tr><td>Retirement (Voluntary)</td><td></td></tr> <tr><td>Union Dues</td><td></td></tr> <tr><td>Delinquent State & Local Taxes (minimum payment)</td><td></td></tr> <tr><td>Student Loans (minimum payment)</td><td></td></tr> <tr><td>Court Ordered Child Support</td><td></td></tr> <tr><td>Court Ordered Alimony</td><td></td></tr> <tr><td>Other Court Ordered Payments</td><td></td></tr> <tr><td>Other (specify)</td><td></td></tr> <tr><td>Other (specify)</td><td></td></tr> <tr><td>Other (specify)</td><td></td></tr> </table>	Child / Dependent Care	319	Estimated Tax Payments		Term Life Insurance	270	Retirement (Employer Required)		Retirement (Voluntary)		Union Dues		Delinquent State & Local Taxes (minimum payment)		Student Loans (minimum payment)		Court Ordered Child Support		Court Ordered Alimony		Other Court Ordered Payments		Other (specify)		Other (specify)		Other (specify)	
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Under penalty of perjury, I declare to the best of my knowledge and belief this statement of assets, liabilities and other information is true, correct and complete.

Your Signature	Spouse's Signature	Date
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Installment Agreement Request

▶ Information about Form 9465 and its separate instructions is at www.irs.gov/form9465.
 ▶ If you are filing this form with your tax return, attach it to the front of the return.
 ▶ See separate instructions.

OMB No. 1545-0074

Tip: If you owe \$50,000 or less, you may be able to establish an installment agreement online, even if you have not yet received a bill for your taxes. Go to IRS.gov to apply to pay online. **Caution:** Do not file this form if you are currently making payments on an installment agreement or can pay your balance in full within 120 days. Instead, call 1-800-829-1040. Do not file if your business is still operating and owes employment or unemployment taxes. Instead, call the telephone number on your most recent notice. If you are in bankruptcy or we have accepted your offer-in-compromise, see **Bankruptcy or offer-in-compromise**, in the instructions.

Part I

This request is for Form(s) (for example, Form 1040 or Form 941) ▶ and for tax year(s) (for example, 2012 and 2013) ▶

1a Your first name and initial <u>John</u>	Last name <u>Doe</u>	Your social security number <u>123-45-6789</u>
If a joint return, spouse's first name and initial <u>Jane</u>	Last name <u>Doe</u>	Spouse's social security number <u>987-65-4321</u>
Current address (number and street). If you have a P.O. box and no home delivery, enter your box number. <u>1234 Memory Lane</u>		Apt. number
City, town or post office, state, and ZIP code. If a foreign address, also complete the spaces below (see instructions) <u>Anytown, USA 12345</u>		
Foreign country name	Foreign province/state/county	Foreign postal code

1b If this address is new since you filed your last tax return, check here

2 Name of your business (must be no longer operating)	Employer identification number (EIN)
--	--------------------------------------

3 <u>(818) 555-1212</u> Your home phone number	<u>Evening</u> Best time for us to call	4 <u>(818) 555-1000</u> Your work phone number	<u>Mornings</u> Best time for us to call
--	--	--	---

5 Name of your bank or other financial institution: <u>Main Bank</u> Address <u>1111 Main Street</u> City, state, and ZIP code <u>Anytown, USA 12345</u>	6 Your employer's name: <u>ACME Inc.</u> Address <u>1234 Industrial Way</u> City, state, and ZIP code <u>Anytown, USA 12345</u>
--	---

7 Enter the total amount you owe as shown on your tax return(s) (or notice(s))	7	264,000	00
8 Enter the amount of any payment you are making with your tax return(s) (or notice(s)). See instructions	8		
9 Subtract line 8 from line 7 and enter the result	9	264,000	00
10 Enter the amount you can pay each month. Make your payments as large as possible to limit interest and penalty charges. The charges will continue until you pay in full. If no payment amount is listed on line 10, a payment will be determined for you by dividing the balance due by 72 months	10	468	00
11 Divide the amount on line 9 by 72 and enter the result	11	3,666	67

- If the amount on line 10 is less than the amount on line 11 and you are unable to increase your payment to the amount on line 11, complete and attach Form 433-F, Collection Information Statement.
- If the amount on line 10 is equal to or greater than the amount on line 11 but the amount you owe is greater than \$25,000 but not more than \$50,000, you must complete either line 13 or 14, if you do not wish to complete Form 433-F.
- If the amount on line 9 is greater than \$50,000, complete and attach Form 433-F, Collection Information Statement.

12 Enter the date you want to make your payment each month. Do not enter a date later than the 28th ▶	<u>28th</u>
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13 If you want to make your payments by direct debit from your checking account, see the instructions and fill in lines 13a and 13b. This is the most convenient way to make your payments and it will ensure that they are made on time.

▶ **a** Routing number

0	0	0	0	0	0	0	0	0	0	0
---	---	---	---	---	---	---	---	---	---	---

▶ **b** Account number

1	1	1	1	1	1	1	1	1	1	1									
---	---	---	---	---	---	---	---	---	---	---	--	--	--	--	--	--	--	--	--

I authorize the U.S. Treasury and its designated Financial Agent to initiate a monthly ACH debit (electronic withdrawal) entry to the financial institution account indicated for payments of my Federal taxes owed, and the financial institution to debit the entry to this account. This authorization is to remain in full force and effect until I notify the U.S. Treasury Financial Agent to terminate the authorization. To revoke payment, I must contact the U.S. Treasury Financial Agent at **1-800-829-1040** no later than 14 business days prior to the payment (settlement) date. I also authorize the financial institutions involved in the processing of the electronic payments of taxes to receive confidential information necessary to answer inquiries and resolve issues related to the payments.

14 If you want to make your payments by payroll deduction, check this box and attach a completed Form 2159, Payroll Deduction Agreement

Your signature	Date	Spouse's signature. If a joint return, both must sign.	Date
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Collection Information Statements

In order to prepare an Installment Agreement (excluding a Streamlined Installment Agreement) or an Offer In Compromise, the taxpayer must prove that they have limited net income and assets. The method for proving this is based upon forms that list the taxpayer's income, expenses, assets and liabilities.

The forms are called **Collection Information Statements**. The most commonly used Collection Information Statements are IRS forms 433A, 433F (reference in Case Study 1 "CS-1") and 433B. On the pages that follow you will see a sample of form 433A for individuals and those with self-employed businesses. Form 433B is for business entities and looks similar to a 433A.

Collection Information Statement for Wage Earners and Self-Employed Individuals

Wage Earners Complete Sections 1, 2, 3, 4, and 5 including the signature line on page 4. *Answer all questions or write N/A if the question is not applicable.*

Self-Employed Individuals Complete Sections 1, 3, 4, 5, 6 and 7 and the signature line on page 4. *Answer all questions or write N/A if the question is not applicable.*

For Additional Information, refer to Publication 1854, "How To Prepare a Collection Information Statement."

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

Name on Internal Revenue Service (IRS) Account	Social Security Number SSN on IRS Account	Employer Identification Number EIN
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Section 1: Personal Information

1a Full Name of Taxpayer and Spouse (if applicable)		1c Home Phone () ()	1d Cell Phone () ()
1b Address (Street, City, State, ZIP code) (County of Residence)		1e Business Phone () ()	1f Business Cell Phone () ()
2a Marital Status: <input type="checkbox"/> Married <input type="checkbox"/> Unmarried (Single, Divorced, Widowed)		2b Name, Age, and Relationship of dependent(s)	
3a Taxpayer	Social Security No. (SSN)	Date of Birth (mmddyyyy)	Driver's License Number and State
3b Spouse			

Section 2: Employment Information for Wage Earners

If you or your spouse have self-employment income instead of, or in addition to wage income, complete Business Information in Sections 6 and 7.

Taxpayer		Spouse	
4a Taxpayer's Employer Name		5a Spouse's Employer Name	
4b Address (Street, City, State, and ZIP code)		5b Address (Street, City, State, and ZIP code)	
4c Work Telephone Number () ()	4d Does employer allow contact at work <input type="checkbox"/> Yes <input type="checkbox"/> No	5c Work Telephone Number () ()	5d Does employer allow contact at work <input type="checkbox"/> Yes <input type="checkbox"/> No
4e How long with this employer (years) (months)	4f Occupation	5e How long with this employer (years) (months)	5f Occupation
4g Number of withholding allowances claimed on Form W-4	4h Pay Period: <input type="checkbox"/> Weekly <input type="checkbox"/> Bi-weekly <input type="checkbox"/> Monthly <input type="checkbox"/> Other	5g Number of withholding allowances claimed on Form W-4	5h Pay Period: <input type="checkbox"/> Weekly <input type="checkbox"/> Bi-weekly <input type="checkbox"/> Monthly <input type="checkbox"/> Other

Section 3: Other Financial Information (Attach copies of applicable documentation)

6 Are you a party to a lawsuit (If yes, answer the following) Yes No

<input type="checkbox"/> Plaintiff <input type="checkbox"/> Defendant	Location of Filing	Represented by	Docket/Case No.
Amount of Suit \$	Possible Completion Date (mmddyyyy)	Subject of Suit	

7 Have you ever filed bankruptcy (If yes, answer the following) Yes No

Date Filed (mmddyyyy)	Date Dismissed (mmddyyyy)	Date Discharged (mmddyyyy)	Petition No.	Location Filed
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8 In the past 10 years, have you lived outside of the U.S for 6 months or longer (If yes, answer the following) Yes No

Dates lived abroad: from (mmddyyyy) To (mmddyyyy)

9a Are you the beneficiary of a trust, estate, or life insurance policy (If yes, answer the following) Yes No

Place where recorded: _____ EIN: _____

Name of the trust, estate, or policy	Anticipated amount to be received \$	When will the amount be received
--------------------------------------	---	----------------------------------

9b Are you a trustee, fiduciary, or contributor of a trust Yes No

Name of the trust: _____ EIN: _____

10 Do you have a safe deposit box (business or personal) (If yes, answer the following) Yes No

Location (Name, address and box number(s))	Contents	Value \$
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11 In the past 10 years, have you transferred any assets for less than their full value (If yes, answer the following) Yes No

List Asset(s)	Value at Time of Transfer \$	Date Transferred (mmddyyyy)	To Whom or Where was it Transferred
---------------	---------------------------------	-----------------------------	-------------------------------------

Section 4: Personal Asset Information for All Individuals

12 CASH ON HAND Include cash that is not in a bank **Total Cash on Hand** \$

PERSONAL BANK ACCOUNTS Include all checking, online and mobile (e.g., PayPal) accounts, money market accounts, savings accounts, and stored value cards (e.g., payroll cards, government benefit cards, etc.).

Type of Account	Full Name & Address (Street, City, State, ZIP code) of Bank, Savings & Loan, Credit Union, or Financial Institution	Account Number	Account Balance As of _____ mmddyyyy
13a			\$
13b			\$
13c			\$

13d Total Cash (Add lines 13a through 13c, and amounts from any attachments) \$

INVESTMENTS Include stocks, bonds, mutual funds, stock options, certificates of deposit, and retirement assets such as IRAs, Keogh, and 401(k) plans. Include all corporations, partnerships, limited liability companies, or other business entities in which you are an officer, director, owner, member, or otherwise have a financial interest.

Type of Investment or Financial Interest	Full Name & Address (Street, City, State, ZIP code) of Company	Current Value	Loan Balance (if applicable) As of _____ mmddyyyy	Equity Value minus Loan
14a				
	Phone	\$	\$	\$
14b				
	Phone	\$	\$	\$
14c				
	Phone	\$	\$	\$

14d Total Equity (Add lines 14a through 14c and amounts from any attachments) \$

AVAILABLE CREDIT Include all lines of credit and bank issued credit cards. Full Name & Address (Street, City, State, ZIP code) of Credit Institution

	Credit Limit	Amount Owed As of _____ mmddyyyy	Available Credit As of _____ mmddyyyy
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15a			
	Acct. No	\$	\$
15b			
	Acct. No	\$	\$

15c Total Available Credit (Add lines 15a, 15b and amounts from any attachments) \$

16a LIFE INSURANCE Do you own or have any interest in any life insurance policies with cash value (Term Life insurance does not have a cash value)
 Yes **No** If yes, complete blocks 16b through 16f for each policy.

16b Name and Address of Insurance Company(ies):			
16c Policy Number(s)			
16d Owner of Policy			
16e Current Cash Value	\$	\$	\$
16f Outstanding Loan Balance	\$	\$	\$

16g Total Available Cash (Subtract amounts on line 16f from line 16e and include amounts from any attachments) \$

REAL PROPERTY Include all real property owned or being purchased

		Purchase Date (mmdyyyy)	Current Fair Market Value (FMV)	Current Loan Balance	Amount of Monthly Payment	Date of Final Payment (mmdyyyy)	Equity FMV Minus Loan
17a Property Description			\$	\$	\$		\$
Location (Street, City, State, ZIP code) and County			Lender/Contract Holder Name, Address (Street, City, State, ZIP code), and Phone				
			Phone				
17b Property Description			\$	\$	\$		\$
Location (Street, City, State, ZIP code) and County			Lender/Contract Holder Name, Address (Street, City, State, ZIP code), and Phone				
			Phone				
17c Total Equity (Add lines 17a, 17b and amounts from any attachments)							\$

PERSONAL VEHICLES LEASED AND PURCHASED Include boats, RVs, motorcycles, all-terrain and off-road vehicles, trailers, etc.

Description (Year, Mileage, Make/Model, Tag Number, Vehicle Identification Number)		Purchase/Lease Date (mmdyyyy)	Current Fair Market Value (FMV)	Current Loan Balance	Amount of Monthly Payment	Date of Final Payment (mmdyyyy)	Equity FMV Minus Loan
18a Year	Make/Model		\$	\$	\$		\$
Mileage	License/Tag Number	Lender/Lessor Name, Address (Street, City, State, ZIP code), and Phone					
Vehicle Identification Number		Phone					
18b Year	Make/Model		\$	\$	\$		\$
Mileage	License/Tag Number	Lender/Lessor Name, Address (Street, City, State, ZIP code), and Phone					
Vehicle Identification Number		Phone					
18c Total Equity (Add lines 18a, 18b and amounts from any attachments)							\$

PERSONAL ASSETS Include all furniture, personal effects, artwork, jewelry, collections (coins, guns, etc.), antiques or other assets. Include intangible assets such as licenses, domain names, patents, copyrights, mining claims, etc.

