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Offer in Compromise

Most Recent IRS Statistics 2023

Offers in Compromise	2021	2022
Offers Received	36,022	30,163
Offers Accepted	13,165	12,711
Dollar Amount of Accepted Offers (Millions)	\$234.3	\$214.5
Percentage of OICs Accepted Increased		6%
Percentage of OICs Submitted Declines		16%
Fewer OICs Submitted		6,000
Fewer Offers Accepted		454

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Doubt as to Collectibility Offer in Compromise

Central Offer in Compromise
(COIC) by Offer Examiner (OE)

- Or -

Area Offices by
Offer Specialists (OS)

When does a
transfer to Field
Office Group occur?

IRM 5.8.4.5.1

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Transfer to Field Office Reasons

Municipality or educational institution;

Complexity of issues – Examples:

- **Valuation of businesses;**
- **Excessive accumulation of retained earnings;**
- **Specialized assets.**

Abusive Tax Avoidance Transaction (ATAT) case

IRM 5.8.4.5.1

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Transfer to Field Office Reasons

Complex activities or transactions designed or structured to hide or conceal income, examples:

- **Offshore activities, or multiple related entities, requiring a thorough knowledge of the different **fraud** indicators, as well as working knowledge on a wide range of financial and investigative skills.**

Need for comprehensive review to determine if other returns such as excise, or specialty returns, need to be filed.

IRM 5.8.4.5.1

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Transfer to Field Office Reasons

Appearance of concealed or clouded financial condition.

- Nominee issues, alter ego, and transferee situations.
- Need to gather data through personal contacts.
- High profile t/ps w/ potential for media scrutiny.
- Docketed Tax Court Cases IRM 5.8.10.12
- International Taxpayers

IRM 5.8.4.5.1

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Decision to Accept or Reject

Turns on Reasonable
Collection Potential
Generally...

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IRM 5.8.7.7.2

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Decision to Accept or Reject: Exception

Public Policy Rejection

Policy Statement P-5-89, IRM 1.2.14.1.15

- Offers may be rejected based on public policy if acceptance is detrimental to fair tax administration,
- Regardless that the offer is greater than could be collected by any other means,
- Provided no ETA issues exist.

5.8.7.7.2

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IRM 5.8.7.7.2

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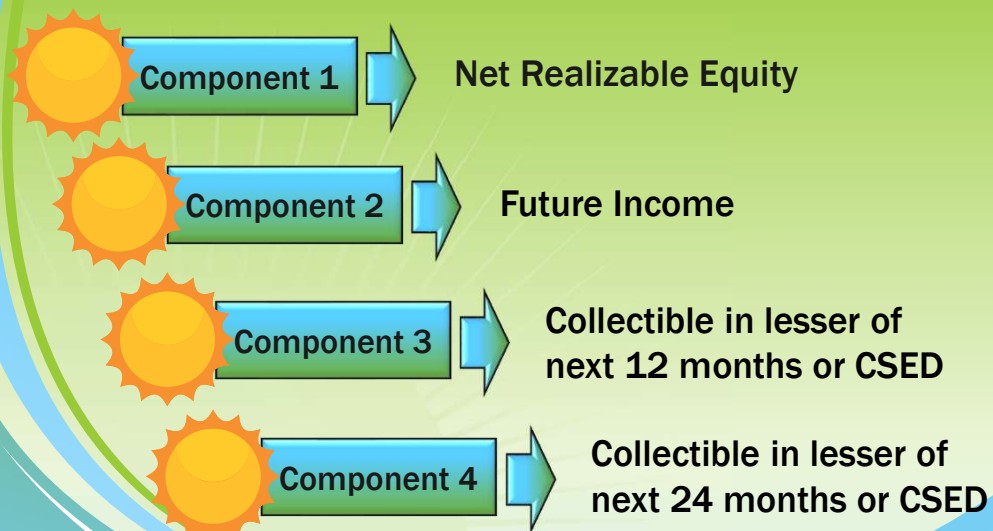
Reasonable Collection Potential

Amount that can be collected from all available means:

- Administrative
- Judicial

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Components of Collectibility



IRM 5.8.4.3.1

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Assets Transferred or Disposed

The value of assets transferred or disposed of prior to the submission of an Offer in Compromise may be required to be included in the Reasonable Collection Potential.

