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State of California  
California Department of  
Tax and Fee Administration

# ***Offer In Compromise Application***

## What you should know before preparing an Offer in Compromise Application

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*Are you an OIC candidate?*

The Offer in Compromise (OIC) program is for taxpayers/feepayers (hereinafter called “taxpayers”) that do not have, and will not have in the foreseeable future, the income, assets or means to pay their tax liabilities. This program allows a taxpayer to offer a lesser amount for payment of a **nondisputed final tax liability**. **A taxpayer wishing to compromise a liability through the OIC process must no longer own the personal property that incurred the tax that could result in an additional tax or fee assessment.**

Generally, we approve an Offer in Compromise when **the amount offered represents the most we can expect to receive from the taxpayer’s current income or assets.**

Although each case is evaluated based on its own unique set of facts and circumstances, we give the following factors strong consideration:

- The taxpayer’s ability to pay
- The amount of equity in the taxpayer’s assets
- The taxpayer’s present and future income
- The taxpayer’s present and future expenses
- The potential for changed circumstances

*Can we process your application?*

We will only process your Offer in Compromise Application if you meet the following criteria:

- You have fully completed the Offer in Compromise Application and provided all supporting documentation.

**If you have been assessed a fraud penalty, a minimum offer of the outstanding tax and fraud penalty is required for processing.** However, if you have been convicted of felony tax evasion, an offer will not be considered.

*Will we require you to continue payments on an installment payment agreement?*

Yes, we will require you to continue making periodic payments as called for in any existing installment payment agreement while your offer is being considered. The California Department of Tax and Fee Administration (CDTFA) will strive to process your offer and provide a decision within 180 days of receiving a completed application along with the required documentation.

*Are collections suspended?*

Collection action will usually be suspended until the Offer in Compromise evaluation is completed. However, if delaying collection activity jeopardizes our ability to collect the tax, we may continue with collection efforts.

*When should offered funds be submitted?*

The OIC Section will request that the offered funds be submitted at the time your offer is formally considered. The funds will be held in the form of a deposit, and will be refunded to you if your offer is denied. Credit interest will not be paid to you on the deposited amount if your offer is denied.

The following documentation must be submitted with your *Offer in Compromise Application* or your application may be returned as incomplete. **Please submit copies only.** We will **not** return any documents that you send us. Additional documentation may be required and requested as the evaluation of the Offer in Compromise proceeds.

**Check List of Required Items** *(Check only those boxes that apply.)*

**Verification of Income**

Pay stubs for the past three months or financial statements for the past two years if you are self-employed. *(Please include total household income.)*

**Verification of Expenses**

Billing statements for the last three months. *(Please include copies of charge card statements, bills from other creditors and personal loan statements.)*

**Bank Information**

Bank statements for savings and checking accounts for the last six months. *(If you are self-employed, provide bank statements for the last twelve months. Please include bank statements for any accounts that have been closed within the last two years.)*

**Investment Information**

Investment account statements showing the value of stocks, bonds, mutual funds and/or retirement or profit sharing plans. (IRA, 401K, Keogh, Annuity)

**Current Lease or Rental Agreements**

*(Please include all lease agreements, including property where you are the lessor or lessee.)*

**Real Property Information**

Mortgage statements and escrow statements for property you currently own, or property you sold or gifted in the last five years. *(Please include quit claim deed transfers and property held in trust. If a trust exists, please provide a copy of all trust documents.)*

**IRS/FTB Information**

Complete copies of Internal Revenue Service (IRS) or Franchise Tax Board (FTB) returns for the past three years.

*(If applicable, please include a copy of IRS, FTB, or EDD OIC and acceptance letter or other IRS/FTB/EDD arrangements.)*

**Legal Documents**

Marital settlement agreements, divorce decrees, marital property settlements, trust documents, and bankruptcy documents.

**Medical Documentation**

Physician's letter and/or other documents to show any medical condition that should be considered.

**Power of Attorney** (If you have representation)

If a designated representative submits this offer, attach the appropriate power of attorney (POA) form. (CDTFA-392, *Power of Attorney*, may be used.)