		Purchase/Lease Date (mmdyyyy)	Current Fair Market Value (FMV)	Current Loan Balance	Amount of Monthly Payment	Date of Final Payment (mmdyyyy)	Equity FMV Minus Loan
19a Property Description			\$	\$	\$		\$
Location (Street, City, State, ZIP code) and County			Lender/Lessor Name, Address (Street, City, State, ZIP code), and Phone				
			Phone				
19b Property Description			\$	\$	\$		\$
Location (Street, City, State, ZIP code) and County			Lender/Lessor Name, Address (Street, City, State, ZIP code), and Phone				
			Phone				
19c Total Equity (Add lines 19a, 19b and amounts from any attachments)							\$

If you are self-employed, sections 6 and 7 must be completed before continuing.

Section 5: Monthly Income and Expenses

Monthly Income/Expense Statement (For additional information, refer to Publication 1854.)

Total Income		Total Living Expenses		IRS USE ONLY
Source	Gross Monthly	Expense Items ⁶	Actual Monthly	Allowable Expenses
20 Wages (Taxpayer) ¹	\$	35 Food, Clothing and Misc. ⁷	\$	
21 Wages (Spouse) ¹	\$	36 Housing and Utilities ⁸	\$	
22 Interest - Dividends	\$	37 Vehicle Ownership Costs ⁹	\$	
23 Net Business Income ²	\$	38 Vehicle Operating Costs ¹⁰	\$	
24 Net Rental Income ³	\$	39 Public Transportation ¹¹	\$	
25 Distributions (K-1, IRA, etc.) ⁴	\$	40 Health Insurance	\$	
26 Pension (Taxpayer)	\$	41 Out of Pocket Health Care Costs ¹²	\$	
27 Pension (Spouse)	\$	42 Court Ordered Payments	\$	
28 Social Security (Taxpayer)	\$	43 Child/Dependent Care	\$	
29 Social Security (Spouse)	\$	44 Life Insurance	\$	
30 Child Support	\$	45 Current year taxes (Income/FICA) ¹³	\$	
31 Alimony	\$	46 Secured Debts (Attach list)	\$	
Other Income (Specify below) ⁵		47 Delinquent State or Local Taxes	\$	
32	\$	48 Other Expenses (Attach list)	\$	
33	\$	49 Total Living Expenses (add lines 35-48)	\$	
34 Total Income (add lines 20-33)	\$	50 Net difference (Line 34 minus 49)	\$	

- 1 Wages, salaries, pensions, and social security:** Enter gross monthly wages and/or salaries. Do not deduct tax withholding or allotments taken out of pay, such as insurance payments, credit union deductions, car payments, etc. To calculate the gross monthly wages and/or salaries:
If paid weekly - multiply weekly gross wages by 4.3. Example: \$425.89 x 4.3 = \$1,831.33
If paid biweekly (every 2 weeks) - multiply biweekly gross wages by 2.17. Example: \$972.45 x 2.17 = \$2,110.22
If paid semimonthly (twice each month) - multiply semimonthly gross wages by 2. Example: \$856.23 x 2 = \$1,712.46
- 2 Net Income from Business:** Enter monthly net business income. This is the amount earned after ordinary and necessary monthly business expenses are paid. **This figure is the amount from page 6, line 89.** If the net business income is a loss, enter "0". Do not enter a negative number. If this amount is more or less than previous years, attach an explanation.
- 3 Net Rental Income:** Enter monthly net rental income. This is the amount earned after ordinary and necessary monthly rental expenses are paid. Do not include deductions for depreciation or depletion. If the net rental income is a loss, enter "0." Do not enter a negative number.
- 4 Distributions:** Enter the total distributions from partnerships and subchapter S corporations reported on Schedule K-1, and from limited liability companies reported on Form 1040, Schedule C, D or E. Enter total distributions from IRAs if not included under pension income.
- 5 Other Income:** Include agricultural subsidies, unemployment compensation, gambling income, oil credits, rent subsidies, etc.
- 6 Expenses not generally allowed:** We generally do not allow tuition for private schools, public or private college expenses, charitable contributions, voluntary retirement contributions or payments on unsecured debts. However, we may allow the expenses if proven that they are necessary for the health and welfare of the individual or family or the production of income. See Publication 1854 for exceptions.
- 7 Food, Clothing and Miscellaneous:** Total of food, clothing, housekeeping supplies, and personal care products for one month. The miscellaneous allowance is for expenses incurred that are not included in any other allowable living expense items. Examples are credit card payments, bank fees and charges, reading material, and school supplies.
- 8 Housing and Utilities:** For principal residence: Total of rent or mortgage payment. Add the average monthly expenses for the following: property taxes, homeowner's or renter's insurance, maintenance, dues, fees, and utilities. Utilities include gas, electricity, water, fuel, oil, other fuels, trash collection, telephone, cell phone, cable television and internet services.
- 9 Vehicle Ownership Costs:** Total of monthly lease or purchase/loan payments.
- 10 Vehicle Operating Costs:** Total of maintenance, repairs, insurance, fuel, registrations, licenses, inspections, parking, and tolls for one month.
- 11 Public Transportation:** Total of monthly fares for mass transit (e.g., bus, train, ferry, taxi, etc.)
- 12 Out of Pocket Health Care Costs:** Monthly total of medical services, prescription drugs and medical supplies (e.g., eyeglasses, hearing aids, etc.)
- 13 Current Year Taxes:** Include state and Federal taxes withheld from salary or wages, or paid as estimated taxes.

Certification: Under penalties of perjury, I declare that to the best of my knowledge and belief this statement of assets, liabilities, and other information is true, correct, and complete.

Taxpayer's Signature	Spouse's signature	Date
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After we review the completed Form 433-A, you may be asked to provide verification for the assets, encumbrances, income and expenses reported. Documentation may include previously filed income tax returns, pay statements, self-employment records, bank and investment statements, loan statements, bills or statements for recurring expenses, etc.

IRS USE ONLY (Notes)

Sections 6 and 7 must be completed only if you are SELF-EMPLOYED.

Section 6: Business Information

51 Is the business a sole proprietorship (*filing Schedule C*) **Yes**, Continue with Sections 6 and 7. **No**, Complete Form 433-B.
All other business entities, including limited liability companies, partnerships or corporations, must complete Form 433-B.

52 Business Name & Address (*if different than 1b*)

53 Employer Identification Number	54 Type of Business	55 Is the business a Federal Contractor <input type="checkbox"/> Yes <input type="checkbox"/> No
56 Business Website (web address)	57 Total Number of Employees	58 Average Gross Monthly Payroll
59 Frequency of Tax Deposits	60 Does the business engage in e-Commerce (<i>Internet sales</i>) If yes, complete <i>lines 61a and 61b</i> <input type="checkbox"/> Yes <input type="checkbox"/> No	

PAYMENT PROCESSOR (<i>e.g., PayPal, Authorize.net, Google Checkout, etc.</i>) Name & Address (<i>Street, City, State, ZIP code</i>)	Payment Processor Account Number
61a	
61b	

CREDIT CARDS ACCEPTED BY THE BUSINESS

Credit Card	Merchant Account Number	Issuing Bank Name & Address (<i>Street, City, State, ZIP code</i>)
62a		
62b		
62c		

63 BUSINESS CASH ON HAND Include cash that is not in a bank. **Total Cash on Hand** \$

BUSINESS BANK ACCOUNTS Include checking accounts, online and mobile (*e.g., PayPal*) accounts, money market accounts, savings accounts, and stored value cards (*e.g., payroll cards, government benefit cards, etc.*). Report Personal Accounts in Section 4.

Type of Account	Full name & Address (<i>Street, City, State, ZIP code</i>) of Bank, Savings & Loan, Credit Union or Financial Institution.	Account Number	Account Balance As of _____ <i>mmdyyyy</i>
64a			\$
64b			\$

64c Total Cash in Banks (*Add lines 64a, 64b and amounts from any attachments*) \$

ACCOUNTS/NOTES RECEIVABLE Include e-payment accounts receivable and factoring companies, and any bartering or online auction accounts. (*List all contracts separately, including contracts awarded, but not started.*) **Include Federal, state and local government grants and contracts.**

Accounts/Notes Receivable & Address (<i>Street, City, State, ZIP code</i>)	Status (<i>e.g., age, factored, other</i>)	Date Due (<i>mmdyyyy</i>)	Invoice Number or Government Grant or Contract Number	Amount Due
65a				\$
65b				\$
65c				\$
65d				\$
65e				\$

65f Total Outstanding Balance (*Add lines 65a through 65e and amounts from any attachments*) \$

BUSINESS ASSETS Include all tools, books, machinery, equipment, inventory or other assets used in trade or business. Include a list and show the value of all intangible assets such as licenses, patents, domain names, copyrights, trademarks, mining claims, etc.

	Purchase/ Lease Date (mmdyyyy)	Current Fair Market Value (FMV)	Current Loan Balance	Amount of Monthly Payment	Date of Final Payment (mmdyyyy)	Equity FMV Minus Loan
66a Property Description		\$	\$	\$		\$
Location (Street, City, State, ZIP code) and Country			Lender/Lessor/Landlord Name, Address (Street, City, State, ZIP code), and Phone			
			Phone			
66b Property Description		\$	\$	\$		\$
Location (Street, City, State, ZIP code) and Country			Lender/Lessor/Landlord Name, Address (Street, City, State, ZIP code), and Phone			
			Phone			
66c Total Equity (Add lines 66a, 66b and amounts from any attachments)						\$

Section 7 should be completed only if you are SELF-EMPLOYED

Section 7: Sole Proprietorship Information (lines 67 through 87 should reconcile with business Profit and Loss Statement)

Accounting Method Used: Cash Accrual

Use the prior 3, 6, 9 or 12 month period to determine your typical business income and expenses.

Income and Expenses during the period (mmdyyyy) to (mmdyyyy)

Provide a breakdown below of your average monthly income and expenses, based on the period of time used above.

Total Monthly Business Income		Total Monthly Business Expenses (Use attachments as needed)	
Source	Gross Monthly	Expense Items	Actual Monthly
67 Gross Receipts	\$	77 Materials Purchased ¹	\$
68 Gross Rental Income	\$	78 Inventory Purchased ²	\$
69 Interest	\$	79 Gross Wages & Salaries	\$
70 Dividends	\$	80 Rent	\$
71 Cash Receipts not included in lines 67-70	\$	81 Supplies ³	\$
Other Income (Specify below)		82 Utilities/Telephone ⁴	\$
72	\$	83 Vehicle Gasoline/Oil	\$
73	\$	84 Repairs & Maintenance	\$
74	\$	85 Insurance	\$
75	\$	86 Current Taxes ⁵	\$
76 Total Income (Add lines 67 through 75)	\$	87 Other Expenses, including installment payments (Specify)	\$
		88 Total Expenses (Add lines 77 through 87)	\$
		89 Net Business Income (Line 76 minus 88) ⁶	\$

**Enter the monthly net income amount from line 89 on line 23, section 5. If line 89 is a loss, enter "0" on line 23, section 5.
Self-employed taxpayers must return to page 4 to sign the certification.**

1 Materials Purchased: Materials are items directly related to the production of a product or service.

2 Inventory Purchased: Goods bought for resale.

3 Supplies: Supplies are items used in the business that are consumed or used up within one year. This could be the cost of books, office supplies, professional equipment, etc.

4 Utilities/Telephone: Utilities include gas, electricity, water, oil, other fuels, trash collection, telephone, cell phone and business internet.

5 Current Taxes: Real estate, excise, franchise, occupational, personal property, sales and employer's portion of employment taxes.

6 Net Business Income: Net profit from Form 1040, Schedule C may be used if duplicated deductions are eliminated (e.g., expenses for business use of home already included in housing and utility expenses on page 4). Deductions for depreciation and depletion on Schedule C are not cash expenses and must be added back to the net income figure. In addition, interest cannot be deducted if it is already included in any other installment payments allowed.

IRS USE ONLY (Notes)

Offers in Compromise

Submitting an **Offer in Compromise** is a process in which a taxpayer may reduce their Internal Revenue Service or State tax debt by negotiating with the taxing agency to accept an amount less than the actual amount they owe. This process is often referred to as settling one's taxes for "pennies on the dollar". The IRS or State has the authority to settle or "compromise" Federal and State tax liabilities by accepting less than full payment under certain circumstances. A Federal tax debt may be legally compromised under one of the following conditions...

- 1. Doubt as to Collectability** - Doubt exists that a taxpayer could pay the full amount of tax owed within the collection statute.
- 2. Doubt as to Liability** - Doubt exists as to whether the tax should have been assessed to the taxpayer.
- 3. Effective Tax Administration** - There is no doubt the tax is correct, and no doubt that the amount owed could be collected, but an exceptional circumstance exists that allows the IRS to consider a taxpayer's offer. To be eligible for this type of compromise, the taxpayer must demonstrate that collection of the tax would create an economic hardship or would be unfair and inequitable.

The majority of the taxpayers fall into the first category (i.e. you owe the tax but you cannot pay the IRS the full amount of what is owed). For the IRS to consider an **Offer in Compromise**, you

Offers in Compromise

must at least offer to pay an amount equal to the quick sale value of all your assets plus all the money the IRS "believes" they can collect from your future disposable income for a period of 12 or 24 months (the time period was reduced from 48 or 60 months as part of the Fresh Start Initiative).

The IRS uses a formula that combines an analysis of a taxpayer's current net worth along with a determination of the taxpayer's future ability to pay. In March of 1999, the IRS created a new offer referred to as a Deferred Payment Offer, which allows an individual to pay the discounted value of his assets plus monthly payments for the remainder of the statute of limitations for collection.

When the IRS receives an **Offer in Compromise** they first determine if the offer is processable. The offer is then sent to an Offer Specialist for the IRS district in which it was submitted. Once it is determined that an offer is processable, it is sent to the service center for a search of the tax records to determine the exact amount of the tax due. The offer will not be accepted if an individual is not in current compliance.

There are three basic plans for the payment of an **Offer in Compromise**. An offer may be paid in upon acceptance in full or over 5 months once an offer has been accepted. In order to pay off the offer using either of the above-mentioned options, the taxpayer must submit a non-refundable down payment of 20% of the full offer amount with the paperwork initially. There is also a Periodic Payment option which requires no down payment but requires regular payments be made throughout the process of determining if the offer will be accepted. In this case the offer must be paid in no more than 23 monthly payments.

A taxpayer submitting an offer must include as part of his/her offer the realizable value of their assets (quick sale value) plus the total amount that the IRS could collect over a 12-month period.

