

Inside Secrets to IRS Offers

What Every Practitioner Needs to Know

Eric L. Green, Esq.



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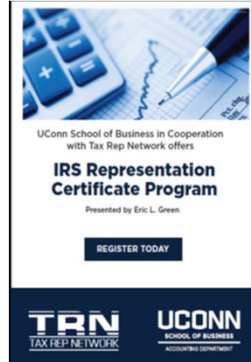
- ▶ Managing partner in Green & Sklarz LLC, a boutique tax firm with offices in Connecticut and New York.
- ▶ Focus is civil and criminal taxpayer representation before the Department of Justice Tax Division, Internal Revenue Service and state Departments of Revenue Services.
- ▶ Has served as a columnist for CCH's Journal of Practice & Procedure.
- ▶ Attorney Green is the past Chair of the Executive Committee of the Connecticut Bar Association's Tax Section.
- ▶ Eric is a Fellow of the American College of Tax Counsel ("ACTC").



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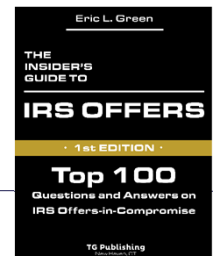


- Eric is the host of the weekly Tax Rep Network Podcast
- Eric is the founder of Tax Rep Network, an online community designed to help tax professionals build their IRS Representation Practice
- He is the author of the Accountant's Guides in IRS Representation
- Partnered with UConn and creator of the IRS Representation Certificate Program
- Creator of the Tax Rep App



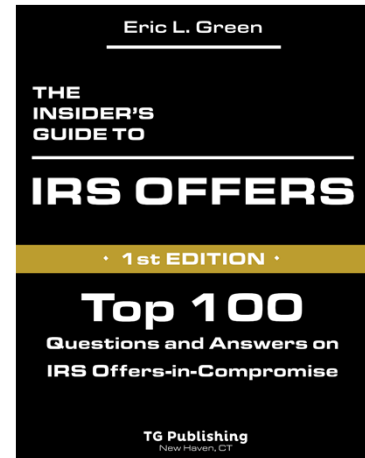
Q&A on Deals

- ▶ If I sign up for Tax Rep can I get one of the new "Eric scares the IRS" shirts, even if its with the NATP deal?
- ▶ Yes, and we are going to sweeten the deal – see the end of the program



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Offers-in-Compromise

- ▶ Types of Offers: Lump Sum, Periodic (deferred), ETA
- ▶ Offers are driven by RCP – Reasonable Collection Potential
 - Its about the 433, and its NOT that complicated!*
- ▶ MUST make sure the client cannot full-pay! If they can – no OIC



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Offer Type: Lump Sum

- ▶ Net equity in assets + 12 months of future income
- ▶ 20% paid when filed
- ▶ Balance paid within 5 months of acceptance

Offer Type: Periodic (Deferred)

- ▶ Net equity in assets + 24 months of future income
- ▶ Monthly payments submitted when filed and ongoing until rejected or if accepted, until done

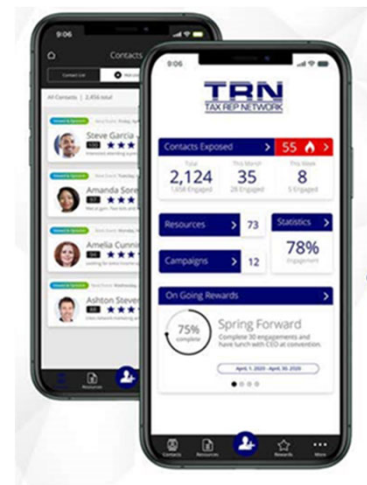
If rejected and appeal, you do NOT need to keep making payments!

Lump-Sum vs Periodic?

- ▶ Its all about the 433 RCP calculation:
 - a. If most is from future income, lump-sum is cheaper
 - b. If most is from assets, take the extra time with periodic
- ▶ Example 1: Client has RCP of \$1,500 in assets (car) and future income of \$1,000/month. Lump Sum Offer is \$13,500. Periodic is \$25,500. Go with Lump Sum!
- ▶ Example 2: Client now has equity of \$10,000 in assets and no future income. Lump Sum and Periodic are both \$10,000. TP choice, but periodic gives them 24 months to pay!

The reason for the \$1,500 Consult?

- ▶ I need to do the RCP calculation
- ▶ We may have clean-up to do (Empty LLCs, extra vehicles, etc)
- ▶ Credited towards the \$5,000 we charge for Offers
- ▶ 99.9% closing rate (the Tax Rep App does this too)



SECRET!

- ▶ Periodic payments do not need to be paid evenly!
- ▶ So in Example 2, I would Offer this:

Periodic Payment

Check here if you will pay your offer in full in 6 to 24 months

Enter the amount of your offer \$ 10,000.00

Note: The total months may not exceed a total of 24. For example, if you are requesting your payments extend for 24 months then your first payment is considered to be month 1 and your last payment is considered month 24. There will be 22 payments between the first and last month.

Enclose a check for the first month's payment (waived if you met the requirements for the Low-Income Certification).

The first monthly payment of \$ 50 is included with this offer then \$ 50 will be received on the 28th

day of each month thereafter for 22 months with a final payment of \$ 8,850 to be paid on the 28th day of the

24th month.

Word on Assets

- ▶ IRS utilizes 80% quicksale for analysis
- ▶ Consider MFS vs MFJ before you file and create huge liabilities
- ▶ Non-Liable Spouse: separate property vs community property states

Tax Return Balances

- ▶ If you prepare a return with balances due
- ▶ Can client pay?
- ▶ If not, step back and work the offer RCP calculation and then walk the case backwards
- ▶ MFS vs MFJ?
- ▶ State vs Federal filed first?
- ▶ Go shopping?

MFS v MFJ

- ▶ If in a separate property state, or if the non-liable spouse owns property in a separate property state, the MFS works great
 - Couple lives in CA but non-liable spouse owns a summer home on Cape Cod*
- ▶ If it's a community property state this does not work well, except for Texas (which uses 50% of the spouse's share of the community property vs 100%)

State Return First

- ▶ If IRS is assessed first it will only allow a percentage of the state payment plan

Example: e-file both federal and state returns, owe IRS \$50,000 and owe NY \$10,000, and NY comes after client, who gets into a \$500/month payment plan as it was their available future income, IRS will allow 1/6 of that because NY is 1/6 of the total tax debt!

- ▶ If state filed first, and once assessed and billed then IRS is filed. Set up state and IRS must allow it in full!
- ▶ State can be used as leverage to compromise away the IRS

Go Shopping

- ▶ Household income - allowable expenses = future income
- ▶ Are there expenses we are not spending but could?

Example: husband and wife file the last 4 years and owe the IRS \$200,000. Show future income of \$2,000 a month. Can fill-pay so no Offer available. What if they get health insurance (\$500/mo) and self-employed husband gets disability insurance (\$300/mo). Now future income is \$1,200, and so in 10-years cannot full pay. Offer amount now is \$12,000!

Takeaways:

- ▶ Understand the RCP calculation so you can determine:
 1. Can the client full-pay?
 2. Whether the Lump-Sum or Periodic Offers is the better option
 3. Can we adjust the RCP – legitimately – to make the taxpayer unable to full-pay?

Remember: Its all about the 433 Analysis (“RCP”)!

- ▶ **Inside Tax Rep: The Collections Workshop, the Ultimate Offer Workshop, and the How to Complete the 433 Workshop are all available on-demand!**

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- ▶ <https://taxrepllc.com/natp-annual>



Questions?