Submit your completed and signed application to your designated CDTFA compliance representative.

If you have questions, other than those addressed on the last page of this booklet, please contact your CDTFA compliance representative.



**SECTION 3. OFFER AMOUNT**

|                          |                        |                         |
|--------------------------|------------------------|-------------------------|
| AMOUNT OWED TO THE CDTFA | PERIOD(S) OF LIABILITY | CDTFA ACCOUNT NUMBER(S) |
|--------------------------|------------------------|-------------------------|



The sum of \$  is offered in compromise. (The CDTFA will instruct you when to mail the offer amount. **Do not send money now.**)

It is understood that this offer will be considered and acted upon as quickly as possible. It does not relieve the taxpayer(s) of the liability sought to be compromised until the CDTFA accepts the offer and there has been full compliance with all agreements. The CDTFA may continue collection activities at its discretion.

Except for any amount deposited in connection with this offer, it is agreed that the CDTFA will retain all payments and credits made to the account for the periods covered by this offer. In addition, prior to the offer being accepted, the CDTFA will retain any and all amounts to which the taxpayer(s) may be entitled under the California law, due through overpayments of tax, penalty or interest, not to exceed the liability.

It is further agreed that upon notice to the taxpayer(s) of the acceptance of the offer, the taxpayer(s) shall have no right to contest, in court or otherwise, the amount of the liability sought to be compromised. No liability will be compromised until all obligations of each taxpayer under the compromise agreement are completely performed. In the event of a default by the taxpayer(s) on the agreement, it is agreed that the CDTFA may disregard the amount of the offer and retain all amounts previously deposited under the offer and proceed to collect the balance of the original liability.

Under penalty of perjury, I declare that I have examined the information given in this statement, and all other documents included with this offer, and to the best of my knowledge and belief, they are true, correct, and complete.

|   |  |      |
|---|--|------|
| APPLICANT <i>(please print)</i>   | CO-APPLICANT <i>(please print)</i>   | DATE |
| APPLICANT <i>(signature)</i><br> | CO-APPLICANT <i>(signature)</i><br> | DATE |

**PROCESSING DENIED OFFERS**

If we reject or deny the offer, we will refund any deposit already obtained or apply it to the liability at the request of the taxpayer with an effective date as the date the funds were received. No interest will be granted on returned deposits. If a third party has posted the deposited amount, staff must get written permission from the third party to apply the deposit. The case will be returned to the district with a recommendation for case handling.

There is no formal appeal process for rejected or denied offers in compromise.

**Note:** Complete all blocks

**SECTION 4. PERSONAL INFORMATION**

|   |                        |                         |
|---|------------------------|-------------------------|
| NAME <i>(first, middle initial, last)</i>                                       | SOCIAL SECURITY NUMBER | DATE OF BIRTH           |
| ALL OTHER NAMES OR ALIASES EVER USED  |                        |                         |
| SPOUSE/REGISTERED DOMESTIC PARTNER <i>(first, middle initial, last)</i>         | SOCIAL SECURITY NUMBER | DATE OF BIRTH           |
| ALL OTHER NAMES OR ALIASES EVER USED BY YOUR SPOUSE/REGISTERED DOMESTIC PARTNER |                        |                         |
| TAXPAYER'S DRIVER LICENSE NUMBER  | STATE                  |                         |
| SPOUSE'S/REGISTERED DOMESTIC PARTNER'S DRIVER LICENSE NUMBER                    | STATE                  |                         |
| CURRENT ADDRESS <i>(street, city, state, zip code)</i>                          |                        |                         |
| PREVIOUS ADDRESS <i>(if at current address less than two years)</i>             |                        | PHONE NUMBER<br>(     ) |

**DEPENDENT** *(Attach additional pages as needed.)*

| DEPENDENT'S NAME | DATE OF BIRTH | SOCIAL SECURITY NUMBER | RELATIONSHIP |
|------------------|---------------|------------------------|--------------|
|                  |               |                        |              |
|                  |               |                        |              |
|                  |               |                        |              |
|                  |               |                        |              |