The IRS bases its acceptance of the offer using the following formula:

Quick sale value of assets plus present value of income equals the Offer in Compromise settlement amount (QSV + PVI = OIC). The IRS determines the Quick Sale Value of all of the client's assets and then adds that amount to the present value of the amount they are able to pay.

In determining the amount of the offer, the IRS uses a quick sale value of assets. The IRS also looks at the amount that can be collected from future income. For example, pension plans may be a problem in negotiating an **Offer in Compromise**. The Internal Revenue Manual gives the following guidelines:

1. *“Where under the terms of employment, a taxpayer is required to contribute a percentage of his gross earnings to a retirement plan and the amount contributed, plus any increments, cannot be withdrawn until separation, retirement, demise, etc., this asset will be considered as having no realizable equity.*
2. *Where the taxpayer is not required as a condition of employment to participate in a pension plan, but voluntarily elects to do so, the realizable equity for compromise purposes shall be the gross amount in the taxpayer's plan reduced by the employer's contributions. However, in these situations each case should stand on its own merits.*
3. *If the taxpayer is permitted to borrow up to the full amount of his equity in a plan, this should be taken into consideration in the computation of realizable equity.*
4. *The current value of property deposited in an IRA or Keogh Act Plan Account should be considered in the computation of realizable equity. Cash deposits should be included at full value. If assets other than cash are invested (e.g. stock, mutual funds), the IRS should be valued at the quick sale value, less expenses. The penalty for early withdrawal should be subtracted in computing net realizable equity.”*

Offers in Compromise

The Revenue Officer generally accepts the valuation of personal items that is listed on the financial statement. If the taxpayer has jewelry, paintings, antiques, coin, stamp or gun collections, the Revenue Officer will probably look closer at the situation.

The IRS may grant special relief for property that is held in tenancy by the entirety because they cannot seize it if the spouse does not owe back taxes. (IRM 57(10)(13).92). If property is held in joint tenancy or tenancy in common, the IRS will want a 50% chunk of the value.

The Revenue Officer will look at the individual's budget as it is shown on the Form 433A. He will also look at the future job prospects of the taxpayer including his education, profession, age, experience, and past income. The IRS will determine a present value based on the individual's ability to pay. If the citizen makes a cash offer, the Service will decide how much he can pay per month and then multiply it by 12 months to determine its present value. If the individual requests a short term deferred offer, the IRS will use 24 months to determine the present value.

Some IRS districts seem to be stricter in their acceptance of **Offers in Compromise** than other districts. The **Offer in Compromise** works best for an individual who has few assets and not much disposable income. If you wish to file an **Offer in Compromise**, it is best to look very carefully at all aspect of the case including reviewing the bankruptcy statutes so that you don't inadvertently extend the statute of limitations.

Case Study – CS2

In order to illustrate how an Offer in Compromise works we will once again look at the “Doe” family. In this case the Doe family is once again made up of John (Taxpayer), Jane (Spouse) and their two children Jimmy and Jeannie. John and Jane own a home. John and Jane both are employees of the same company. They own Jane’s automobile and lease John’s. John and Jane owe \$264,000 in Civil Penalty. To summarize:

- Family of 4
- Living in Los Angeles
- Taxpayer and Spouse both work
- Owns 1 vehicle and leases another
- Owns a single family home
- Owes \$264,000 in Civil Penalty stemming from unpaid payroll taxes

Again we will take a look at the Doe’s income, expenses, assets and liabilities via the offer in compromise collection information statement (433A-OIC).

You will note that the Doe’s retain assets worth, for the purpose of an offer in compromise \$2,288. You will also notice that their Monthly Disposable Income (“MDI”) for purposes of the offer equals \$966 per month. Below you will see how these numbers equate to an Offer in the amount of \$13,880 which is much less than the \$264,000 they currently owe.

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 personally responsible for a partnership liability
 - ▶ 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.

Wage earners Complete Sections 1, 2, 3, 7, 8, 9 and the signature line in Section 10.

Self-employed individuals Complete Sections 4, 5, 6, in addition to Sections 1, 2 (if applicable), 3, 7, 8, 9 and the signature line in Section 10.

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 (213) 555 - 1234		Mailing Address (if different from above or Post Office Box number) Same	
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
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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

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 complete Business Information in Sections 4, 5, and 6.

Your Employer's Name Acme Inc.		Employer's Address (street, city, state, zip code) 9999 Industrial Way Los Angeles, CA 90000	
Do you have an interest in this business? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No			
Your Occupation Riveter	How long with this employer 2 (years) 7 (months)		
Spouse's Employer's Name Acme Inc.		Employer's Address (street, city, state, zip code) 9999 Industrial Way Los Angeles, CA 90000	
Does your spouse have an interest in this business? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No			
Spouse's Occupation Sales	How long with this employer 1 (years) 3 (months)		

Section 3

Personal Asset Information

Cash and Investments (domestic and foreign)

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 whole dollar.

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

<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 Main Bank	Account Number 111-1111-11	(1a) \$ 1,400
<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) \$
<i>Do not enter a negative number.</i> Add lines (1a) through (1c) less (\$1,000) =		(1) \$ 400
Investment Account: <input type="checkbox"/> Stocks <input type="checkbox"/> Bonds <input type="checkbox"/> Other		
Name of Financial Institution N/A	Account Number	
Current Market Value	Less 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	Less Loan Balance	
\$ _____ X .8 = \$ _____	– \$ _____ =	(2b) \$
Total of investment accounts from attachment. [current market value X.8 less loan balance(s)]		(2c) \$
Add lines (2a) through (2c) =		(2) \$ 0
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) \$
Add lines (3a) through (3c) =		(3) \$ 0
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) \$
Add lines (4a) through (4b) =		(4) \$ 0

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 01/01/2008	
County and Country Los Angeles, USA	Date of Final Payment 01/01/2038	
How title is held (joint tenancy, etc.) Joint Tenancy	Description of Property Single Family Residence	
Current Market Value \$ 435,000 X .8 = \$ 348,000	Less Loan Balance (Mortgages, etc.) – \$ 517,000 (Total Value of Real Estate) =	(5a) \$ 0
Property Address (Street Address, City, State, ZIP Code)	Primary Residence <input type="checkbox"/> Yes <input 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 \$ _____ X .8 = \$ _____	Less Loan Balance (Mortgages, etc.) – \$ _____ (Total Value of Real Estate) =	(5b) \$
Total value of property(s) from attachment [current market value X .8 less any loan balance(s)]		(5c) \$
Add lines (5a) through (5c) =		(5) \$ 0

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

Vehicle Make & Model Nissan Sentra	Year 2013	Date Purchased 01/01/2013	Mileage 8,100	
<input type="checkbox"/> Lease <input checked="" type="checkbox"/> Loan	Name of Creditor Nissan Motor Acceptance	Date of Final Payment 01/01/2018	Monthly Lease/Loan Amount \$473	
Current Market Value \$ 11,438 X .8 = \$ 9,150	Less Loan Balance – \$ 18,447	Total value of vehicle (if the vehicle is leased, enter 0 as the total value) =		
		(6a) \$	0	
Vehicle Make & Model Acura Integra	Year 2012	Date Purchased 06/01/2012	Mileage 9,100	
<input checked="" type="checkbox"/> Lease <input type="checkbox"/> Loan	Name of Creditor Honda Financial Services	Date of Final Payment 06/01/2017	Monthly Lease/Loan Amount \$517	
Current Market Value \$ 0 X .8 = \$ 0	Less Loan Balance – \$ 0	Total value of vehicle (if the vehicle is leased, enter 0 as the total value) =		
		(6b) \$	0	
Total value of vehicles listed from attachment [current market value X .8 less any loan balance(s)]				(6c) \$
Enter the allowance of \$3,450 or \$6,900, whichever is applicable. See Note below.				(6d) \$ (6,900)
Add lines (6a) through (6d) =				(6) \$ 0

NOTE: If you are filing an individual offer, you may subtract \$3,450 from the value of 1 vehicle. If you are filing a joint offer, you may subtract an additional \$3,450 for a second vehicle for a total of \$6,900. Enter the amount on Line (6d). Do not enter a negative number.

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.).

Description of asset: Furniture/Fixtures			
Current Market Value \$ <u>1,375</u> x .8 = \$ <u>1,100</u>	Less Loan Balance - \$ <u>0</u>	=	(7a) \$ <u>1,100</u>
Description of asset: Personal Effects			
Current Market Value \$ <u>985</u> x .8 = \$ <u>788</u>	Less Loan Balance - \$ _____	=	(7b) \$ <u>788</u>
Total value of valuable items listed from attachment [current market value X .8 less any loan balance(s)]			(7c) \$ _____
Add lines (7a) through (7c) =		(7) \$	1,888
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". Add lines (1) through (7) and enter the amount in Box A =		Box A Available Individual Equity in Assets \$ _____	2,288

NOTE: If you or your spouse are self-employed, Sections 4, 5, and 6 must be completed before continuing with Sections 7 and 8.

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) \$ <u>0</u>

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

Description of asset:

N/A

Current Market Value \$ _____ X .8 = \$ _____	Less Loan Balance - \$ _____	<i>(if leased or used in the production of income, enter 0 as the total value)</i>	=	(9a) \$
Description of asset:				
Current Market Value \$ _____ X .8 = \$ _____	Less Loan Balance - \$ _____	<i>(if leased or used in the production of income, enter 0 as the total value)</i>	=	(9b) \$
Total value of assets listed from attachment [current market value X .8 less any loan balance(s)]				(9c) \$
Add lines (9a) through (9c) =				(9) \$ 0
IRS allowed deduction for professional books and tools of trade -				(10) \$ [4,470]
Enter the value of line (9) minus line (10). If less than zero enter zero. =				(11) \$ 0

Notes ReceivableDo you have notes receivable? Yes No

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

Accounts ReceivableDo 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 the account(s) receivable.

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

Available Business Equity in Assets

\$ 0

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

Note: 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".

Business Income (You may average 6-12 months income/receipts to determine your Gross monthly income/receipts.)

Gross receipts	(12) \$
Gross rental income	(13) \$
Interest income	(14) \$
Dividends	(15) \$
Other income	(16) \$
Add lines (12) through (16) =	(17) \$ 0

Business Expenses (You may average 6-12 months expenses to determine your average expenses.)

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) \$
Utilities/telephones	(23) \$
Vehicle costs (gas, oil, repairs, maintenance)	(24) \$
Business Insurance	(25) \$
Current Business Taxes (e.g., Real estate, excise, franchise, occupational, personal property, sales and employer's portion of employment taxes)	(26) \$
Other secured debts (not credit cards)	(27) \$
Other business expenses (include a list)	(28) \$
Add lines (18) through (28) =	(29) \$ 0

Round to the nearest whole dollar.

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

Subtract line (29) from line (17) and enter the amount in Box C =**Box C**

Net Business Income

\$ 0

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, 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.

Primary taxpayer						
Wages	Social Security	Pension(s)	Other Income (e.g. unemployment)	Total primary taxpayer income =		
\$ 7,661	+ \$ _____	+ \$ _____	+ \$ _____		(30) \$	7,661
Spouse/Other Income						
Wages	Social Security	Pension(s)	Other Income (e.g. unemployment)	Total spouse income =		
\$ 3,767	+ \$ _____	+ \$ _____	+ \$ _____		(31) \$	3,767
Interest and dividends					(32) \$	
Distributions (e.g., income from partnerships, sub-S Corporations, etc.)					(33) \$	
Net rental income					(34) \$	
Net business income from Box C					(35) \$	
Child support received					(36) \$	
Alimony received					(37) \$	
Round to the nearest whole dollar. Do not enter a negative number. If any line item is a negative, enter "0". Add lines (30) through (37) and enter the amount in Box D =					Box D Total Household Income \$	11,428

Are there 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.? Yes No

If yes, include the income on line 31 "Spouse/Other Income" above, as appropriate.

Monthly Household Expenses

Enter your average monthly expenses.

Note: Expenses may be adjusted based on IRS Collection Financial Standards. The standards may be found at www.irs.gov.

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.	(38) \$	1,513
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).	(39) \$	3,133
Vehicle loan and/or lease payment(s)	(40) \$	990
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.	(41) \$	590
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.	(42) \$	
Health insurance premiums	(43) \$	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.)	(44) \$	240
Court-ordered payments (e.g., monthly cost of any alimony, child support, etc.)	(45) \$	
Child/dependent care payments (e.g., daycare, etc.)	(46) \$	319
Life insurance premiums	(47) \$	270
Current taxes (e.g., monthly cost of federal, state, and local tax, personal property tax, etc.)	(48) \$	3,212

Section 7 Monthly Household Income and Expense Information (Continued)

Other secured debts (e.g., any loan where you pledged an asset as collateral not previously listed, government guaranteed Student Loan).	(49) \$
Delinquent State and Local Taxes	(50) \$
Round to the nearest whole dollar. Do not enter a negative number. If any line item is a negative, enter "0". Add lines (38) through (50) and enter the amount in Box E =	Box E Total Household Expenses \$ 10,462
Round to the nearest whole dollar. Do not enter a negative number. If any line item is a negative, enter "0". Subtract Box E from Box D and enter the amount in Box F =	Box F 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 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
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If you will pay your offer in more than 5 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
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If you cannot pay the Offer Amount shown above due to special circumstances, explain on the Form 656, Offer in Compromise, Section 3. You must offer an amount more than \$0.

Section 9 Other Information

Additional information IRS needs to consider settlement of your tax debt. If you or your business are currently in a bankruptcy proceeding, you are not eligible to apply for an offer.

Are you the beneficiary of a trust, estate, or life insurance policy?

Yes No

Are you currently in bankruptcy?

Yes No

Have you filed bankruptcy in the past 10 years?

Yes No

Discharge/Dismissal Date (mm/dd/yyyy)

Location Filed

Are you or have you been party to a lawsuit?

Yes No

If yes, date the lawsuit was resolved: (mm/dd/yyyy)

In the past 10 years, have you transferred any assets for less than their full value?

Yes No

If yes, date the asset was transferred: (mm/dd/yyyy)

Have you lived outside the U.S. for 6 months or longer in the past 10 years?

Yes No

Do you have any funds being held in trust by a third party?

Yes No If yes, how much \$ Where:

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 Taxpayer	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 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.

Form **656**
(Rev. January 2014)

Offer in Compromise

Did you use the Pre-Qualifier tool located on our website at www.irs.gov prior to filling out this form?

