



Tax Reduction Letter

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Internal Revenue Manual Section 5.8.5.28 (09-30-2013)

Payment Terms

1. Payment terms are negotiable, but should provide for payment of the offered amount in the least time possible. If a taxpayer is planning to sell asset(s) to fund all or a portion of the offer, the payment terms for the offer should provide for immediate payment of the amounts received from the sale. If the taxpayer is planning to borrow a portion of the money, the OE/OS should determine when the loan will be received and the payment terms of the offer should provide for payment of the borrowed portion at the time the funds are received.
2. For those taxpayers who agree to shorter payment terms, fewer months of future income are required:

Payment Type	Payment Terms	Number of Months Future Income Required
Lump Sum Cash	5 or less installments within 5 months	12 months or the remaining statutory period, whichever is less
Periodic Payment	Within 6 to 24 months	24 months or the remaining statutory period, whichever is less

3. While a periodic payment offer is being evaluated by the Service, the taxpayer must make subsequent proposed installment payments as they become due. There is no requirement that the payments be made monthly or in equal amounts. However, the Service is not bound by either the offer amount or the terms. While the calculation of RCP and consideration of any special circumstances will assist in determining an acceptable offer amount, in situations where the OE/OS determines that the proposed offer payment terms are too protracted to recommend acceptance, the OE/OS should discuss with the taxpayer what may be appropriate payment terms based on the taxpayer's circumstances.

Example:

(1) Acceptable Payment Terms for a Periodic Payment Offer – A taxpayer submits an offer for \$10,000. The IRS received date is January 1, 2011. The taxpayer's offer of \$10,000 was accepted in November 2011, and the taxpayer remained current on all required payments during the investigation. During the investigation, the taxpayer paid \$500. The taxpayer has 24 months from the date of submission to complete the terms of the offer. The terms of the offer were \$100 every other month for a total of 23 months and the balance would be due on the 24th month. On the 24th month, January 2013, the taxpayer would then be required to pay the balance of \$8,300 (\$10,000 less \$1,700 [\$1,200 in installments plus \$500 in installments paid during the investigation]). No adjustments to the terms would be required.

4. A third party source of funds may be required to make the portion of the monthly payment that is greater than we determined the taxpayer can afford from future income. Document the case history with source of the funds, if relevant to the case decision.