**SECTION 5. EMPLOYMENT INFORMATION**

|   |         |          |            |  |
|---|---------|----------|------------|--|
| TAXPAYER'S EMPLOYER OR BUSINESS <i>(name and address)</i>   |         |          |            | BUSINESS PHONE NUMBER<br>(     )                 |
| HOW LONG EMPLOYED   | YEAR(S) | MONTH(S) | OCCUPATION |  |
| <input type="checkbox"/> Wage earner <input type="checkbox"/> Sole proprietor <input type="checkbox"/> Partner                                  |         |          |            |  |
| PAID<br><input type="checkbox"/> Weekly <input type="checkbox"/> Biweekly <input type="checkbox"/> Monthly <input type="checkbox"/> Semimonthly |         |          |            | NUMBER OF EXEMPTIONS CLAIMED ON FORM W-4 OR DE-4 |
| SPOUSE'S/REGISTERED DOMESTIC PARTNER'S EMPLOYER OR BUSINESS <i>(name or address)</i>  |         |          |            | BUSINESS PHONE NUMBER<br>(     )                 |
| HOW LONG EMPLOYED   | YEAR(S) | MONTH(S) | OCCUPATION |  |
| <input type="checkbox"/> Wage earner <input type="checkbox"/> Sole proprietor <input type="checkbox"/> Partner                                  |         |          |            |  |
| PAID<br><input type="checkbox"/> Weekly <input type="checkbox"/> Biweekly <input type="checkbox"/> Monthly <input type="checkbox"/> Semimonthly |         |          |            | NUMBER OF EXEMPTIONS CLAIMED ON FORM W-4 OR DE-4 |

**SECTION 6. GENERAL FINANCIAL INFORMATION**

**BANK ACCOUNTS** *(Include IRA and retirement plans, certificates of deposit, etc. Attach additional pages as needed.)*

| NAME OF INSTITUTION   | ADDRESS | TYPE | DATE OPENED | ACCOUNT NUMBER | BALANCE |
|---|---------|------|-------------|----------------|---------|
|   |         |      |             |                |         |
|   |         |      |             |                |         |
|   |         |      |             |                |         |
|   |         |      |             |                |         |
|   |         |      |             |                |         |
| <b>TOTAL</b> <i>[Enter this amount on line 2, section 7 (Asset and Liability Analysis)]&gt;&gt;</i> |         |      |             |                |         |

**VEHICLES** *(Please list all vehicles registered in your, your spouse's, or your registered domestic partner's name. Attach additional pages as needed.)*

| YEAR, MAKE, MODEL, LICENSE NUMBER   | PURCHASE PRICE | LENDER/PINK SLIP HOLDER | CURRENT MARKET VALUE | CURRENT PAYOFF | AVAILABLE EQUITY |
|---|----------------|-------------------------|----------------------|----------------|------------------|
|   |                |                         |                      |                |                  |
|   |                |                         |                      |                |                  |
|   |                |                         |                      |                |                  |
|   |                |                         |                      |                |                  |
| <b>TOTAL</b> <i>[Enter this amount on line 3, section 7 (Asset and Liability Analysis)]&gt;&gt;</i> |                |                         |                      |                |                  |

**LIFE INSURANCE** *(Attach additional pages as needed.)*

| NAME OF INSURANCE COMPANY   | AGENT'S NAME | POLICY NUMBER | TYPE | FACE AMOUNT | LOAN/CASH SURRENDER VALUE |
|---|--------------|---------------|------|-------------|---------------------------|
|   |              |               |      |             |                           |
|   |              |               |      |             |                           |
| <b>TOTAL</b> <i>[Enter this amount on line 4, section 7 (Asset and Liability Analysis)]&gt;&gt;</i> |              |               |      |             |                           |

**CHARGE CARDS AND LINES OF CREDIT** *(Attach additional pages as needed.)*

| TYPE OF ACCOUNT  | NAME AND ADDRESS OF CREDIT GRANTOR | MIN. MONTHLY PAYMENT | AMOUNT OWED |
|--|------------------------------------|----------------------|-------------|
|  |                                    |                      |             |
|  |                                    |                      |             |
|  |                                    |                      |             |
|  |                                    |                      |             |
|  |                                    |                      |             |
| <b>TOTAL &gt;&gt;</b>  |                                    |                      |             |
| <b>TOTAL</b> <i>[Enter this amount on line 22, section 7 (Asset and Liability Analysis)]&gt;&gt;</i> |                                    |                      |             |