Yes No

Include the Application Fee and Payment (*personal check, cashier 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.

Section 1 Your Contact Information

Your First Name, Middle Initial, Last Name John Doe	Social Security Number (SSN) 123 - 45 - 6789	IRS Received Date
If a Joint Offer, Spouse's First Name, Middle Initial, Last Name Jane Doe	Social Security Number (SSN) 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>)		
Business Name (<i>If included in the offer</i>)		
Business Address (<i>Street, City, State, ZIP Code</i>)		
Employer Identification Number (EIN) -	(EIN not included in offer) -	

Section 2 Tax Periods

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 below:

1040 Income Tax-Year(s) _____

1120 Income Tax-Year(s) _____

941 Employer's Quarterly Federal Tax Return - Quarterly period(s) _____

940 Employer's Annual Federal Unemployment (FUTA) Tax Return - Year(s) _____

Trust Fund Recovery Penalty as a responsible person of (*enter corporation name*) Doe Industries, Inc.
for failure to pay withholding and Federal Insurance Contributions Act taxes (Social Security taxes), for period(s) ending 3/31/2008 - 12/31/2009

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.

Section 3**Reason for Offer**

- Doubt as to Collectibility** - I have insufficient assets and income to pay the full amount.
- Exceptional Circumstances (Effective Tax Administration)** - I owe this amount and have sufficient assets to pay the full amount, but due to my exceptional circumstances, requiring full payment would cause an economic hardship or would be unfair and inequitable. I am submitting a written narrative explaining my circumstances.

Explanation of Circumstances (Add additional pages, if needed)

The IRS understands that there are unplanned events or special circumstances, such as serious illness, where paying the full amount or the minimum offer amount might impair your ability to provide for yourself and your family. If this is the case and you can provide documentation to prove your situation, then your offer may be accepted despite your financial profile. Describe your situation below and attach appropriate documents to this offer application.

My wife and I owned a business that supplied printing services to mortgage brokers. In 2008 the mortgage business suffered irreparable setbacks causing us to close our business. We have since obtained full-time employment allowing us to pay our day-to-day bills: however, our income does not allow us to pay our prior tax liabilities. We are requesting that this past liability be compromised.

Section 4**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 proprietorships do not qualify for the low income waiver.**

- Check here if you qualify for Low Income Certification based on the monthly income guidelines below.

Size of family unit	48 contiguous states and D.C.	Hawaii	Alaska
1	\$2,394	\$2,756	\$2,990
2	\$3,231	\$3,719	\$4,038
3	\$4,069	\$4,681	\$5,085
4	\$4,906	\$5,644	\$6,133
5	\$5,744	\$6,606	\$7,181
6	\$6,581	\$7,569	\$8,229
7	\$7,419	\$8,531	\$9,277
8	\$8,256	\$9,494	\$10,325
For each additional person, add	\$ 838	\$ 963	\$1,048

Section 5 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

Enter the amount of your offer \$ 13,880

Check here if you will pay your offer in 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 proprietorship and met the requirements for Low Income Certification) and fill in the amount(s) and date(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 1 \$	2,220	payable within	1	Months after acceptance
Amount of payment 2 \$	2,220	payable within	2	Months after acceptance
Amount of payment 3 \$	2,220	payable within	3	Months after acceptance
Amount of payment 4 \$	2,220	payable within	4	Months after acceptance
Amount of payment 5 \$	2,224	payable within	5	Months after acceptance

Periodic Payment

Enter the amount of your offer \$ _____

Check here if you will pay your offer in full in 6 to 24 months.
 Enclose a check for one month's installment
 \$ _____ is being submitted with the Form 656 and then \$ _____ on the _____ (day) of each month thereafter for a total of _____ months (may not exceed a total of 24 payments, including any payment submitted with this offer). Total payments must equal the total offer amount.

You must continue to make these monthly payments while the IRS is considering the offer (waived if you are an individual or sole proprietorship and 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.

Section 6 Designation of Down Payment and Deposit (Optional)

If you want your payment to be applied to a specific tax year and a specific tax debt, please tell us the tax form _____ and tax year/quarter _____. If you do not designate a preference, we will apply any money you send in 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.

If you are paying **more than** the required 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 refunded if the offer is rejected, returned, or withdrawn, unless you request it to be applied to your tax debt.

My payment of \$ _____ includes the \$186 application fee and \$ _____ for my initial offer payment. I am requesting the additional payment of \$ _____ be held as a deposit.

CAUTION: Do NOT designate the amounts sent in with your offer to cover the down payment and application fee as "deposits." Doing so will result in the return of your offer.

Section 7**Source of Funds and Making Your Payment**

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 of our offer from family and friends.

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 payments are not properly remitted, or if your check is returned for insufficient funds.

Section 8**Offer Terms**

By submitting this offer, I/we have read, understand and agree to the following terms and conditions:

Terms, Conditions, and Legal Agreement

a) I request that the IRS accept the offer amount listed in this offer application as payment of my outstanding tax debt (including interest, penalties, and any additional amounts required by law) as of the date listed on this form. I authorize the IRS to amend Section 2 on page 1 in the event I failed to list any of my assessed tax debt, or tax debt assessed before acceptance of my offer. I also authorize the IRS to amend Section 2 on page 1 by removing any tax years on which there is currently no outstanding liability. I understand that my offer will be accepted, by law, unless IRS notifies me otherwise, in writing, within 24 months of the date my offer was received by IRS. I also understand that if any tax debt that is included in the offer is in dispute in any judicial proceeding it/they will not be included in determining the expiration of the 24-month period.

IRS will keep my payments, fees, and some refunds.

b) I voluntarily submit the payments made on this offer and understand that they are not refundable even if I withdraw the offer or the IRS rejects or returns the offer. Unless I designate how to apply each required payment in Section 6 page 3, the IRS will apply my payment in the best interest of the government, choosing which tax years and tax debts to pay off. The IRS will also keep my application fee unless the offer is not accepted for processing.

c) The IRS will keep any refund, including interest, that I might be due for tax periods extending through the calendar year in which the IRS accepts my offer. I cannot designate that the refund be applied to estimated tax payments for the following year or the accepted offer amount. If I receive a refund after I submit this offer for any tax period extending through the calendar year in which the IRS accepts my offer, I will return the refund as soon as possible.

d) The IRS will keep any monies it has collected prior to this offer. The IRS may levy my assets up to the time that the IRS official signs and acknowledges my offer as pending, which is accepted for processing and the IRS may keep any proceeds arising from such a levy.

The IRS will keep any payments that I make related to this offer. I agree that any funds submitted with this offer will be treated as a payment unless I checked the box to treat an overpayment as a deposit. Only amounts that exceed the mandatory payments can be treated as a deposit. I also agree that any funds submitted with periodic payments made after the submission of this offer and prior to the acceptance, rejection, or return of this offer will be treated as payments, unless I identify an overpayment as a deposit on the check submitted with the corresponding periodic payment. A deposit will be refundable if the offer is rejected, returned, or withdrawn. I understand that the IRS will not pay interest on any deposit.

Pending status of an offer and right to appeal

e) Once an authorized IRS official signs this form, my offer is considered pending as of that signature date and it remains pending until the IRS accepts, rejects, returns, or I withdraw my offer. An offer is also considered pending for 30 days after any rejection of my offer by the IRS, and during the time that any rejection of my offer is being considered by the Appeals Office. An offer will be considered withdrawn when the IRS receives my written notification of withdrawal by personal delivery or certified mail or when I inform the IRS of my withdrawal by other means and the IRS acknowledges in writing my intent to withdraw the offer.

f) I waive the right to an Appeals hearing if I do not request a hearing within 30 days of the date the IRS notifies me of the decision to reject the offer.

Section 8 - (Continued)**Offer Terms**

I must comply with my future tax obligations and understand I remain liable for the full amount of my tax debt until all terms and conditions of this offer have been met.

g) I will timely file tax returns and pay required taxes for the five year period beginning with the date of acceptance of this offer and ending through the fifth year, including any extensions to file and pay. If this is an offer being submitted for joint tax debt, and one of us does not comply with future obligations, only the non-compliant taxpayer will be in default of this agreement.

h) I agree that I will remain liable for the full amount of the tax liability, accrued penalties and interest, until I have met all of the terms and conditions of this offer. Penalty and interest will continue to accrue until all payment terms of the offer have been met. If I file for bankruptcy before the terms and conditions of the offer are met, I agree that the IRS may file a claim for the full amount of the tax liability, accrued penalties and interest, and that any claim the IRS files in the bankruptcy proceeding will be a tax claim.

i) Once the IRS accepts my offer in writing, I have no right to contest, in court or otherwise, the amount of the tax debt.

I understand what will happen if I fail to meet the terms of my offer (e.g., default).

j) If I fail to meet any of the terms of this offer, the IRS may levy or sue me to collect any amount ranging from the unpaid balance of the offer to the original amount of the tax debt (less payments made) plus penalties and interest that have accrued from the time the underlying tax liability arose. The IRS will continue to add interest, as Section 6601 of the Internal Revenue Code requires, on the amount the IRS determines is due after default.

I agree to waive time limits provided by law.

k) To have my offer considered, I agree to the extension of the time limit provided by law to assess my tax debt (statutory period of assessment). I agree that the date by which the IRS must assess my tax debt will now be the date by which my debt must currently be assessed plus the period of time my offer is pending plus one additional year if the IRS rejects, returns, or terminates my offer or I withdraw it. (Paragraph (e) of this section defines pending and withdrawal.) I understand that I have the right not to waive the statutory period of assessment or to limit the waiver to a certain length or certain periods or issues. I understand, however, that the IRS may not consider my offer if I refuse to waive the statutory period of assessment or if I provide only a limited waiver. I also understand that the statutory period for collecting my tax debt will be suspended during the time my offer is pending with the IRS, for 30 days after any rejection of my offer by the IRS, and during the time that any rejection of my is being considered by the Appeals Office.

I understand the IRS may file a Notice of Federal Tax Lien on my property.

l) The IRS may file a Notice of Federal Tax Lien during the offer investigation. The IRS may file a Notice of Federal Tax Lien to protect the Government's interest on offers that will be paid over time. This tax lien will be released when the payment terms of the accepted offer have been satisfied.

Correction Agreement

m) I/We authorize IRS, to correct any typographical or clerical errors or make minor modifications to my/our Form 656 that I/We signed in connection to this offer.

I authorize the IRS to contact relevant third parties in order to process my offer

n) By authorizing the IRS to contact third parties, I understand that I will not be notified of which third parties the IRS contacts as part of the offer application process, including tax periods that have not been assessed, as stated in section 7602 (c) of the Internal Revenue Code. In addition, I authorize the IRS to request a consumer report on me from a credit bureau.

I am submitting an offer as an individual for a joint liability

o) I understand if the liability sought to be compromised is the joint and individual liability of myself and my co-obligor(s) and I am submitting this offer to compromise my individual liability only, then if this offer is accepted, it does not release or discharge my co-obligor(s) from liability. The United States still reserves all rights of collection against the co-obligor(s).

Section 9**Signatures**

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

Signature of Taxpayer/Corporation Name	Phone Number (213) 555-1234	Date (mm/dd/yyyy)
Signature of Taxpayer/Authorized Corporate Officer	Phone Number (213) 555-1234	Date (mm/dd/yyyy)

Section 10 Paid Preparer Use Only

Signature of Preparer	Phone Number (818) 555-1000	Date (mm/dd/yyyy)
Name of Paid Preparer Ms. CPA	Preparer's CAF no. or PTIN P90000000	
Firm's Name, Address, and ZIP Code CPA International		

Include a valid, signed Form 2848 or 8821 with this application, if one is not on file.

Section 11 Third Party Designee

Do you want to allow another person to discuss this offer with the IRS? Yes No

If yes, provide designee's name	Telephone Number ()
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IRS Use Only

I accept the waiver of the statutory period of limitations on assessment for the Internal Revenue Service, as described in Section 8 (k).

Signature of Authorized Internal Revenue Service Official	Title	Date (mm/dd/yyyy)
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Privacy Act Statement

We ask for the information on this form to carry out the internal revenue laws of the United States. Our authority to request this information is Section 7801 of the Internal Revenue Code.

Our purpose for requesting the information is to determine if it is in the best interests of the IRS to accept an offer. You are not required to make an offer; however, if you choose to do so, you must provide all of the taxpayer information requested. Failure to provide all of the information may prevent us from processing your request.

If you are a paid preparer and you prepared the Form 656 for the taxpayer submitting an offer, we request that you complete and sign Section 10 on Form 656, and provide identifying information. Providing this information is voluntary. This information will be used to administer and enforce the internal revenue laws of the United States and may be used to regulate practice before the Internal Revenue Service for those persons subject to Treasury Department Circular No. 230, Regulations Governing the Practice of Attorneys, Certified Public Accountants, Enrolled Agents, Enrolled Actuaries, and Appraisers before the Internal Revenue Service. Information on this form may be disclosed to the Department of Justice for civil and criminal litigation.

We may also disclose this information to cities, states and the District of Columbia for use in administering their tax laws and to combat terrorism. Providing false or fraudulent information on this form may subject you to criminal prosecution and penalties.

Local Standards: Housing and Utilities

Maximum Monthly Allowance					
County	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
Alameda County	2,527	2,968	3,127	3,487	3,543
Alpine County	2,180	2,560	2,698	3,008	3,057
Amador County	1,821	2,139	2,254	2,514	2,554
Butte County	1,572	1,846	1,945	2,169	2,204
Calaveras County	1,788	2,100	2,213	2,467	2,507
Colusa County	1,649	1,937	2,041	2,276	2,312
Contra Costa County	2,545	2,990	3,150	3,512	3,569
Del Norte County	1,462	1,718	1,810	2,018	2,051
El Dorado County	2,201	2,585	2,724	3,037	3,086
Fresno County	1,614	1,895	1,997	2,227	2,263
Glenn County	1,500	1,761	1,856	2,069	2,103
Humboldt County	1,591	1,869	1,969	2,195	2,231
Imperial County	1,531	1,798	1,895	2,113	2,147
Inyo County	1,645	1,932	2,036	2,270	2,307
Kern County	1,540	1,809	1,906	2,126	2,160
Kings County	1,548	1,818	1,916	2,136	2,171
Lake County	1,636	1,922	2,025	2,258	2,294
Lassen County	1,526	1,792	1,888	2,105	2,139
Los Angeles County	2,270	2,667	2,810	3,133	3,184
Madera County	1,646	1,933	2,037	2,272	2,308
Marin County	3,116	3,660	3,857	4,301	4,370
Mariposa County	1,573	1,848	1,947	2,171	2,206

BE SURE TO VISIT www.irs.gov TO OBTAIN THE MOST CURRENT NATIONAL AND LOCAL STANDARDS PRIOR TO PREPARING PAPERWORK AS THE STANDARDS ARE UPDATED OFTEN.

