



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

SMALL BUSINESS / SELF-EMPLOYED DIVISION

September 25, 2012

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MEMORANDUM FOR DIRECTORS, CAMPUS COMPLIANCE OPERATIONS  
(BROOKHAVEN AND MEMPHIS)

FROM: Scott D. Reisher /s/ **Scott D. Reisher**  
Director, Collection Policy

SUBJECT: Centralized Offer in Compromise Case Building

The purpose of this memorandum is to reissue Interim Guidance Memorandum SBSE-05-1011-072, *Centralized Offer in Compromise Case Building*, which expires October 20, 2012. The changes defined in the attachment will be incorporated in the next revision of Internal Revenue Manual (IRM) 5.8.3, *Centralized Offer in Compromise Transfers, Perfection and Case Building*, and will further clarify the Process Examiner's (PE) role in perfection and case building for offers in compromise.

If you have any questions, please contact me, or a member of your staff may contact Diane Morris, OIC Senior Program Analyst or Ilene Nodiff-Robinson, Senior Tax Analyst. The COIC personnel should direct any questions through the appropriate management chain.

Attachments: (1)

cc: [www.irs.gov](http://www.irs.gov)  
Chief, Appeals  
Chief Counsel  
National Taxpayer Advocate

## **Attachment**

Interim Guidance Memorandum for Centralized Offer in Compromise (COIC)  
Defining Case Building Procedures

## **Perfection and Case Building**

### **IRM 5.8.3.4.1, Field Cases - Perfection**

- (1) Certain errors in an offer must be corrected in order to perfect the offer and enable the Service to begin the offer investigation. For field cases, the only issues that will be perfected are the following:
  - Balance of any TIPRA shortfall due at the time of submission
  - Additional Forms 656; related user fee and TIPRA payment(s)
  - The offer was submitted on an obsolete Form 656
- (2) Document the AOIC history to summarize any perfection issues.
- (3) These cases must be flagged while in the hold file waiting for the taxpayer response.
- (4) Upon receipt of the response, the case must be immediately pulled and shipped to the receiving field office.
- (5) If the taxpayer fails to provide any of the requested documentation, return the offer without further contact.

### **IRM 5.8.3.4.2, Field Cases - Case Building**

- (1) Case building for field cases should be minimal. Prior to the transfer of cases to an Area office, COIC will include in the case file prints of the following in-house research:
  - Copy of the NFTL, if notice of filing is on the Automated Lien System (ALS)
  - IMFOLT or BMFOLT or Masterfile Screen from AOIC
- (2) COIC will generate the TC 480 and Status 71 through the AOIC system. However, there may be situations when the TC 480/Status 71 cannot be systemically generated (e.g., MFT 31 modules created prior to January 2005, imminent statute, etc.). In those cases where AOIC does not systemically generate the appropriate TC 480 and/or Status 71, COIC must manually input the appropriate codes.

**Note:** If the TC 480 was manually input, it must be manually reversed. The AOIC history should be notated to alert the OE/OS that the TC 480 must be manually reversed at closing.

## **Attachment**

### **Interim Guidance Memorandum for Centralized Offer in Compromise (COIC) Defining Case Building Procedures**

#### **IRM 5.8.3.7, Perfection of COIC Cases**

(1) Prior to beginning an OIC investigation, the following must be corrected:

- Balance of any TIPRA shortfall due at the time of submission
- Additional Forms 656; related user fee and TIPRA payment(s)
- Unfiled tax returns (this will not exceed a 6-year look-back period, without managerial approval)
- The offer was submitted on an obsolete Form 656
- Form 433-A and/or 433-B is blank, partially completed, or missing

(2) If a period with an amount due is missing from the Form 656, but all periods due can be determined from IDRS or other documents submitted with the offer, add the periods to the AOIC MFT screen and to the Form 656. Document AOIC.

When a taxpayer has included a period(s) for which there is no apparent amount due, do not add the period(s) to AOIC. Document AOIC.

(3) When a taxpayer has included a period(s) for which there is no apparent amount due, do not add the period(s) to the AOIC MFT screen. Document AOIC.

#### **IRM 5.8.3.7.1, Case Building for COIC Offers**

(1) Case building for COIC cases should be minimal and will be limited to include prints of the following in-house research:

- Copy of the NFTL, if notice of filing is on the Automated Lien System (ALS)
- Applicable IDRS prints

(2) COIC will generate the TC 480 and Status 71 through the AOIC system. However, there may be situations when the TC 480/Status 71 cannot be systemically generated (e.g., MFT 31 modules created prior to January 2005, imminent statute, etc.). In those cases where AOIC does not systemically generate the appropriate TC 480 and/or Status 71, COIC must manually input the appropriate codes.

**Note:** If the TC 480 was manually input it must be manually reversed. The AOIC history should be notated to alert the OE/OS that the 480 must be manually reversed at closing.

## **Attachment**

### Interim Guidance Memorandum for Centralized Offer in Compromise (COIC) Defining Case Building Procedures

#### **IRM 5.8.3.8, AOIC Combo Letter**

- (1) The combo letter on the AOIC system is designed to communicate with the taxpayer and/or their representative to advise the taxpayer that their offer has been received or to request the necessary corrective action.
- (2) If no perfection is required, issue the AOIC Combo Letter, Paragraph A.
- (3) If perfection is required, prepare the combo letter using the paragraphs that address all deficiencies. Include Publications 1, *Your Rights as a Taxpayer*, and 594, *The IRS Collection Process*.
- (4) Document the AOIC history to summarize all applicable perfection issues.
- (5) Retain a copy of the signed and dated AOIC Combo Letter in the file.
- (6) Postdate all AOIC Combo Letters five calendar days. Schedule follow-up for the 45th day after the date of the letter. This means that at least 50 calendar days (five postdate plus 45 calendar days from the date of the letter) will have elapsed before an established follow-up date.
- (7) Mail the AOIC Combo Letter to the taxpayer and representative, if appropriate. If a disclosure issue exists, use the appropriate paragraph to indicate this in the AOIC Combo Letter, and do not send a copy of the letter to the representative. Instead, send the representative a letter notifying him that correspondence has been sent to his client and he must contact his client for the information.
- (8) Envelopes containing the AOIC Combo Letter, which require a response (Options B, C, or D), must be stamped or otherwise marked "URGENT-TIME SENSITIVE."
- (9) Document the mailing date of the letter on AOIC, which will generate the follow-up date.
- (10) Assign the offer to the applicable AOIC assignment number.
- (11) An OIC submitted by a taxpayer with less than the full amount of the TIPRA payment (either cash or deferred) will be considered a processable offer. Request the remainder of the required payment. If the taxpayer does not submit the balance of the required TIPRA payment, return the offer.
- (12) An OIC submitted by a taxpayer who has unfiled tax returns is a processable offer. It is necessary to either secure the unfiled returns or a

**Attachment**Interim Guidance Memorandum for Centralized Offer in Compromise (COIC)  
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statement addressing the filing requirements before the offer will be investigated.

- (13) If there is no response to the request letter, the OIC may be returned with no further contact. A return for failure to perfect an offer does not require a Form 1271, Rejection or Withdrawal Memorandum. The taxpayer has no appeal rights when the offer is closed as a return.