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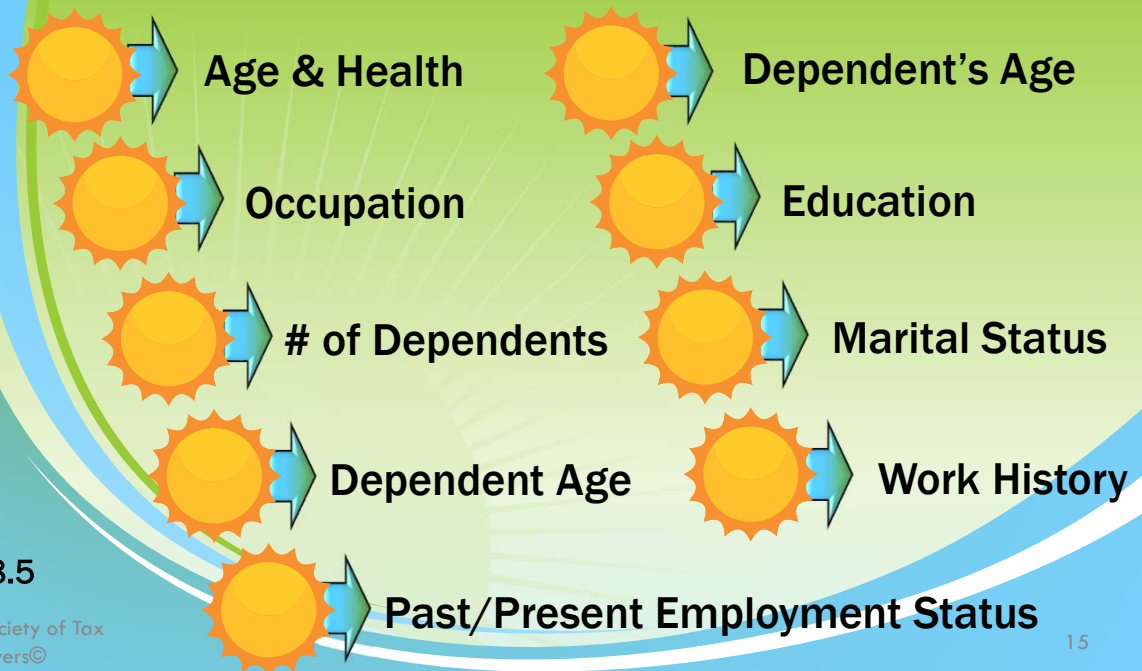
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Considerations Beyond Finances



IRM 5.8.5

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IRS Declines to Levy or Seize

Should IRS decide not to enforce collection against an asset by levy, it does not require removal from the RCP.



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OIC Should Not be Accepted

When tax can be paid:

- a. In a lump sum
- b. Under current I/A guidelines

Unless special
circumstances warrant
considering a lesser
amount.



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OIC is a Legitimate Alternative...

To a protracted Installment Agreement, which is one that extends beyond the Collection Statute Expiration Date (CSED).

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Taxpayer Can Make Payments

But, not enough to full-pay.

Steps to Follow:

- a. What is collectible under a PPIA.
 - Excess income times remaining CSED.
- b. Compare to the RCP.
- c. Is OIC in government's best interest?
- d. Consider other factors.

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Large Disparity Between PPIA and OIC RCP

And taxpayer is unwilling or unable to increase OIC amount to an amount closer to PPIA collectible amount

Provide an opportunity to withdraw OIC and enter into a PPIA *before* rejection.

IRM 5.8.1.2.2

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OIC Acceptance Despite Larger PPIA

Acceptance may still be recommended based on taxpayer's situation considering:

- a. Collection at an earlier time
- b. Compliance to be gained
- c. Monitoring of long-term IA
- d. Potential default issues
- d. Taxpayer's age
- e. Taxpayer's gross income
- f. Taxpayer's family size
- g. Anticipated changes in income or expenses



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Example Scenarios Spreadsheet



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