



DISTRICT OF COLUMBIA
OFFICE OF TAX AND REVENUE

Form OTR-10 Instructions (Rev. 3/99)

Instructions for Submitting Offers in Compromise

- What you should know before submitting an offer in compromise
 - Instructions for completing Form OTR-10, Offer-in-Compromise
 - Instructions for completing Forms PA-1 and/or PA-2, Collection Information Statements
 - Forms OTR-10, PA-1, PA-2
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What You Should Know Before Preparing an Offer in Compromise

Legal Limitations on Compromise

Office of Tax and Revenue (OTR) may legally compromise a tax liability owed based only on:

- **Collectibility** - doubt that OTR can collect the full amount owed; and/or
- **Liability** - doubt whether you owe the tax

Are You An Offer Candidate?

Do not submit an offer based on doubt of collectibility if:

- The entire amount you owe can be paid through liquidation of your assets or through a monthly installment plan.
- OTR can collect more from your assets and/or future income than you are offering.

Note: We will not waive penalty and interest because you offer to pay the tax.

We may require additional agreements which would require you to:

Additional Agreements

- Pay a percentage of future earnings.
- Refrain from claiming certain present or potential tax benefits.

Suspending Collection

Submitting an offer does not automatically suspend collection activity.

- If the offer was filed for the purpose of delaying collection of the tax, or if delay would interfere with our ability to collect the tax, we will continue collection efforts.
- If you already have an installment agreement, you must continue making your payments while the offer is being considered.

Form

Offer in Compromise Form OTR-10 is the official Offer in Compromise agreement. You must use this form or an exact duplicate.

Can We Process Your Offer?

We will return your offer to you and ask for clarification if you do not fill in every line item on the form. Refer to "Instruction for completing Form OTR-10", on page 4. We cannot process your offer if it contains any of these problems:

- A substitute for Form OTR-10 is not an exact duplicate of the official form.
- Pre-printed terms of the offer form are altered.
- Taxpayer is not identified.
- Taxpayer Identification Number is not included.
- An amount is not offered and/or payment terms are not stated.
- Appropriate signatures are not present.
- Forms PA-1 and PA-2, if required or substitute balance sheets and income statements are missing or are incomplete.
- We determine that the amount you offered is less than your equity in assets and available income.
- You have not filed all required tax returns.

Financial Information Required for Offers based on Doubt as to Collectibility

You must file Form PA-1, Collection Information Statement for Individuals and/or Form PA-2 Collection Information Statement for Businesses with Form OTR-10.

Important: You must attach a copy of your latest Federal Income Tax Returns for the business and for all Individuals responsible for the tax who submit this offer.

- The information you provide must be current and complete and reflect activity within the 6 months before the date you submit the offer. We use this information to evaluate the offer.
- Do not include information relating to unsecured creditors. For example, do not include amounts you owe on credit cards or loans made without pledging assets as security.
- If you owe business income tax, you must submit Forms PA-1 for all persons responsible for the tax and Form PA-2 for the business.
- If only one spouse owes tax but both have income, prepare Form PA-1 using only the liable spouse's income and expense information. We will require disclosure of financial information of the non-liable spouse during our investigation.
- Assets or income available to you but not available to OTR for direct collection action should be included on the financial statement. Even if OTR may not collect directly from the assets, those assets are available to raise funds and should be included in the offer.

How Do I Compute the Amount Of My Offer?

You will receive more favorable consideration if you offer a substantial portion of the total tax, penalty and Interest due, you offer money you can raise only under condition that your tax is settled. Examples are personal loans from friends or family, bank loans, and proceeds from contracts you are able to make if tax liens are released. We will consider your offer more favorably if you submit all or a substantial portion of the offer amount With your offer request to demonstrate your sincerity. Any money submitted with an offer is refundable in the Event the offer is rejected.

Investigation of the Offer

In determining the amount that would be acceptable to compromise your liability, an offer examiner will Review your offer **and conduct an independent investigation** to ensure that:

- You accurately included all assets and income available to you.
- You claimed only the necessary expenses allowable for the health and welfare of you and your family and to provide for production of income.

We may request additional information from you. If we do not receive it, we will reject your offer. Based on our investigation, we may accept or reject the offer or ask you to increase the amount of the offer.