**SECTION 6. GENERAL FINANCIAL INFORMATION** *(continued)*

**SECURITIES** *(Stocks, bonds, mutual funds, money market funds, securities, securities held in a trust, etc. Attach additional pages as needed.)*

| TYPE  | BROKERAGE NAME | OWNER OF RECORD | QUANTITY OR DENOMINATION | CURRENT VALUE |
|---|----------------|-----------------|--------------------------|---------------|
|   |                |                 |                          |               |
| <b>TOTAL</b> <i>[enter this amount on line 5, section 7 (Asset and Liability Analysis)]&gt;&gt;</i> |                |                 |                          |               |

**REAL PROPERTY** *(Include a copy of the deed and list quit claims within the last five years. Attach additional pages as needed.)*

|   |               |
|---|---------------|
| A) PHYSICAL ADDRESS AND DESCRIPTION <i>(single family dwelling, multi-family dwelling, lot, etc.)</i> | PARCEL NUMBER |
| MORTGAGE LENDER'S NAME AND ADDRESS  |               |

|                   |                      |               |
|-------------------|----------------------|---------------|
| HOW IS TITLE HELD | PURCHASE PRICE<br>\$ | PURCHASE DATE |
|-------------------|----------------------|---------------|

|   |               |
|---|---------------|
| B) PHYSICAL ADDRESS AND DESCRIPTION <i>(single family dwelling, multi-family dwelling, lot, etc.)</i> | PARCEL NUMBER |
| MORTGAGE LENDER'S NAME AND ADDRESS  |               |

|                   |                      |               |
|-------------------|----------------------|---------------|
| HOW IS TITLE HELD | PURCHASE PRICE<br>\$ | PURCHASE DATE |
|-------------------|----------------------|---------------|

|   |               |
|---|---------------|
| C) PHYSICAL ADDRESS AND DESCRIPTION <i>(single family dwelling, multi-family dwelling, lot, etc.)</i> | PARCEL NUMBER |
| MORTGAGE LENDER'S NAME AND ADDRESS  |               |

|                   |                      |               |
|-------------------|----------------------|---------------|
| HOW IS TITLE HELD | PURCHASE PRICE<br>\$ | PURCHASE DATE |
|-------------------|----------------------|---------------|

*Please provide other information relating to your financial condition. If "yes" is checked, please provide dates, explanation, and documentation. Documentation should cover the last three years.*

|  |  |
|--|--|
| COURT PROCEEDINGS  |  |
| <input type="checkbox"/> Yes <input type="checkbox"/> No |  |
| REPOSSESSIONS  |  |
| <input type="checkbox"/> Yes <input type="checkbox"/> No |  |
| BANKRUPTCIES/RECEIVERSHIPS                               |  |
| <input type="checkbox"/> Yes <input type="checkbox"/> No |  |
| RECENT TRANSFER OF ASSETS                                |  |
| <input type="checkbox"/> Yes <input type="checkbox"/> No |  |
| BENEFICIARY OF TRUST, ESTATE, PROFIT SHARING, ETC.       |  |
| <input type="checkbox"/> Yes <input type="checkbox"/> No |  |
| ANTICIPATED INCREASE IN INCOME                           |  |
| <input type="checkbox"/> Yes <input type="checkbox"/> No |  |

*List any vehicles, equipment, or property sold, given away, or repossessed during the past three years.*

| DESCRIPTION<br>YEAR, MAKE, MODEL OF VEHICLE OR PROPERTY ADDRESS | WHO TOOK TITLE OR POSSESSION | VALUE |
|---|------------------------------|-------|
|   |                              |       |
|   |                              |       |