National Standards: Food, Clothing and Other Items

Expense	One Person	Two Persons	Three Persons	Four Persons
Food	\$315	\$588	\$660	\$794
Housekeeping supplies	\$30	\$66	\$65	\$74
Apparel & services	\$88	\$162	\$209	\$244
Personal care products & services	\$34	\$61	\$64	\$70
Miscellaneous	\$116	\$215	\$251	\$300
Total	\$583	\$1,092	\$1,249	\$1,482

More than four persons	Additional Persons Amount
For each additional person, add to four-person total allowance:	\$298

BE SURE TO VISIT www.irs.gov TO OBTAIN THE MOST CURRENT NATIONAL AND LOCAL STANDARDS PRIOR TO PREPARING PAPERWORK AS THE STANDARDS ARE UPDATED OFTEN.

Local Standards: Transportation

Public Transportation

National	\$184
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Ownership Costs

	One Car	Two Cars
National	\$517	\$1,034

Operating Costs

	One Car	Two Cars
Northeast Region	\$278	\$556
Boston	\$277	\$554
New York	\$342	\$684
Philadelphia	\$299	\$598
Midwest Region	\$212	\$424
Chicago	\$262	\$524
Cleveland	\$226	\$452
Detroit	\$295	\$590
Minneapolis-St. Paul	\$217	\$434
South Region	\$244	\$488
Atlanta	\$256	\$512
Baltimore	\$250	\$500
Dallas-Ft. Worth	\$277	\$554
Houston	\$312	\$624
Miami	\$346	\$692
Washington, D.C.	\$277	\$554
West Region	\$236	\$472
Los Angeles	\$295	\$590
Phoenix	\$291	\$582
San Diego	\$301	\$602
San Francisco	\$306	\$612
Seattle	\$192	\$384

BE SURE TO VISIT www.irs.gov TO OBTAIN THE MOST CURRENT NATIONAL AND LOCAL STANDARDS PRIOR TO PREPARING PAPERWORK AS THE STANDARDS ARE UPDATED OFTEN.

National Standards: Out-of-Pocket Health Care

Disclaimer: IRS Collection Financial Standards are intended for use in calculating repayment of delinquent taxes. These Standards are effective on March 31, 2014 for purposes of federal tax administration only. Expense information for use in bankruptcy calculations can be found on the website for the [U.S. Trustee Program](#).

Download the [out-of-pocket health care standards](#) in PDF format for printing. Please note that the standard amounts change, so if you elect to print them, check back periodically to assure you have the latest version.

The table for health care expenses, based on Medical Expenditure Panel Survey data, has been established for minimum allowances for out-of-pocket health care expenses.

Out-of-pocket health care expenses include medical services, prescription drugs, and medical supplies (e.g. eyeglasses, contact lenses, etc.). Elective procedures such as plastic surgery or elective dental work are generally not allowed.

Taxpayers and their dependents are allowed the standard amount monthly on a per person basis, without questioning the amounts they actually spend. If the amount claimed is more than the total allowed by the health care standards, the taxpayer must provide documentation to substantiate those expenses are necessary living expenses. Generally, the number of persons allowed should be the same as those allowed as exemptions on the taxpayer's most recent year income tax return.

The out-of-pocket health care standard amount is allowed in addition to the amount taxpayers pay for health insurance.

	Out-of-Pocket Costs
Under 65	\$60
65 and Older	\$144

Page Last Reviewed or Updated: 31-Mar-2014

BE SURE TO VISIT www.irs.gov TO OBTAIN THE MOST CURRENT NATIONAL AND LOCAL STANDARDS PRIOR TO PREPARING PAPERWORK AS THE STANDARDS ARE UPDATED OFTEN.

IRS Account Transcript Sample



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): 58,225.21

** INFORMATION FROM THE RETURN OR AS ADJUSTED ¹⁴

EXEMPTIONS: 04 FILING STATUS: Single
ADJUSTED GROSS
INCOME: 80,102.00
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	03-17-2003	\$0.00
140	Inquiry for non-filing of tax return	12-29-2003	\$0.00
570	Additional account action pending	12-23-2003	\$0.00
420	Examination of tax return	20043508 09-13-2004	\$936.00
170	Penalty for not pre-paying tax	20043508 09-13-2004	\$5,832.00
160	Penalty for filing tax return after the due date	20043508 09-13-2004	\$50,034.00
300	Additional tax assessed by examination		
	49247-639-00298-4	20043508 09-13-2004	\$7,868.74
336	Interest charged for late payment	20043508 09-13-2004	\$7,254.93
276	Penalty for late payment of tax	08-13-2004	\$0.00
976	Duplicate return filed		
	89221-228-31849-4	08-13-2004	\$0.00
977	Amended return filed		
	49277-445-01093-5	09-13-2004	-\$5,425.65
161	Reduced or removed penalty for filing tax return after the due date	20043508 09-13-2004	\$5,425.65
163	Penalty for filing tax return after the due date	09-13-2004	-\$1,044.00
171	Reduced or removed penalty for not pre-paying tax	20043508 09-13-2004	\$1,044.00
173	Penalty for not pre-paying tax	03-14-2005	-\$24,114.00
291	Prior tax abated		
	49254-445-00168-5	03-14-2005	-\$2,718.93
277	Reduced or removed penalty for late payment of tax	03-14-2005	-\$2,771.19
197	Reduced or removed interest charged for late payment	04-28-2005	\$0.00
530	Balance due account currently not collectable	04-27-2005	\$0.00
960	Appointed representative	05-02-2005	\$0.00
531	Account currently considered collectable	06-21-2005	\$0.00
480	Offer in compromise received	07-11-2005	\$0.00
971	Tax period blocked from automated levy program	08-18-2005	\$0.00
481	Denied offer in compromise	09-23-2005	\$0.00
582	Lien placed on assets due to balance owed	12-08-2005	\$0.00
961	Removed appointed representative	01-17-2006	\$0.00
480	Offer in compromise received	01-27-2006	\$0.00
483	Removed offer in compromise	03-02-2006	\$0.00
960	Appointed representative	05-08-2006	\$0.00
971	Tax period blocked from automated levy program	06-14-2006	\$0.00
480	Offer in compromise received	01-22-2007	\$0.00
481	Denied offer in compromise	03-06-2007	\$0.00
530	Balance due account currently not collectable		

Dischargeability of Taxes in Bankruptcy

It is a common misunderstanding that bankruptcy cannot eliminate any tax liability. Although treatment of tax liability is one of the most complicated aspects of consumer bankruptcy law, the Bankruptcy Code does allow qualified debtors substantial **income** tax relief. Whether or not your bankruptcy filing relieves your tax debt depends on several factors including the nature and the status of tax liability and the type of bankruptcy proceeding.

Bankruptcy Tax Dischargeability Rules

One may discharge income taxes via bankruptcy if they filed their returns and time has passed meeting all three conditions shown below (see tolling events below to see items that may extend these time periods):

1. At least **Three years** from the due date of the tax return including extensions; or
2. At least **Two years** from the date the tax return was filed (we say assessed) for delinquent returns; and
3. At least **240 days** from the date of assessment of an audited or amended tax return

Type of Tax

Only individuals, not businesses, may discharge (wipe out) certain taxes through bankruptcy. The only taxes eligible for discharge are personal income taxes. Bankruptcy offers no relief from taxes for which the debtor/taxpayer was responsible for collecting from others such as FICA withheld from employees. Bankruptcy will not relieve liability for most excise taxes such as estate and gift tax, some sales taxes, or fuel taxes.

Secured Tax Debts

In the course of its collection efforts, the IRS has the power to file a tax lien to perfect its tax claim against individuals. A tax lien, once filed, becomes a secured lien on the taxpayer's property. If a tax lien is in place prior to one's filing bankruptcy, the IRS's secured tax lien has priority over the bankruptcy filing, and bankruptcy will not dislodge the lien from the taxpayer's

property. Even property which would otherwise be exempt in a bankruptcy, such as a homestead exemption, will not be protected without payment of the IRS tax lien being satisfied. In instances such as these, bankruptcy may not provide tax relief.

Tax Relief in a Chapter 7 Bankruptcy

A Chapter 7 bankruptcy filing will eliminate all income taxes except the following:

- a. Taxes for which a tax return was due to be filed within three years (plus extensions) prior to the date of filing bankruptcy. For example, the tax return for 2003 income taxes was due to be filed on April 15, 2004 (plus any extensions), and therefore, these income taxes cannot be discharged by filing bankruptcy on or before April 15, 2007 (plus the time of extensions); OR
- b. Taxes assessed by the IRS within 240 days before the filing of bankruptcy. Assessment date is the date that tax liability is entered on IRS records; OR
- c. Taxes not yet assessed but still assessable; OR
- d. Taxes for which a tax return was filed late and filed within two years prior to filing bankruptcy; OR
- e. Taxes of a debtor who committed fraud related to a tax return or willfully attempted to evade or defeat taxes sought to be discharged.

Income taxes that do not fail any of the above five tests may be wiped out in a Chapter 7 Bankruptcy!!!

Tax Relief in a Chapter 13 Bankruptcy

Taxes which are non-dischargeable in Chapter 13 are considered priority debts and must be paid in full during the Chapter 13 plan without interest.

Other Points to Remember

1. Chapter 7 vs. Chapter 13

- a. Dischargeable taxes are eliminated in Chapter 7
- b. Dischargeable taxes are treated as general, unsecured creditors in Chapter 13.
- c. Secured tax liens cannot be discharged in Chapter 7.

2. Tolling Events/Rules (Statutes of Limitation)

The Statute of Limitation for collection by the IRS tolls (is frozen and therefore extended) under the following circumstances:

- a. For income taxes and taxes on gross receipts to be discharged, the taxing authority must have assessed (entered the liability on the taxing authority's records) the tax against the tax debtor at least the following number of days or months before the filing of the tax debtor's bankruptcy petition:
 - 240 days; plus
 - The number of days each offer in compromise for the applicable tax had been pending; plus
 - Thirty days for each applicable offer in compromise; plus
 - The number of days each prior bankruptcy proceeding had been pending after the related tax return due date with valid extensions; plus
 - Six months¹ for each applicable bankruptcy proceeding. §5523(a)(1)(A) and 507(a)(5)(A)(ii). Prior bankruptcies and other occurrences may extend the 240-day period. Here too, the taxing authority's records are the starting point to verify the assessment date and the dates offers in compromise were pending.
- b. The period of time taxpayer spends living outside the country (It is important to verify that your client has been a U.S. resident for the entire term of the statute of limitation).
- c. The period of time between the date the IRS has created a **Substitute for Return (SFR)** and the time an actual Tax Return has been filed.

¹ IRM 5.1.19.3.1 (03-01-2006) The collection statute of limitations, in a case under the Bankruptcy Code, is suspended while the Service is prohibited by reason of the case from collecting, and for 6 months thereafter. For more information see IRC 6503(h)(2). Thus, the collection statute of limitations is generally suspended while the automatic stay imposed by the bankruptcy is in effect. Even if the suspension of the collection statute under IRC 6503(h) no longer applies, the collection statute still may be suspended when substantially all the debtor's assets remain in the custody or control of the bankruptcy court under IRC 6503(b). For more information see IRM 5.9.4.2

Appeals

Your Appeal Rights and How to Prepare a Protest If You Don't Agree

Publication 5 (Rev. 01-1999) Catalog Number 460741

Introduction

This Publication tells you how to appeal your tax case if you don't agree with the Internal Revenue Service (IRS) findings.

If You Don't Agree

If you don't agree with any or all of the IRS findings given you, you may request a meeting or a telephone conference with the supervisor of the person who issued the findings. If you still don't agree, you may appeal your case to the Appeals Office of IRS.

If you decide to do nothing and your case involves an examination of your income, estate, gift, and certain excise taxes or penalties, you will receive a formal Notice of Deficiency. The Notice of Deficiency allows you to go to the Tax Court and tells you the procedure to follow. If you do not go to the Tax Court, we will send you a bill for the amount due.

If you decide to do nothing and your case involves a trust fund recovery penalty, or certain employment tax liabilities, the IRS will send you a bill for the penalty. If you do not appeal a denial of an offer in compromise or a denial of a penalty abatement, the IRS will continue collection action.

If you want an Appeals conference, follow the instructions in our letter to you. Your request will be sent to the Appeals Office to arrange a conference at a convenient time and place. You or your representative should prepare to discuss all issues you don't agree with at the conference. Most differences are settled at this level.

In most instances, you may be eligible to take your case to court if you don't reach an agreement at your Appeals conference, or if you don't want to appeal your case to the IRS Office of Appeals. See the later section *Appeals to the Courts*.

Protests

When you request an appeals conference, you may also need to file a formal written protest or a small case request with the office named in our letter to you. Also, see the special appeal request procedures in Publication 1660, Collection Appeal Rights, if you disagree with lien, levy, seizure, or denial or termination of an installment agreement.

You need to file a written protest:

In all partnership and S corporation cases without regard to the dollar amount at issue.

In all other cases, unless you qualify for the small case request procedure, or other special appeal procedures such as requesting Appeals consideration of liens, levies, seizures, or installment agreements. See Publication 1660.

How to prepare a protest:

When a protest is required, **send it within the time limit specified in the letter you received.** Include in your protest:

1. Your name and address, and a daytime telephone number,
2. A statement that you want to appeal the IRS findings to the Appeals Office,
3. A copy of the letter showing the proposed changes and findings you don't agree with (or the date and symbols from the letter),
4. The tax periods or years involved,
5. A list of the changes that you don't agree with, and why you don't agree.
6. The facts supporting your position on any issue that you don't agree with,
7. The law or authority, if any, on which you are relying.
8. You must sign the written protest, stating that it is true, under the penalties of perjury as follows:

“Under the penalties of perjury, I declare that I examined the facts stated in this protest, including any accompanying documents, and, to the best of my knowledge and belief, they are true, correct, and complete.” If your representative prepares and signs the protest for you, he or she must substitute a declaration stating:

- a. That he or she submitted the protest and accompanying documents and
- b. Whether he or she knows personally that the facts stated in the protest and accompanying documents are true and correct.

