



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

SMALL BUSINESS/SELF-EMPLOYED DIVISION

February 2, 2009

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MEMORANDUM FOR DIRECTORS, COLLECTION AREA OFFICES
DIRECTORS, CAMPUS COMPLIANCE OPERATIONS
(BROOKHAVEN AREA)
(MEMPHIS AREA)

FROM: Frederick W. Schindler /s/ Laura Hostalley (*for*)
Director, Collection Policy

SUBJECT: Interim Guidance for Additional Review of Real Property
Valuations in Offer in Compromise Cases

The purpose of this memorandum is to issue interim guidance for an additional review which will be conducted on offer in compromise cases that meet specific criteria. Please ensure this information is distributed to all affected employees within your organization. These procedures are effective for any offer in compromise case received after February 9, 2009 and any offer currently in process where a rejection letter has not been issued.

During these current economic times the value of real property may be difficult to determine in specific markets and is frequently an area of dispute in the computation of reasonable collection potential. The purpose of the additional review is to confirm the value of the real property and ensure that the reasonable collection potential has been properly determined. These procedures are meant to supplement; not replace, the financial analysis and review provisions of the Internal Revenue Manual.

All employees should be sensitive to the current economic conditions that may be affecting taxpayers while investigating the acceptability of an offer. Employees should continue to utilize all available resources to arrive at the most accurate property valuation possible, including a discussion with the taxpayer and/or their representative on the methods used to value the taxpayer's property.

After a thorough investigation and discussion with the taxpayer and/or representative, if the offer meets the following criteria an additional review will be initiated prior to the potential rejection being sent to the Independent Administrative Reviewer.

CRITERIA –

- Taxpayer has individual tax liabilities.
- The difference between the amount offered by the taxpayer and the reasonable collection potential as determined by the offer specialist or offer examiner is solely attributable to a disagreement as to the equity in real property.
- There are no other issues present in the case which would independently justify rejection of the offer.

Offers that meet the criteria above will be referred to the Non-Economic Hardship - Effective Tax Administration (NEH-ETA) Group in Austin, TX for the additional review to be conducted. Prior to transferring the offer, a completed check sheet should be faxed to the NEH-ETA group for an initial review and concurrence. If it is determined the taxpayer does not meet the criteria established; the initiating office will be advised to continue the investigation and processing under their normal procedures. If the offer is transferred to the NEH-ETA group, a transfer letter will be mailed by the transferring office.

Employees may also refer situations where the taxpayer has an unusual or unique situation that may affect the valuation/equity in their real property or acceptability of the offer.

Cases should not be referred that meet the IRM provisions relating to returning a taxpayer's offer for failure to be in current compliance and/or failure to provide required financial documentation.

If you have questions, please contact me or a member of your staff may contact Thomas B. Moore. Territory personnel should direct any questions, through their management staff to the appropriate Area contact.

cc: Chief, Appeals
National Taxpayer Advocate
www.irs.gov