**SECTION 7. ASSET AND LIABILITY ANALYSIS**

**IMMEDIATE ASSETS**

|  |  |
|--|--|
| 1. Cash  |  |
| 2. Bank Accounts/Balance <i>(from section 6)</i>                       |  |
| 3. Vehicles/Available Equity <i>(from section 6)</i>                   |  |
| 4. Loan/Cash Surrender Value of Life Insurance <i>(from section 6)</i> |  |
| 5. Securities <i>(from section 6)</i>                                  |  |
| 6. Assets Held in a Living Trust <i>(from section 6)</i>               |  |
| <b>TOTAL IMMEDIATE ASSETS &gt;&gt;</b>                                 |  |

**REAL PROPERTY** *(from section 6)*

| ADDRESS OR LOCATION          | CURRENT MARKET VALUE | MORTGAGE PAYOFF AMOUNT | EQUITY |
|------------------------------|----------------------|------------------------|--------|
| 7. A)                        |                      |                        |        |
| 8. B)                        |                      |                        |        |
| 9. C)                        |                      |                        |        |
| <b>TOTAL EQUITY &gt;&gt;</b> |                      |                        |        |

**OTHER ASSETS** *(Please include names and addresses. A separate listing may be attached if necessary.)*

|   |  |
|---|--|
| 10. Notes   |  |
| 11. Accounts Receivable   |  |
| 12. Judgments/Settlements Receivable                                |  |
| 13. Aircraft, Watercraft <i>(please list CF No. or Hull ID No.)</i> |  |
| 14. Interest in Trusts  |  |
| 15. Interest in Estates   |  |
| 16. Partnership Interests   |  |
| 17. Other Assets <i>(include description)</i>                       |  |
| 18. Other Assets  |  |
| 19. Other Assets  |  |
| 20. Other Assets  |  |
| <b>TOTAL OTHER ASSETS &gt;&gt;</b>                                  |  |

**21. Sum Total of Assets (Immediate, Equity and Other)** >>

**CURRENT LIABILITIES** *(Include judgments, notes, and other charge accounts. Do NOT include vehicle or home loans.)*

|   |  |
|---|--|
| 22. Lines of Credit [amount owed] <i>(from section 6)</i>       |  |
| 23. Taxes Owed to IRS <i>(provide a copy of recent notices)</i> |  |
| 24. Other Liabilities <i>(include description)</i>              |  |
| 25. Other Liabilities   |  |
| 26. Other Liabilities   |  |
| 27. Other Liabilities   |  |
| <b>TOTAL LIABILITIES &gt;&gt;</b>                               |  |

**SECTION 8. MONTHLY INCOME AND EXPENSE ANALYSIS**

| INCOME  | GROSS | NET | CDTFA USE ONLY |
|---|-------|-----|----------------|
| 28. Wages/Salaries (Taxpayer)                                   |       |     |                |
| 29. Pension (Taxpayer)  |       |     |                |
| 30. Overtime/Bonuses/Commissions (Taxpayer)                     |       |     |                |
| 31. Wages/Salaries (Spouse/Reg. Domestic Partner)               |       |     |                |
| 32. Pension (Spouse/Reg. Domestic Partner)                      |       |     |                |
| 33. Overtime/Bonuses/Commissions (Spouse/Reg. Domestic Partner) |       |     |                |
| 34. Business Income (Taxpayer or Spouse/Reg. Domestic Partner)  |       |     |                |
| 35. Rental Income   |       |     |                |
| 36. Interest/Dividends/Royalties (Average Monthly)              |       |     |                |
| 37. Payments from Trusts/Partnerships/Entities                  |       |     |                |
| 38. Child Support   |       |     |                |
| 39. Alimony   |       |     |                |
| 40. Unemployment  |       |     |                |
| 41. Disability  |       |     |                |
| 42. Other Income (include description)                          |       |     |                |
| 43. Other Income  |       |     |                |