We urge you to provide as much information as you can, as this will help us speed up your appeal. This will save you both time and money.

Small Case Request:

Representation

You may represent yourself at your appeals conference, or you may have an attorney, certified public accountant, or an individual enrolled to practice before the IRS represent you. Your representative must be qualified to practice before the IRS. If you want your representative to appear without you, you must provide a properly completed power of attorney to the IRS before the representative can receive or inspect confidential information. Form 2848, Power of Attorney and Declaration of Representative, or any other properly written power of attorney or authorization may be used for this purpose.

If you don't agree, we urge you to appeal your case to the Appeals Office of IRS. The Office of Appeals can settle most differences without expensive and time-consuming court trials. [Note: Appeals cannot consider your reasons for not agreeing if they don't come within the scope of the tax laws (for example, if you disagree solely on moral, religious, political, constitutional, conscientious, or similar grounds.)]

The following general rules tell you how to appeal your case.

Appeals Within the IRS

Appeals is the administrative appeals office for the IRS. You may appeal most IRS decisions with your local Appeals Office. The Appeals Office is separate from - and independent of - the IRS Office taking the action you disagree with. The Appeals Office is the only level of administrative appeal within the IRS.

Conferences with Appeals Office personnel are held in an informal manner by correspondence, by telephone or at a personal conference. There is no need for you to have representation for an Appeals conference, but if you choose to have a representative, see the requirements under **Representation**.

In all employee plan and exempt organization cases without regard to the dollar amount at issue. If the total amount for any tax period is not more than \$25,000, you may make a small case request instead of filing a formal written protest. In computing the total amount, include a proposed increase or decrease in tax (including penalties), or claimed refund. For an offer in compromise, in calculating the total amount, include total unpaid tax, penalty and interest due. For a small case request, follow the instructions in our letter to you by: sending a letter requesting Appeals consideration, indicating the changes you don't agree with, and the reasons why you don't agree.

You can get copies of Form 2848 from an IRS office, or by calling 1-800-TAX-FORM (1-800-829-3676). You may also bring another person(s) with you to support your position.

Appeals To The Courts

Other matters from the Clerk of the Tax Court, 400 Second St. NW, Washington, DC 20217.

Frivolous Filing Penalty

Caution: If the Tax Court determines that your case is intended primarily to cause a delay, or that your position is frivolous or groundless, the Tax Court may award a penalty of up to \$25,000 to the United States in its decision.

- Reasonable amounts for court costs or any administrative fees or similar charges by the IRS.

- Reasonable expenses of expert witnesses.

- Reasonable costs of studies, analyses, tests, or engineering reports that are necessary to prepare your case.

You substantially prevailed on the amount in controversy, or on the most significant tax issue or issues in question.

You meet the net worth requirement. For individuals or estates, the net worth cannot exceed \$2,000,000 on the date from which costs are recoverable. Charities and certain cooperatives must not have more than 500 employees on the date from which costs are recoverable. And taxpayers other than the two categories listed above must not have net worth exceeding \$7,000,000 and cannot have more than 500 employees on the date from which costs are recoverable.

The United States establishes that its position was substantially justified. If the IRS does not follow applicable published guidance, the United States is presumed to not be substantially justified. This presumption is rebuttable. Applicable published guidance means regulations, revenue rulings, revenue procedures, information releases, notices, announcements, and, if they are issued to you, private letter rulings, technical advice memoranda and determination letters. The court will also take into account whether the Government has won or lost in the courts of appeals for other circuits on substantially similar issues, in determining if the United States is substantially justified.

The final judgment on your case is less than or equal to a “qualified offer” which the IRS rejected, and if you meet the net worth requirements referred to above.

If you and Appeals don’t agree on some or all of the issues after your Appeals conference, or if you skipped our appeals system, you may take your case to the United States Tax Court, the United States Court of Federal Claims, or your United States District Court, after satisfying certain procedural and jurisdictional requirements as described below under each court. (However, if you are a nonresident alien, you cannot take your case to a United States District Court.) These courts are independent judicial bodies and have no connection with the IRS.

Tax Court

If your disagreement with the IRS is over whether you owe additional income tax, estate tax, gift tax, certain excise taxes or penalties related to these proposed liabilities, you can go to the United States Tax Court. (Other types of tax controversies, such as those involving some employment tax issues or manufacturers’ excise taxes, cannot be heard by the Tax Court.) You can do this after the IRS issues a formal letter, stating the amounts that the IRS believes you owe. This letter is called a notice of deficiency. You have 90 days from the date this notice is mailed to you to file a petition with the Tax Court (or 150 days if the notice is addressed to you outside the United States). The last date to file your petition will be entered on the notice of deficiency issued to you by the IRS. If you don’t file the petition within the 90-day period (or 150 days, as the case may be), the IRS will assess the proposed liability and send you a bill. You may also have the right to take your case to the Tax Court in some other situations, for example, following collection action by the IRS in certain cases. See Publication 1660.

District Court and Court of Federal Claims

If your claim is for a refund of any type of tax, you may take your case to your United States District Court or to the United States Court of Federal Claims. Certain types of cases, such as those involving some employment tax issues or manufacturers’ excise taxes, can be heard only by these courts.

Generally, your District Court and the Court of Federal Claims hear tax cases only after you have paid the tax and filed a claim for refund with the IRS. You can get information about procedures for filing suit in either court by contacting the Clerk of your District Court or the Clerk of the Court of Federal Claims.

If you file a formal refund claim with the IRS, and we haven’t responded to you on your claim within 6 months from the date you filed it, you may file suit for a refund immediately in your District Court or the Court of Federal Claims. If we send you a letter that proposes disallowing or disallows your claim, you may request Appeals review of the disallowance. If you wish to file a refund suit, you must file your suit no later than 2 years from the date of our notice of claim disallowance letter.

Note: Appeals review of a disallowed claim doesn’t extend the 2 year period for filing suit. However, it may be extended by mutual agreement.

Recovering Administrative and Litigation Costs

You may be able to recover your reasonable litigation and administrative costs if you are the prevailing party, and if you meet the other requirements. You must exhaust your administrative remedies within the IRS to receive reasonable litigation costs. You must not unreasonably delay the administrative or court proceedings

If you dispute not more than \$50,000 for any one tax year, there are simplified procedures. You can get information about these procedures and Attorney fees that generally do not exceed \$125 per hour. This amount will be indexed for a cost of living adjustment.

A court will generally decide who the prevailing party is, but the IRS makes a final determination of liability at the administrative level. This means you may receive administrative costs from the IRS without going to court. You must file your claim for administrative costs no later than the 90th day after the final determination of tax, penalty or interest is mailed to you. The Appeals Office makes determinations for the IRS on administrative costs. A denial of administrative costs may be appealed to the Tax Court no later than the 90th day after the denial.

Administrative costs include costs incurred on or after the date you receive the Appeals decision letter, the date of the first letter of proposed deficiency, or the date of the notice of deficiency, whichever is earliest.

Recoverable litigation or administrative costs may include:

If you discuss your case with the IRS during the 90-day period (150-day period), the discussion will not extend the period in which you may file a petition with the Tax Court.

The court will schedule your case for trial at a location convenient to you. You may represent yourself before the Tax Court, or you may be represented by anyone permitted to practice before that court.

Note: If you don't choose to go to the IRS Appeals Office before going to court, normally you will have an opportunity to attempt settlement with Appeals before your trial date.

Collection Appeal Rights (CDP vs. CAP)

Collection Appeal Rights

You may appeal many IRS collection actions to the IRS Office of Appeals (Appeals). Appeals is separate from and independent of the IRS Collection office that initiated the collection action. Appeals ensures and protects its independence by adhering to a strict policy of prohibiting certain ex parte communications with the IRS Collection office or other IRS offices, such as discussions regarding the strengths or weaknesses of your case. Revenue Procedure 2012-18 has more information about Appeals' independence and ex parte communication and is available at www.irs.gov.

The two main procedures are **Collection Due Process** and **Collection Appeals Program**. Other procedures are described on page four of this publication and at www.irs.gov.

Collection Due Process (CDP) is available if you receive one of the following notices:

- *Notice of Federal Tax Lien Filing and Your Right to a Hearing under IRC 6320*
- *Final Notice - Notice of Intent to Levy and Notice of Your Right to a Hearing*
- *Notice of Jeopardy Levy and Right of Appeal*
- *Notice of Levy on Your State Tax Refund - Notice of Your Right to a Hearing*
- *Post Levy Collection Due Process (CDP) Notice*

Collection Appeals Program (CAP) is available for the following actions:

- *Before or after the IRS files a Notice of Federal Tax Lien*
- *Before or after the IRS levies or seizes your property*
- *Termination, or proposed termination, of an installment agreement*
- *Rejection of an installment agreement*
- *Modification, or proposed modification, of an installment agreement*

CAP generally results in a quicker Appeals decision and is available for a broader range of collection actions. However, you cannot go to court if you disagree with the CAP decision. CAP procedures are described on pages three and four of this publication.

You may represent yourself at CDP, CAP and other Appeals proceedings. Or, you may be represented by an attorney, certified public accountant, or a person enrolled to practice before the IRS. Also, you may be represented by a member of your immediate family, or in the case of a business, by regular full-time employees, general partners or bona fide officers.

A Low Income Taxpayer Clinic (LITC) may represent you if you qualify. LITCs are independent from the IRS and most provide representation before the IRS or in court on audits, tax collection disputes, and other issues for free or for a small fee. Some clinics can provide multilingual information about taxpayer rights and responsibilities. Publication 4134, *Low Income Taxpayer Clinic List*, provides information on clinics in your area and is available at your local IRS office, by calling 1-800-829-3676, or from www.irs.gov.

If you want your representative to contact us or appear without you and to receive and inspect confidential material, you must file a properly completed Form 2848 (no earlier than 10/2011 revision), *Power of Attorney and Declaration of Representative*. You may also authorize an individual to receive or inspect confidential material but not represent you before the IRS, by filing a Form 8821, *Tax Information Authorization*. These forms are available at your local IRS office, by calling 1-800-829-3676, or from www.irs.gov.

HEARING AVAILABLE UNDER COLLECTION DUE PROCESS (CDP)

For Lien and Levy Notices

By law, you have the right to a CDP hearing when you receive a Notice advising you of this right and you timely postmark a request for a hearing to the address indicated on the Notice. You are limited to one hearing under section 6320 (Notice and opportunity for hearing upon filing of notice of lien) and 6330 (Notice and opportunity for hearing before levy) for each tax assessment within a tax period.

You may contest the CDP determination in the United States Tax Court.

Lien Notice: The IRS is required to notify you the first time a Notice of Federal Tax Lien is filed for each tax and period. The IRS must notify you within 5 business days after the lien filing. This notice may be mailed, given to you, or left at your home or office. You then have 30 days, after that 5-day period, to request a hearing with Appeals. The lien notice you receive will indicate the date this 30-day period expires.

Levy Notice: For each tax and period, the IRS is required to notify you the first time it collects or intends to collect a tax liability by taking your property or rights to property.

The IRS does this by issuing you a pre-levy or post-levy notice. The notice is mailed, given to you, or left at your home or office. During the 30-day period from the date of the notice, you may request a hearing with Appeals. There are four exceptions to issuing this notice before levy:

1. When collection of the tax is in jeopardy.
2. When the IRS levies your state tax refund.
3. When the criteria for a Disqualified Employment Tax Levy is met.
4. When the IRS serves a federal contractor levy.

You may request a hearing after the levy action in these instances:

If your request for a CDP hearing is not timely, you may request an equivalent hearing. To receive an equivalent hearing, your request must be postmarked on or before the end of the one-year period after the date of the levy notice or on or before the end of the one-year period plus 5 business days after the filing date of the Notice of Federal Tax Lien.

How do you request a CDP or equivalent hearing with the Office of Appeals?

Complete Form 12153, *Request for a Collection Due Process or Equivalent Hearing*, or other written request with the same information and send it to the address shown on your lien or levy notice. To request an equivalent hearing, you must check the Equivalent Hearing box on line 7 of Form 12153, or if you don't use Form 12153 write that you want an equivalent hearing if the CDP hearing request is late. If you received both a lien and a levy notice, you may appeal both actions by checking the boxes on line 6 of Form 12153 or if you don't use Form 12153, you may appeal both actions in one written request. You must identify your alternatives to, or your reasons for disagreeing with, the lien filing or the levy action. Alternatives or reasons for disagreeing may include:

- Collection alternatives such as installment agreement or offer in compromise.
- Subordination or discharge of lien.
- Withdrawal of Notice of Federal Tax Lien.
- Appropriate spousal defenses.
- The existence or amount of the tax, but only if you did not receive a notice of deficiency or did not otherwise have an opportunity to dispute the tax liability.
- Collection of the tax liability is causing or will cause an economic or other hardship.

Note: You may not raise an issue that was raised and considered at a prior administrative or judicial hearing, if you, or your representative, participated meaningfully in the prior hearing or proceeding. Also, you may not challenge the existence or amount of an assessment made based on court ordered restitution.

Form 12153 is available at your local IRS Office, by calling 1-800-829-3676, or from www.irs.gov. Include a copy of your lien and/or levy notice. List all taxes and tax periods included on the notice you received for which you are requesting a hearing. You are entitled to only one hearing relating to a lien notice and one hearing relating to a levy notice, for each taxable period. In general, the IRS will deny a hearing request that only raises issues identified by the IRS as frivolous or that are made solely to delay or impede collection. For a nonexclusive listing of issues identified by the IRS as frivolous, see "The Truth About Frivolous Tax Arguments" on www.irs.gov.

To preserve your right to go to court, you must request a CDP hearing within the time period provided by law. Your request for a CDP hearing must be sent to the address on the lien or levy notice and postmarked on or before the date shown in the lien notice or on or before the 30th day after the date of the levy notice.

Before you formally appeal a lien or levy notice by sending us Form 12153, you may be able to work out a solution with the Collection office that sent the notice. To do so, call the telephone number on the lien or levy notice and explain to the IRS employee listed on the notice or other representative why you disagree with the action.

If a telephone number is not shown on the notice, you can call 1-800-829-1040. This contact, however, does NOT extend the 30-day period to make a written request for a CDP hearing.

What will happen when you request a CDP or equivalent hearing with the Office of Appeals?

After you request a hearing, you may still discuss your concerns with the Collection office that sent the lien or levy notice. If you are able to resolve the issues with that office, you may withdraw your request for a hearing. If you are unable to, or do not choose to, resolve the issues with the Collection office, your case will be forwarded immediately to Appeals.