- We will confirm acceptance by mail.
- You should promptly pay any unpaid offer amounts.
- You must comply with all contractual terms and conditions of the offer.
- We will release all liens when the offer amount is paid in full.
- Failure to adhere to the 5-year compliance requirement to file all returns and pay all amounts due may result in default of your offer. If this occurs, the unpaid compromised tax liability will be reinstated, any released liens will be reinstated, and the collection process will resume.

If Your Offer Is Accepted

Instructions for Completing Forms PA-1 and PA-2

Read the terms and definitions below to help you prepare Forms PA-1 and PA-2. Complete every item on the forms; if an item doesn't apply to you, enter "N/A."

Current Market Value: The amount you could reasonably expect to be paid for the asset if you sold it. Do not guess at with your financial statement.

Necessary Expenses: (Not for business entities) Expenses needed to provide for your and your family's health and

Expenses Not Generally Allowed: Tuition for private elementary and secondary schools, public or private college expenses charitable contributions, voluntary retirement benefits, unsecured debts, cable television charges

Equity in Assets: Current market value of asset minus current balance due on loan or mortgage.

Instructions for Completing Form OTR-10

Failure to follow these instructions could result in our returning your offer. Questions may be directed to the Revenue Officer handling your case, or if none, to (202) 727-4TAX

- Item 1** Enter the taxpayer's name and home or business address, including a mailing address if different.
- Item 2** Enter the name and social security number of all persons submitting the offer.
- Item 3** If the liability being compromised is owned by a business, enter the business tax number.
- Item 4** Show the business tax numbers for all other businesses you own. Under the terms of the offer you must comply with the filing and paying requirements of the tax laws for 5 years after
- Item 5** Enter the total amount of tax, penalty and interest, for all taxes you seek to compromise. Prepare a separate schedule listing the type of tax, tax period and the amount of each tax bill you seek to compromise.

- Item 6** Check the applicable block describing the basis for your offer.
- If **Doubt as to Liability**, you must submit a written statement describing in detail why you do not believe you owe the liability. *You must complete item 7.*
 - If **Doubt as to Collectibility**, you must submit Collection Information Statements, Form PA-1
- Item 7**
- Enter the total amount of your offer. Do not include amounts you have already paid, OTR has already collected, or is due to receive.
 - Enter other proposed payment terms if you cannot pay the amount offered within 90 days. 12-31-97. If we determine that you can pay in less time, we will require earlier payment or we
- Item 8** **It is important that you thoroughly read and understand the contractual requirements in this section.**
- Item 9** All persons submitting the offer should sign and date Form OTR-10. Where applicable, include
- Where to File** File your offer in compromise at **941 North Capitol Street NE, Washington, D. C. 20002.** If you have been working with a specific OTR employee, file the offer with that employee.



District of Columbia
Office of Tax and Revenue

Form OTR-10

Offer in Compromise

(If you need more space, use another sheet titled "Attachment to Form OTR-10", sign it and date it.)

Item 1

Taxpayer Name

Street

City State Zip Code

Mailing Address (if different from above)

Street

City State Zip Code

Item 2

Names and Social Security Numbers of All Persons Submitting This Offer

-

Item 3

Business Tax Number(s)

-

Item 4

Other Business Tax Numbers (of Related Businesses Not Included in Offer)

-

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-

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Item 5

I/we submit this offer to compromise the tax liabilities plus any interest, penalties, additions to taxes and additional amounts required by law (tax liability) for the tax type and periods marked below:

-

Item 6

I/we submit this offer for the reason(s) checked below:

Doubt as to Liability - I do not believe I owe this amount. Attached is my detailed explanation of the reasons I believe I do not owe it.

Doubt as to Collectibility - I have insufficient assets and income to pay the full amount. Attached are my complete financial statements (Form PA-1 and/or PA-2), personal and business Federal Income Tax returns.

Item 7

I/we offer to pay

\$ _____

- In full with this offer. My check is attached.
- Down payment of \$ _____ is attached.
- No down payment

Check one of the following boxes

Balance will be paid in 10 30 60 or 90 days from date of acceptance of the offer. If more than one payment will be made during the time checked, provide the amount of the payments and dates to be paid below.