**TOTAL HOUSEHOLD INCOME >>**

**EXPENSES** (Please pro-rate expenses if household expenses are shared and if income is not provided in items 28-43.)

|  | AMOUNT | CDTFA USE ONLY |
|--|--------|----------------|
| 44. Rent/Mortgage  |        |                |
| 45. Real Estate Taxes  |        |                |
| 46. Home Insurance: ( ) Association Fees: ( )                    |        |                |
| 47. Groceries, number of people: ( )                             |        |                |
| 48. Utilities  |        |                |
| 49. Electric: ( ) Phone: ( )                                     |        |                |
| 50. Gas: ( ) Water: ( )  |        |                |
| 51. Trash: ( ) Sewer: ( )  |        |                |
| 52. Auto Payments  |        |                |
| 53. Auto Insurance   |        |                |
| 54. Gasoline, Number of Miles to Work: ( )                       |        |                |
| 55. Life/Health Insurance (if not deducted from your paycheck)   |        |                |
| 56. Medical Payments (not covered by insurance)                  |        |                |
| 57. Estimated Tax Payments (if not deducted from your paycheck)  |        |                |
| 58. Court Ordered Payments (alimony, child support, restitution) |        |                |
| 59. Garnishments (if not deducted from your paycheck)            |        |                |
| 60. Delinquent Tax (non-CDTFA)                                   |        |                |
| 61. Credit Card Payments (total monthly minimum) from section 6  |        |                |
| 62. Other Expenses (include description)                         |        |                |
| 63. Other Expenses   |        |                |

**TOTAL HOUSEHOLD EXPENSES >>**

Please provide documentation and verification of income and expenses listed above.

**64. NET DIFFERENCE (TOTAL INCOME LESS EXPENSES)**

## Questions and Answers

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**Q What does the California Department of Tax and Fee Administration consider a fair Offer in Compromise in relation to the amount due?**

A Generally, an Offer in Compromise will be accepted when the amount offered is more than the CDTFA can expect to collect within a reasonable period of time, typically from five to seven years.

**Q How long will it take to get a decision on my OIC?**

A Generally, if we accept your offer for processing, we will have a decision to you within 180 days after receiving your Offer in Compromise. If your account is more complex, it may take longer than 180 days.

**Q Can I make installment payments on the offered amount?**

A No. We require full payment of the offered amount before we will forward the Offer in Compromise for final consideration.

**Q Can prior payments be applied to the offered amount?**

A No. Prior payments are not accepted towards the offered amount. However, prior payments and the offered amount compared to the total liability are taken into consideration when evaluating your Offer in Compromise.

**Q My IRS/FTB OIC has been accepted. Will the CDTFA automatically approve my Offer in Compromise?**

A No. Your CDTFA offer will be evaluated separately from your IRS or FTB offer, and generally, if the amount of the offer represents the most that we can expect to collect within a reasonable period of time, we will accept your Offer in Compromise.

**Q If the CDTFA determines that my Offer in Compromise is not acceptable, will I be contacted?**

A Yes. A letter informing you of our discussion will be sent to you. We may also contact you to discuss your account and to determine the most appropriate resolution. For example, if we determine that you have the ability to make monthly payments that will exceed the amount offered, we will work with you to establish an installment payment agreement that will allow you to pay the liability in full over time.

**Q Will state tax liens be released if my Offer in Compromise is accepted?**

A We release state tax liens upon final approval of your Offer in Compromise. If another partner existed on the permit, that person's liability will not be canceled nor will the lien be released. A partial release will be issued to release you from the effects of the lien.

**Q Do I need to have someone represent me?**

A Representation is not required. Offer in Compromise is available to all taxpayers, whether or not they are represented. If you think you need representation, there are many tax professionals who have experience with the OIC process.

**Q Can I get relief from the tax liability by filing bankruptcy?**

A Part or all of your taxes may be dischargeable under the bankruptcy code. If this is a consideration, you may want to seek legal advice.

**Q If my Offer in Compromise is rejected, can I choose to apply the deposit to my liability?**

A Yes. If you choose to do so, the effective date of the payment is the date the deposit was made. If the deposit was posted by a third party, we must obtain their approval before applying the payment.

**Q Will collection action be suspended while my offer is being evaluated?**

A Usually, if we are in receipt of a relatively complete application. You may also be required to continue payments if you are currently in an Installment Payment Agreement. If delaying collection activity jeopardizes our ability to collect the tax, we may continue with collection efforts.