

Internal Revenue Manual Section 5.8.4.3 (05-10-2013)

Doubt as to Collectibility

1. Doubt as to Collectibility (DATC) offers may be worked either in the COIC site by an offer examiner (OE) or in Area offices by an offer specialists (OS). Cases assigned to an OE in COIC may be forwarded to Area offices for assignment to an OS if complex issues meeting field transfer criteria in IRM 5.8.4.5.1 are identified.
2. For DATC offers, the decision to accept or reject usually rests on whether the amount offered reflects the reasonable collection potential (RCP). The exception to this rule would be for offers not accepted based on public policy reasons as defined in IRM 5.8.7.7.2, *Public Policy Rejection*. RCP is defined as the amount that can be collected from all available means, including administrative and judicial collection remedies. Generally, the components of collectibility outlined in IRM 5.8.4.3.1 below, will be included in calculating the total RCP. See IRM 5.8.5, *Financial Analysis*, for more detail on how to analyze the taxpayers financial condition to arrive at the value of each component. In determining the taxpayer's future ability to pay, full consideration must be given to the taxpayer's overall general situation including such factors as age, health, marital status, number and age of dependents, education or occupational training, work experience and present and future employment status.
3. Offers should not be accepted where the tax can be paid in full as a lump sum or can be paid under current installment agreement (IA) guidelines, unless special circumstances are identified that warrant consideration of a lesser amount. The offer should be recommended for rejection based on the taxpayer's ability to full pay under current IA guidelines.

Note:

An offer in compromise is a legitimate alternative to a protracted installment agreement. A protracted installment agreement is defined as an agreement that extends beyond the Collection Statute Expiration Date (CSED).

4. Additionally, if the taxpayer has the ability to make installment payments, the investigating employee should determine the amount which may be collectible from a partial payment installment agreement (PPIA). After consideration of all factors, the offer may be recommended for rejection as not in the government's interest, when the calculated amount potentially received through a PPIA, does not fully pay the liability, yet approximates the outstanding balance.

Note:

Although a PPIA may generate more funds than the amount offered, acceptance may be appropriate based on the taxpayer's reasonable collection potential and/or specific circumstances. Substantial consideration should be given to the benefit to the government of receiving payment at an earlier time, the compliance aspect of the OIC, monitoring and default issues associated with a PPIA, the difference between the potential amount received from a PPIA and the tax liability, the difference between the potential amount received from a

PPIA and the offer amount, the taxpayers gross income and family size, and anticipated changes in the taxpayer's income or expenses.

Example:

The outstanding tax liability is \$ 50,000 and the taxpayer submitted an offer in the amount of \$ 15,000. The taxpayer is unable to full pay via an IA within the CSED, yet a PPIA would collect \$25,000. Although the amount potentially collectible via the PPIA would exceed the offer amount, the taxpayer's offer should be accepted unless other circumstances, i.e. public policy, weigh against acceptance.

Example:

The outstanding tax liability is \$ 200,000 and the taxpayer submitted an offer in the amount of \$ 18,000. The taxpayer is unable to fully pay the tax liability via an IA within the CSED. The taxpayer's RCP is based solely on their future income of \$1,500 per month. Based on the calculation of RCP the taxpayer's offer may be acceptable, yet there remains over 9 years on the CSED, so the government would potentially receive over \$ 160,000 from a PPIA. In this instance, the difference between the potentially acceptable offer amount and the amount received via a PPIA is such that acceptance of the taxpayer's offer is not in the government's interest. The offer should be rejected on that basis.

5. To determine if the taxpayer can full pay, the calculation must be based on the balance due of all outstanding liabilities at the time the offer is received.

5.8.4.3.1 (04-30-2015)

Components of Collectibility

1. The following four components of collectibility will ordinarily be included in calculating the RCP for offer purposes:

Components	Definition
Assets	The amount collectible from the taxpayer's net realizable equity in assets.
Future Income	<p>The amount collectible from the taxpayer's expected future income after allowing for payment of necessary living expenses.</p> <ul style="list-style-type: none"> • For Lump Sum Cash offers, project for the next 12 months or the remaining statutory period, whichever is less; <p>Note: Any lump sum cash offer which meets the exception criteria discussed in IRM 5.8.1.9.4(3) in which payment terms exceed five months should have expected future income calculated over 24 months or the remaining statutory period, whichever is less.</p> <ul style="list-style-type: none"> • For Periodic Payment offers, project for the next 24 months or the remaining statutory period, whichever is less.
Amount Collectible from third parties	The amount we could expect to collect from third parties through administrative or judicial action. For example, amounts collectible through a transferee assessment, nominee lien, or suit to set aside a fraudulent conveyance.

Components	Definition
Assets and/or income that are available to the taxpayer but are beyond the reach of the government	Assets that the lien will not attach such as equity in assets located outside the country.