

Internal Revenue Manual Section 5.8.3.7 (12-07-2015)

Perfecting COIC Cases

1. Prior to beginning an OIC investigation, certain critical errors must be corrected to perfect the offer. The Combo letter on the AOIC system is designed to communicate with the taxpayer and/or their representative to request the necessary corrective action. If there is no response to the request letter, the OIC may be returned with no further contact. A return for failure to perfect an offer does not require a Form 1271, *Rejection or Withdrawal Memorandum*. The taxpayer has no appeal rights when the offer is closed as a return. The following errors must be corrected before beginning the investigation:

- The Form 656, *Offer in Compromise* is missing a signature.
- Balance of any TIPRA and/or application fee shortfall due at the time of submission.

Note:

Taxpayer must have submitted at least \$150 before requesting any application fee shortfall. If less than \$150 was submitted, the offer will be returned as not processable.

- There are unfiled tax returns (generally, this will not exceed a 6-year look-back period without managerial approval).

Note:

Unfiled tax returns will not be requested when the taxpayer or representative has indicated, either verbally or in writing, that the tax return was not legally required unless internal research proves contrary.

Note:

An original return will not be requested if there is already a Substitute for Return (SFR) assessment on Master File.

- Form 433-A(OIC) and/or 433-B(OIC) is missing, blank, partially completed, or unsigned.
- Requesting required estimated tax payments from self-employed taxpayers.

Note:

If the request for estimated tax payments is the only perfection issue the offer will **not** be returned if the taxpayer fails to respond. See IRM 5.8.3.8.

2. Taxpayers who owe joint and separate liabilities are required to file two Forms 656. If they submit one offer for the joint liabilities and the second offer for the separate liabilities, the PE will request that the taxpayers amend the offers so that one offer includes the joint and separate liabilities, if applicable, of the primary taxpayer and the second offer includes the joint and separate liabilities, if applicable, of the secondary taxpayer.

- Send the taxpayers two Forms 656 with the Combo letter.

- The primary taxpayer's Form 656 should be annotated as " Revised" inserting the original offer number. Complete the Form 656 to include all joint and any individual liabilities.
- The secondary taxpayer's Form 656 should be annotated "Related to Offer" inserting the original offer number. Complete the Form 656 to include all joint liabilities and any individual liabilities.
- If this is the only perfection issue, the offer will not be returned if the taxpayers fail to respond. The OE must perfect if the offer is to be accepted.

3. When sending a Combo letter to perfect the errors listed above , also request the information shown below, if necessary.

- The taxpayer's name, physical address or taxpayer identification number (TIN) is missing or incorrect and cannot be determined from IDRS or other documents submitted with the offer.

Note:

If the information can be located on IDRS or other documents submitted with the offer, input the correct information on AOIC and continue processing the offer.

- An amount of money is offered, but the payment terms are not specified.
- The taxpayer submitted an old revision of Form 656.
- The offered amount is blank or zero, unless terms are present.

4. If a tax period with an amount due is missing from the Form 656, but all tax periods due can be determined from IDRS or other documents submitted with the offer, add the missing periods to the AOIC MFT screen and include them on the Form 656. This includes any liability under MFT 35 and/or mirrored MFT 65, assessed under the Affordable Care Act (ACA) Provision 1501, Individual Shared Responsibility Payment (SRP) IRC § 5000A,

5. When a taxpayer has included a tax period(s) for which there is no apparent amount due, do not add the tax period(s) to AOIC. Contact the taxpayer to determine if any issues are pending that may result in additional tax.

6. If the basis for compromise is not indicated but it can be determined by reviewing the package, begin the investigation.

7. An offer can be investigated but cannot be accepted until all errors are corrected and/or an amended Form 656 is signed. Therefore, offers will not be returned by the PE if the taxpayer fails to respond to any perfection issue listed in paragraph 3 above.

Note:

PEs must ensure all payments received have the correct Designated Payment Codes (DPC).