Appeals will contact you to schedule a conference. Your conference may be held by telephone, correspondence, or, if you qualify, in a face-to-face conference at the Appeals office closest to your home, school or place of business. To qualify for a face-to-face conference, you must not raise any issues that are deemed as frivolous or made with a desire solely to delay or impede collection. If you are proposing a collection alternative, it may be necessary for you to submit financial information or tax returns to qualify for a face-to-face conference. The Appeals officer will notify you by letter if you need to take steps to qualify for a face-to-face conference.

Unless one of the exceptions in section 6330(f) applies, for Jeopardy situations, State Income Tax levies, Federal Contractor levies or Disqualified Employment Tax levies, levy action is not permitted for the subject tax and periods during the 30 days after the levy notice and during the timely requested CDP hearing process. Normally, there will be no levy action during the period you have to request a hearing from a lien notice and during the related CDP hearing process.

If your request for a CDP hearing is timely, the 10-year period the IRS has to collect your taxes will be suspended until the date Appeals' determination becomes final or you withdraw your request for a hearing in writing.

At the conclusion of the CDP hearing, Appeals will issue a determination letter unless you have withdrawn your hearing request. If you don't agree with Appeals' determination, you may request judicial review of the determination by petitioning the United States Tax Court within the time period provided for in the Appeals' determination letter. You may not be able to raise issues in the Tax Court if you do not raise them during the Appeals hearing, and the Tax Court may limit the evidence you can present to the evidence you submitted to Appeals during the hearing. You should, therefore, raise all issues and present all evidence during the Appeals hearing, in order to preserve your rights to raise issues and have evidence considered in subsequent court proceedings.

Appeals will retain jurisdiction over its determination. You may return to Appeals if you believe that the Collection function did not carry out Appeals' determination as it was stated or if there is a change in your circumstances that affects Appeals' determination. However, you must first try to work with Collection to resolve the problem.

If your request for a CDP hearing is not timely and you request an equivalent hearing, the law does not prohibit levy and the collection statute is not suspended. Furthermore, you cannot go to court if you disagree with Appeals' decision.

How do you appeal the rejection of a proposed installment agreement?

1. Call the telephone number shown on the letter rejecting your proposed installment agreement and explain that you want to appeal the rejection. Your appeal need not be in writing unless the rejection letter was sent by a Revenue Officer, in which case your request for an appeal must be in writing, preferably using Form 9423, *Collection Appeal Request*. While a conference is recommended, you need not have a conference with a Collection manager before appealing the rejection of a proposed installment agreement.
2. Your request for an appeal of the rejection of a proposed installment agreement must be made on or before the 30th day after the date of the rejection letter (the mailing of a written request, including a Form 9423, must be postmarked on or before such day).

How do you appeal the termination of an installment agreement?

1. Call the telephone number shown on the notice that indicates that the IRS intends to terminate your installment agreement. If you are unable to resolve the matter, then explain that you want to appeal the termination. Your appeal need not be in writing unless the notice of intent to terminate your installment agreement was sent by a Revenue Officer, in which case your request for an appeal must be in writing, preferably using Form 9423, *Collection Appeal Request*. While a conference is recommended, you need not have a conference with a Collection manager before appealing the termination of an installment agreement.
2. You will have 76 days from the date of the notice of intent to terminate in which to request an appeal. Unless you appeal within 30 days after the date of the notice, or cure your default of the installment agreement, the installment agreement will terminate automatically on the 46th day after the date of the notice. After the 46th day, and the termination of your agreement, your right to appeal will continue for an additional 30 days. Accordingly, your request must be made on or before the 76th day after the date of the notice of intent to terminate (the mailing of a written request, including a Form 9423, must be postmarked on or before such 76th day).

How do you appeal a proposed modification or modification of an installment agreement?

The IRS may propose to modify the terms of your installment agreement based on your financial information. If the IRS does not hear from you after proposing to modify your installment

agreement, it may proceed to modify your installment agreement. If you are informed that your agreement is being modified or has been modified, you may request an Appeals hearing under CAP procedures. If you wish to file an appeal concerning a proposed modification or modification of your installment agreement, please follow the directions under the section entitled, "How do you appeal the termination of an installment agreement?"

What will happen when you appeal your case?

Lien, Levy and Seizure: Normally, the IRS will not take any action to collect the tax for the tax periods Appeals is considering, unless the IRS believes the collection of the tax is at risk or you are a business meeting the criteria for a Disqualified Employment Tax Levy.

Installment Agreements: IMPORTANT - The IRS can't levy until 30 days after the rejection or termination of your agreement. If you appeal within the 30-day period, the IRS will be prohibited from levying until your appeal is completed unless the IRS believes the collection of the tax is in jeopardy.

Once Appeals makes a decision regarding your case, that decision is binding on both you and the IRS. You cannot obtain judicial review of Appeals' decision following a CAP hearing. However, there may be other opportunities to obtain administrative or judicial review of the issue raised in the CAP hearing. For example, a third party may contest a wrongful levy by filing an action in district court. See Publication 4528, *Making an Administrative Wrongful Levy Claim Under Internal Revenue Code (IRC) Section 6343(b)*.

Note: Providing false information, failure to provide all pertinent information or fraud will void Appeals' decision.

APPEAL OF OTHER COLLECTION ACTIONS

You may also appeal other collection actions:

- Rejected Offer in Compromise
- Proposed Trust Fund Recovery Penalty
- Denied Trust Fund Recovery Penalty Claim
- Denied request to abate penalties (i.e., late payment, late filing, or deposit penalties)

To dispute a penalty in Appeals, follow the protest requirements in Publication 5, *Your Appeal Rights and How To Prepare A Protest If You Don't Agree*. Also, the correspondence you receive on these types of cases will explain where you should send your protest.

Help if you are experiencing economic harm..

The Taxpayer Advocate Service (TAS) helps taxpayers whose problems with the IRS are causing financial difficulties; who have tried but haven't been able to resolve their problems with the IRS; and those who believe an IRS system or procedure is not working as it should. If you believe you are eligible for TAS assistance, you can reach TAS by calling the TAS toll-free number at 1-877-777-4778 or TTY/TDD 1-800-829-4059. For more information, go to www.irs.gov/advocate. TAS cannot extend the time you have to request a CDP, equivalent or CAP hearing. The timeframes for requesting these hearings are explained in this publication.



Request for a Collection Due Process or Equivalent Hearing

Use this form to request a Collection Due Process (CDP) or equivalent hearing with the IRS Office of Appeals if you have been issued one of the following lien or levy notices:

- Notice of Federal Tax Lien Filing and Your Right to a Hearing under IRC 6320,
- Notice of Intent to Levy and Notice of Your Right to a Hearing,
- Notice of Jeopardy Levy and Right of Appeal,
- Notice of Levy on Your State Tax Refund,
- Notice of Levy and Notice of Your Right to a Hearing.

Complete this form and send it to the address shown on your lien or levy notice. Include a copy of your lien or levy notice to ensure proper handling of your request.

Call the phone number on the notice or 1-800-829-1040 if you are not sure about the correct address or if you want to fax your request.

You can find a section explaining the deadline for requesting a Collection Due Process hearing in this form's instructions. If you've missed the deadline for requesting a CDP hearing, you must check line 7 (Equivalent Hearing) to request an equivalent hearing.

1. Taxpayer Name: (Taxpayer 1) _____

Taxpayer Identification Number _____

Current Address _____

City _____ State _____ Zip Code _____

2. Telephone Number and Best Time to Call During Normal Business Hours	Home () _____ - _____ _____	<input type="checkbox"/>	am.	<input type="checkbox"/>	pm.
	Work () _____ - _____ _____	<input type="checkbox"/>	am.	<input type="checkbox"/>	pm.
	Cell () _____ - _____ _____	<input type="checkbox"/>	am.	<input type="checkbox"/>	pm.

3. Taxpayer Name: (Taxpayer 2) _____

Taxpayer Identification Number _____

Current Address _____

(If Different from Address Above) City _____ State _____ Zip Code _____

4. Telephone Number and Best Time to Call During Normal Business Hours	Home () _____ - _____ _____	<input type="checkbox"/>	am.	<input type="checkbox"/>	pm.
	Work () _____ - _____ _____	<input type="checkbox"/>	am.	<input type="checkbox"/>	pm.
	Cell () _____ - _____ _____	<input type="checkbox"/>	am.	<input type="checkbox"/>	pm.

5. Tax Information as Shown on the Lien or Levy Notice *(if possible, attach a copy of the notice)*

Type of Tax (Income, Employment, Excise, etc. or Civil Penalty)	Tax Form Number (1040, 941, 720, etc)	Tax Period or Periods

Request for a Collection Due Process or Equivalent Hearing

6. Basis for Hearing Request (Both boxes can be checked if you have received both a lien and levy notice)

- Filed Notice of Federal Tax Lien Proposed Levy or Actual Levy

7. Equivalent Hearing (See the instructions for more information on Equivalent Hearings)

- I would like an Equivalent Hearing - I would like a hearing equivalent to a CDP Hearing if my request for a CDP hearing does not meet the requirements for a timely CDP Hearing.

8. Check the most appropriate box for the reason you disagree with the filing of the lien or the levy. **See page 4 of this form for examples.** You can add more pages if you don't have enough space.

If, during your CDP Hearing, you think you would like to discuss a Collection Alternative to the action proposed by the Collection function it is recommended you submit a completed Form 433A (Individual) and/or Form 433B (Business), as appropriate, with this form. See www.irs.gov for copies of the forms.

Collection Alternative Installment Agreement Offer in Compromise I Cannot Pay Balance

Lien Subordination Discharge Withdrawal

Please explain:

My Spouse Is Responsible Innocent Spouse Relief (Please attach Form 8857, *Request for Innocent Spouse Relief*, to your request.)

Other (For examples, see page 4)

Reason (You must provide a reason for the dispute or your request for a CDP hearing will not be honored. Use as much space as you need to explain the reason for your request. Attach extra pages if necessary.):

9. Signatures

I understand the CDP hearing and any subsequent judicial review will suspend the statutory period of limitations for collection action. I also understand my representative or I must sign and date this request before the IRS Office of Appeals can accept it. If you are signing as an officer of a company add your title (*president, secretary, etc.*) behind your signature.

SIGN HERE

Taxpayer 1's Signature	Date
Taxpayer 2's Signature (<i>if a joint request, both must sign</i>)	Date

I request my CDP hearing be held with my authorized representative (*attach a copy of Form 2848*)

Authorized Representative's Signature	Authorized Representative's Name	Telephone Number
---------------------------------------	----------------------------------	------------------

IRS Use Only

IRS Employee (Print)	Employee Telephone Number	IRS Received Date
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Collection Appeal Request

(Instructions are on the reverse side of this form)

1. Taxpayer's name		2. Representative <i>(Attach a copy of Form 2848, Power of Attorney)</i>	
3. SSN/EIN	4. Taxpayer's business phone	5. Taxpayer's home phone	6. Representative's phone
7. Taxpayer's street address			
8. City	9. State	10. ZIP code	
11. Type of tax <i>(Tax form)</i>	12. Tax periods being appealed	13. Tax due	

Collection Action(s) Appealed

14. Check the Collection action(s) you are appealing

<input type="checkbox"/> Federal Tax Lien	<input type="checkbox"/> Levy or Proposed Levy	<input type="checkbox"/> Seizure
<input type="checkbox"/> Rejection of Installment Agreement	<input type="checkbox"/> Termination of Installment Agreement	<input type="checkbox"/> Modification of Installment Agreement

Explanation

15. Explain why you disagree with the collection action(s) you checked above and explain how you would resolve your tax problem. Attach additional pages if needed. Attach copies of any documents that you think will support your position.

Under penalties of perjury, I declare that I have examined this request and the attached documents, and to the best of my knowledge and belief, they are true, correct and complete. A submission by a representative, other than the taxpayer, is based on all information of which preparer has any knowledge.

16. <input type="checkbox"/> Taxpayer's or <input type="checkbox"/> Authorized Representative's signature <i>(Only check one box)</i>	17. Date signed
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IRS USE ONLY

18. Revenue Officer's name	19. Revenue Officer's signature	20. Date signed
21. Revenue Officer's phone	22. Revenue Officer's FAX	23. Date received
24. Collection Manager's name	25. Collection Manager's signature	26. Date signed
27. Collection Manager's phone	28. Collection Manager's FAX	29. Date received

IRS Criminal Investigation Division (“CI”)

Overview

Headquartered in Washington DC, the IRS Criminal Investigation (CI) is comprised of approximately 3,700 employees worldwide, approximately 2,600 of whom are special agents whose investigative jurisdiction includes tax, money laundering and Bank Secrecy Act laws. While other federal agencies also have investigative jurisdiction for money laundering and some bank secrecy act violations, IRS is the only federal agency that can investigate potential criminal violations of the Internal Revenue Code.

Compliance with the tax laws in the United States relies heavily on self-assessments of what tax is owed. This is called voluntary compliance. When individuals and corporations make deliberate decisions to not comply with the law, they face the possibility of a civil audit or criminal investigation which could result in prosecution and possible jail time. Publicity of these convictions provides a deterrent effect that enhances voluntary compliance.

As financial investigators, CI special agents fill a unique niche in the federal law enforcement community. Today's sophisticated schemes to defraud the government demand the analytical ability of financial investigators to wade through complex paper and computerized financial records. Due to the increased use of automation for financial records, CI special agents are trained to recover computer evidence. Along with their financial investigative skills, special agents use specialized forensic technology to recover financial data that may have been encrypted, password protected, or hidden by other electronic means.

Criminal Investigation's conviction rate is one of the highest in federal law enforcement. Not only do the courts hand down substantial prison sentences, but those convicted must also pay fines, civil taxes and penalties.^{iv}

History

The **Criminal Investigation Division** of the IRS (“CI”) was created on July 1, 1919. At the time, the Commissioner of the IRS created the Division which at the time was called the Intelligence Unit to probe in assertions of tax fraud. The division was originally composed of a small group of postal inspectors which is quite different from the current group of highly trained, individuals that make up the department today.^v

The CI became known nationwide when they assisted in the conviction of Al Capone for income tax evasion.

In 1978 the agency changed its name to **Criminal Investigation** which has transformed to its currently known name, the CI. Over time, in addition to investigating tax law violations, the CI expanded its duties to include investigating currency and money laundering violations. But the CI's primary objective is to ensure the integrity and fairness of the United States tax system.

