



CALIFORNIA DEPARTMENT OF TAX AND FEE ADMINISTRATION

TAX POLICY BUREAU

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July 19, 2024

VIA INTERNET

The Compliance Policy and Procedures Manual (CPPM) is a guide for the California Department of Tax and Fee Administration (CDTFA) in administering tax and fee programs. It is available to the public and can be accessed from the CDTFA web page at <http://www.cdtfa.ca.gov/taxes-and-fees/staxmanuals.htm>.

The Business Tax and Fee Division is proposing to revise CPPM section 772.010, *Offers in Compromise, General*, to incorporate current policies and procedures.

The revision material is provided on the following pages for the convenience of interested parties who may wish to submit comments or suggestions. Please feel free to publish this information on your website or otherwise distribute it to your association/members.

If you have any comments or suggestions related to the proposed CPPM revisions, you may contact the CDTFA at CPPMRev@cdtfa.ca.gov. Your comments or suggestions must be received by the CDTFA no later than **August 19, 2024**, in order to be considered. Thank you for your consideration.

Sincerely,

A handwritten signature in black ink that reads "Aimee Olhiser".

Aimee Olhiser, Chief
Tax Policy Bureau
Business Tax and Fee Division

AO:rls

OFFERS IN COMPROMISE**772.000****GENERAL****772.010**

The Offer in Compromise (OIC) program¹ is available to all taxpayers that do not have the income, assets, or means to pay their liability within a reasonable period of time, ~~in most cases within 5 to 7 years~~ **typically four years**. Generally, if an OIC is accepted, the taxpayer's liability is eliminated and liens are released.

In order to participate in the OIC program, taxpayers must meet the following requirements:

1. The account is closed (not active) and the liability is final.
2. The taxpayer is not disputing the liability.
3. The person making the offer is not involved or associated with the same, or similar, type of business.
4. ~~The liability is assessed by the California Department of Tax and Fee Administration (CDTFA), is final, and there is no evidence of tax reimbursement.~~

Effective January 1, 2009, **and extended** through January 1, ~~2023~~ **2028**, the OIC program will extend to qualified active businesses **for department assessed, final liabilities** where the taxpayer has not received reimbursement for the taxes, fees, or surcharges owed to the state, to successors of businesses that may have inherited tax liabilities of their predecessors, and to consumers who incurred a use tax liability.

To assist taxpayers in determining if they are eligible for an OIC and an appropriate offer amount, a **new web-based tool**, Offer in Compromise Pre-Qualifier, ~~web-based tool~~ is available on the CDTFA website. The tool is intended for use by individuals and not by corporations or limited liability companies. Taxpayers should be encouraged to use the tool before submitting their OIC application to ensure they qualify and are making a reasonable offer. Taxpayers who pass the initial vetting questions are asked to provide additional financial information. Once the information is added, the tool calculates a proposed offer based on the amount of the tax/fee debt, equity in assets, and monthly income. If the taxpayer decides to continue and apply for an OIC, they can click the link to the CDTFA-490, *Offer in Compromise Application*, within the tool's webpage. A hardcopy of the application must be submitted to ~~the~~ CDTFA. While the tool may inform a taxpayer they appear to qualify for the OIC program, the OIC Section is responsible for reviewing the application and supporting documentation to determine whether the taxpayer's OIC request is approved.

If the taxpayer is ~~not able~~ **unable** to use the OIC Pre-Qualifier tool and it appears the taxpayer is a good candidate for the OIC program, the responsible collector may invite them to participate by sending a CDTFA-908, *Offers in Compromise Program*, and/or an OIC application (CDTFA-490 or CDTFA-490-C).

¹ R&TC section 7093.6 for Sales and Use Tax and similar provisions for Special Tax and Fee programs.