Other proposed payment terms. Enter the specific dates

and amounts of the payments you propose on the lines below

Item 8

By submitting this offer, I / we understand and agree to all of the following conditions:

- (a) I / we voluntarily submit all payments made on this offer.
- (b) OTR will apply payments made under the terms of this offer in the best interest of the government.
- (c) If OTR rejects the offer or I/we withdraw the offer, OTR will return any amount paid with the offer, if requested.
- (d) **I/we will comply with all provisions of the District of Columbia Code relating to filing my/our tax returns and paying my/our required taxes for 5 years from the date OTR accepts the offer. I/we understand that if I/we fail to do this, OTR may reinstate the tax that was forgiven as a result of this offer, refile the tax liens released under this offer, and collect the full amount of the tax including penalties and interest. This condition does not apply to offers based on Doubt as to Liability.**
- (e) I/we waive and agree to the suspension of any statutory periods of limitations (time limits provided for by law) for OTR assessments and collection of the tax liability for the tax periods identified in item [5].
- (f) OTR will keep all payments and credits made, received, or applied to the amount being compromised before this offer was submitted. OTR may keep any proceeds from a levy served prior to submission of the offer but not received at the time the offer is submitted. If I/we have an installment agreement prior to submitting the offer, I/we must continue to make the payments as agreed while this offer is pending. Installment agreement / payments will not be applied against the amount offered.
- (g) **OTR will keep any refund, including interest, due to me/us because of overpayment of any tax or other liability, for tax periods extending through the calendar year that OTR accepts the offer. I/we may not designate a refund, to which OTR is entitled, to be applied to estimated tax payments for the following year.** This condition doesn't apply if the offer is based only on Doubt as to Liability.
- (h) I/we will return to OTR any refund identified in (g) received after submission of this offer. This condition doesn't apply if the offer is based only on Doubt as to Liability.
- (i) The total amount OTR can collect under this offer can not be more than the full amount of the tax liability including penalties and interest.
- (j) I/we understand that I/we remain responsible for the full amount of the tax liability, unless and until OTR accepts the offer in writing and I/we have met all terms and conditions of the offer.
- (k) I/we understand that the tax I/we offer to compromise is and will remain a tax liability until I/we meet all the terms and conditions of this offer. If I/we file bankruptcy before the terms and conditions of this offer are completed, any claim OTR files in the bankruptcy proceeding will include the full amount of the unpaid tax.
- (l) Once OTR accepts the offer in writing, I/we have no right to contest in court or otherwise, the amount of the tax liability.

(m) The offer is pending starting with the date an authorized OTR official signs this form and accepts my/our waiver of the statutory periods of limitations. The offer remains pending until an authorized OTR official accepts, rejects or acknowledges withdrawal of the offer in writing.

(n) The waiver and suspension of any statutory periods of limitation for assessment and collection of the amount of the tax liability described in item (5), continues to apply: while the offer is pending (see (m) above), during the time I/we have not paid all of the amount offered, during the time I/we have not completed all terms and conditions of the offer, and for one additional year beyond each of the time periods identified in this paragraph.

(o) If I/we fail to meet any of the terms and conditions of the offer, the offer is in default, then OTR may: immediately file suit to collect the entire unpaid balance of the offer; immediately file suit to collect an amount equal to the original amount of the tax liability as liquidating damages, minus any payments already received under the terms of this offer; disregard the amount of the offer and apply all amounts already paid under the offer against the original amount of tax liability; or file suit or levy to collect the original amount of the tax liability, without further notice of any kind.

OTR will continue to add interest on the amount OTR determines is due after default, from the date the offer is defaulted until I/we completely satisfy the amount owed.

Item 9

If I/we submit this offer on a substitute form OTR-10, I/we affirm that this form is a verbatim duplicate of the official Form, and I/we agree to be bound by all the terms and conditions set forth in the official Form OTR-10.

Under penalties of perjury, I declare that I have examined this offer, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct and complete.

(9a) Signature of Taxpayer-proponent

Date

(9b) Signature of Taxpayer-proponent

Date

For Official Use Only

I accept waiver of the statutory period of limitations for the Office of Tax and Revenue.

Signature of authorized OTR Official

Title

Date