Since the CI since its creation has continually been able to convict no less than 90% of the taxpayers they alleged to have violated U.S. tax law. This conviction rate is unmatched to all other branches of Federal law enforcement.^{vi}

Background

The Criminal Investigation Division (“CI”) is the “policing” arm of the IRS. When a taxpayer’s actions are scrutinized as having potentially violated U.S. tax law, they may be assigned to the CI and in turn assigned an IRS Special Agent. The IRS Special Agent must adhere to strict rules set forth in the Internal Revenue Manual (“IRM”) which include warning a taxpayer that he or she is under criminal investigation as well as providing credentials if requested.

A taxpayer is under no obligation to speak to a Special Agent, and in fact may and probably should remain silent when questioned by a Special Agent. If your Client is going to be or has been approached by the CI, it is in their best interest not to respond to any request of a Special Agent without having proper representation.

The IRS CI will evaluate several criteria in order to determine if a taxpayer should or should not be investigated by their Department. The main determination in deciding to proceed is based upon whether or not the CI believes their recommendation to prosecute will lead to a conviction. If the CI determines that their subject should be prosecuted, the case is then reviewed by the District Counsel (“DC”) of the IRS and if passed by the DC, it is then referred to the Tax Division of the Department of Justice (“DOJ”). If the DOJ determines that the case is worthy of prosecution, it is then referred to the U.S. Attorney and prosecuted pending final approval.

In order for a taxpayer to be charged with a felony, a Federal Grand Jury must vote in favor of issuing an indictment. Here the Grand Jury has to make some subjective decisions based upon whether they believe there has been a violation in Federal tax law as well as whether they believe that the accused has broken said tax law under the same standard. A Grand Jury is composed of anywhere from 16 to 23 people that are picked by the U.S. District Court. At least 12 jurors must vote to proceed with an indictment. If less than twelve agree, the case will not proceed.

How the CI works

It is the goal of an IRS Special Agent to investigate, discover and provide proof that the taxpayer had criminal intent when they performed the act/s for which they are being investigated. Keep in mind that the Special Agents best resource is the taxpayer themselves. Giving false testimony or admitting to something that is not necessary will most definitely assist the Special Agent in their case. Therefore a taxpayer under investigation should consult a qualified representative to advise them through this process.

A taxpayer with proper representation will most likely remain silent when questioned by a Special Agent. This causes the Special Agent to turn to other investigative means including third party interviews via Summons and interviewing the taxpayer's tax return preparer to establish intent via circumstantial evidence. The Special Agent may also examine the taxpayer's past and present bank account statements, financial records and tax returns. Keep in mind that if the Special Agent cannot directly establish proof, he or she may attempt to provide indirect evidence that the taxpayer intended to commit fraud.

There are 3 main concerns for which IRS CI conducts an investigation:

1. Tax evasion.
2. Filing a false return.
3. Failure to file a tax return.

Keep in mind that millions of people each year act in a way that would fall into one of the above-mentioned categories. In addition to committing the act, there is the severity of how the act was committed that must be considered as well.

Under USC § 7206 Any person who...

(1) **Declaration under penalties of perjury**

willfully makes and subscribes any return, statement, or other document, which contains or is verified by a written declaration that it is made under the penalties of perjury, and which he does not believe to be true and correct as to every material matter; or

(2) **Aid or assistance**

willfully aids or assists in, or procures, counsels, or advises the preparation or presentation under, or in connection with any matter arising under, the internal revenue laws, of a return, affidavit, claim, or other document, which is fraudulent or is false as to any material matter, whether or not such falsity or fraud is with the knowledge or consent of the person authorized or required to present such return, affidavit, claim, or document; or

(3) **Fraudulent bonds, permits, and entries**

simulates or falsely or fraudulently executes or signs any bond, permit, entry, or other document required by the provisions of the internal revenue laws, or by any regulation made in pursuance thereof, or procures the same to be falsely or fraudulently executed, or advises, aids in, or connives at such execution thereof

...shall be guilty of a felony and, upon conviction thereof, shall be fined not more than \$100,000 (\$500,000 in the case of a corporation), or imprisoned not more than 3 years, or both, together with the costs of prosecution.^{vii}

According to section **25.1.1.2.4 (12-16-2011)** of the Internal Revenue Manual (“irm”) tax avoidance is not a criminal offense and tax evasion is.

Avoidance vs. Evasion

1. Avoidance of tax is not a criminal offense. Taxpayers have the right to reduce, avoid, or minimize their taxes by legitimate means. One who avoids tax does not conceal or misrepresent, but shapes and preplans events to reduce or eliminate tax liability within the perimeters of the law.
2. Evasion involves some affirmative act to evade or defeat a tax, or payment of tax. Examples of affirmative acts are deceit, subterfuge, camouflage, concealment, attempts to color or obscure events, or make things seem other than they are.
3. Common evasion schemes include:

- Intentional understatement or omission of income,
- Claiming fictitious or improper deductions,
- False allocation of income, and/or
- Improper claims, credits, or exemptions,
- Concealment of assets.

Employment Tax Evasion Schemes^{viii}

Employment tax evasion schemes can take a variety of forms. Some of the more prevalent methods of evasion include pyramiding, employee leasing, paying employees in cash, filing false payroll tax returns or failing to file payroll tax returns.

Pyramiding

"Pyramiding" of employment taxes is a fraudulent practice where a business withholds taxes from its employees but intentionally fails to remit them to the IRS. Businesses involved in pyramiding frequently file for bankruptcy to discharge the liabilities accrued and then start a new business under a different name and begin a new scheme.

Employment Leasing

Employee leasing is another legal business practice, which is sometimes subject to abuse. Employee leasing is the practice of contracting with outside businesses to handle all administrative, personnel, and payroll concerns for employees. In some instances, employee-leasing companies fail to pay over to the IRS any portion of the collected employment taxes. These taxes are often spent by the owners on business or personal expenses. Often the company dissolves, leaving millions in employment taxes unpaid.

Paying Employees in Cash

Paying employees, whole or partially, in cash is a common method of evading income and employment taxes resulting in lost tax revenue to the government and the loss or reduction of future social security or Medicare benefits for the employee.

Filing False Payroll Tax Returns or Failing to File Payroll Tax Returns

Preparing false payroll tax returns and understating the amount of wages on which taxes are owed, or failing to file employment tax returns are methods commonly used to evade employment taxes.

Statistical Data - Employment Tax Evasion

How to Interpret Criminal Investigation Data

Since actions on a specific investigation may cross fiscal years, the data shown in cases initiated may not always represent the same universe of cases shown in other actions within the same fiscal year.

Year-Over-Year Comparison (2010 – 2012)

	FY 2012	FY 2011	FY 2010
Investigations Initiated	148	153	166
Prosecution Recommendations	86	110	115
Indictments/Informations	92	85	83
Sentenced	79	79	62
Incarceration Rate*	81.0%	81.0%	82.3%
Average Months to Serve	24	24	19
<p>*Incarceration includes confinement to federal prison, halfway house, home detention, or some combination thereof. Data Source: Criminal Investigation Management Information System</p>			

Fiscal Year 2013 (Second Quarter - October 2012 - March 2013)

How to Interpret Criminal Investigation Data

Since actions on a specific investigation may cross fiscal years, the total shown under Investigations Initiated may not represent the same universe of investigations displayed under other actions within the same fiscal year. (Example: an investigation initiated in fiscal year 2012 may not be sentenced until fiscal year 2013)

<u>Actions</u>	<u>Totals</u>
Investigations Initiated	2709
Prosecution Recommendations	2213
Informations/Indictments	1902
Convictions	1515
Sentenced*	1329
Percent to Prison	82.3%
Average Months to Serve	46

*Sentence includes confinement to federal prison, halfway house, home detention, or some combination thereof.

Data Source: Criminal Investigation Management Information System. Fiscal years run from October through September.

Options

If a taxpayer suspects that he or she may be subject to a criminal investigation by the IRS, they may consider making a voluntary disclosure to the CI to avoid prosecution. The IRS has established policy

surrounding voluntary disclosures that if properly complied with ensure that the majority of taxpayers who make a proper voluntary disclosure need not fear criminal prosecution.

Keep in mind that **the IRS's voluntary disclosure policy does not guarantee a grant of amnesty or immunity from prosecution**. The IRS states that a voluntary disclosure occurs when a taxpayer makes a truthful, timely, and complete disclosure, and the taxpayer cooperates with the IRS and makes a good faith arrangement with the IRS to pay all determined deficiencies, including interest and penalties. To qualify as a true voluntary disclosure, the disclosure must be made before the disclosing individual is aware of events that indicate the government is likely to discover the crime being disclosed. Given the technical and tactical aspects of making voluntary disclosure, experienced tax counsel should be engaged.

What is the consequence of a taxpayer lying to an IRS agent?

At some point during a civil examination or criminal investigation taxpayers may find themselves explaining their previous actions regarding their tax return to an IRS Special Agent. Because it is a crime in and of itself, to lie or mislead a federal agent, the taxpayer really only has one of two choices when faced with an interview by and IRS agent; (1) say nothing or (2) "fess up" and tell the truth. If the taxpayer knows that they substantially understated income, overstated deductions and or falsely claimed credits then it is imperative that they seek counsel from an experienced professional before continuing any further communication with the IRS. Better to say nothing than say something that can be used against you.

In 2012 IRS CI released its **Annual Report** highlighting strong gains in enforcement actions and penalties imposed on convicted tax criminals.

The 28-page report summarizes a wide variety of CI activity on a range of tax related issues during the fiscal year ending Sept. 30, 2012.

Richard Weber, the Chief of Criminal Investigation states "The key to our successes is perseverance and dedication to working complex financial investigations aimed at stopping tax fraud, identity theft, offshore tax evasion, public corruption, money laundering and other financial crimes..."

Highlights of the Annual Report include:

Investigations initiated and prosecution recommendations were both up nearly 9 percent in fiscal 2012 compared to the prior year. Filings of indictments and other charging documents rose 13 percent.

Meanwhile, convictions and those sentenced both gained roughly 12 percent from the prior year.

Criminal investigation initiations totaled 5,125 cases in fiscal 2012 while investigations completed were 4,937 – up 5 percent from fiscal 2011.

Convictions totaled 2,634 in fiscal 2012 while the conviction rate edged up slightly to 93 percent.

Mr. Weber also indicated "This annual report showcases some of the many significant cases that were completed by CI during fiscal year 2012 and the many program areas we cover as an organization. These cases are just a few examples of the thousands of investigations initiated by CI last year, as we continue to make our mark as the finest financial investigators in the world..."

Relative to the total number of taxpayers, an extremely small amount of individuals are criminally investigated; however, keep in mind that if an investigation is opened, one must be prepared to defend themselves because prosecutions are on the rise.

The IRS tends to be meticulous when investigating a taxpayer at this level, even more so than a typical Police Department. It is not uncommon for an investigation to span several years and may involve gathering information from the taxpayer's family, friends, neighbors, and business associates. The IRS is able to enlist the USPS to keep tabs on a taxpayer's mail correspondence. In addition a taxpayer's financial advisors including banker and accountants may be required to divulge otherwise private information to the IRS.

IRS Summons from CI (sample)



Summons

In the matter of [redacted]
Internal Revenue Service (Division): Criminal Investigation
Industry/Area (name or number): Houston Field Office
Periods: 2007-2012

The Commissioner of Internal Revenue

To: [redacted]
At: [redacted]

You are hereby summoned and required to appear before Special Agent Jason Webb or his designee an officer of the Internal Revenue Service, to give testimony and to bring with you and to produce for examination the following books, records, papers, and other data relating to the tax liability or the collection of the tax liability or for the purpose of inquiring into any offense connected with the administration or enforcement of the internal revenue laws concerning the person identified above for the periods shown.

See Attachment:

If the production of the requested records is anticipated to cost more than \$500 please contact Jason Webb at (281) 721 - 8382 prior to production.

Attestation

I hereby certify that I have examined and compared this copy of the summons with the original and that it is a true and correct copy of the original.

Signature of IRS officer serving the summons: Jason Webb
Title: Special Agent

Business address and telephone number of IRS officer before whom you are to appear:

8701 S GESSNER #1010, HOUSTON, TX 77074 (281) 721-8382, (281) 635-5666

Place and time for appearance at 8701 S GESSNER #1010, HOUSTON, TX 77074



Department of the Treasury Internal Revenue Service

www.irs.gov

Form 2039 (Rev. 10-2010) Catalog Number 21405J

on the 29 day of April 2013 at 10 o'clock a m.
Issued under authority of the Internal Revenue Code this 17 day of April 2013

Signature of issuing officer: Jason Webb
Title: Special Agent
Signature of approving officer (if applicable): [redacted]
Title: N/A

Part A - to be given to person summoned

Peter Y. Stephan, CPA



Peter Y. Stephan's early research into IRS tax code led him to specialize in IRS practices and procedures; in particular, the area of collection which has led him to enter into practicing tax resolution. Peter built his firm by combining his unique blend of skills in the areas of accounting, taxation, and business consulting. In addition to practicing tax resolution, Mr. Stephan is frequently retained by fellow CPAs and Attorneys to perform forensic accounting and provide litigation support including expert witness services relating to various accounting, fraud and tax compliance matters. Peter is qualified by the **State Bar of California, California Board of Accountancy** and the **Internal Revenue Service** to provide continuing professional education to Attorneys, Certified Public Accountants and Enrolled Agents in the area of tax resolution. Peter has authored the textbook **The Ultimate Guide to Tax Resolution**, as well as several tax resolution manuals providing fellow professionals with “one-of-a-kind” instruction allowing them to resolve all types of tax resolution issues. As a professional speaker, Mr. Stephan frequently appears at seminars, radio talk shows, and television programs relating to tax matters. In addition Peter has been quoted in newspaper and magazine articles. Mr. Stephan is a member of the **California Society of Certified Public Accountants** as well as the **American Institute of Certified Public Accountants**.

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- i IRS Form 9465 (Rev. 12-2009)
 - ii IRS Form 433-A (Rev. 12-2012)
 - iii IRS National and Local Standards (Rev. 4-1-13)
 - iv Criminal Investigation (CI) At-a-Glance *US Department of Treasury*
 - v History of IRS Criminal Investigation (CI) *US Department of Treasury*
 - vi Criminal Investigation (CI) At-a-Glance *US Department of Treasury*
 - vii Cornell University Law School www.law.cornell.edu/uscode/text/26/7206
 - viii www.irs.gov