

**MSP  
#10****OFFER IN COMPROMISE: The IRS's Administration of the Offer in Compromise Program Falls Short of Congress's Expectations****RESPONSIBLE OFFICIALS**

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**TAXPAYER RIGHTS IMPACTED<sup>1</sup>**

- *The Right to Be Informed*
- *The Right to Quality Service*
- *The Right to Finality*
- *The Right to a Fair and Just Tax System*

**PROBLEM**

Congress has granted the IRS broad authority to use offers in compromise (OICs) to accept less than the full amount due for some taxpayers. It has urged the IRS to educate the public about OICs and adopt a liberal acceptance policy to provide an incentive for taxpayers to continue to file tax returns and pay their taxes.<sup>2</sup> Both taxpayers and the IRS benefit when the IRS accepts an OIC; however, TAS research studies have shown that in 40 percent of returned and rejected OICs, the IRS never collects the amount offered by the taxpayer, much less the reasonable collection potential (RCP) it calculated.<sup>3</sup> The National Taxpayer Advocate remains concerned that the IRS's administration of the OIC program falls short of Congress's expectations because:

- The IRS oftentimes estimates a higher collection potential than the amount a taxpayer offers, but then never collects that amount, rejecting viable OICs it could accept;
- The IRS generally fails to consider the effect of bankruptcy when considering an OIC; and
- The IRS is sending more accounts to its Automated Collection System (ACS) and private collection agencies (PCAs) resulting in less communication with taxpayers about OICs.

**IMPACT ON TAXPAYERS**

The goal of the OIC program is to reach a compromise that is in the best interest of both the taxpayer and the IRS while achieving collection of what is potentially collectible at the earliest possible time and at the least cost to the government.<sup>4</sup> Therefore, the IRS's policy is to accept an OIC when it is unlikely the tax liability can be collected in full and the amount offered reasonably reflects collection potential.<sup>5</sup>

1 See Taxpayer Bill of Rights (TBOR), [www.TaxpayerAdvocate.irs.gov/taxpayer-rights](http://www.TaxpayerAdvocate.irs.gov/taxpayer-rights). The rights contained in the TBOR are also codified in the Internal Revenue Code (IRC). See IRC § 7803(a)(3).

2 See IRC § 7122; H.R. REP. No. 105-599, at 287 (1998) (Conf. Rep.); S. REP. No. 105-174 at 88 (1998).

3 National Taxpayer Advocate 2017 Annual Report to Congress vol. 2, at 42, 60 (Research Study: *A Study of the IRS Offer in Compromise Program*).

4 Internal Revenue Manual (IRM) 1.2.1.6.17, Policy Statement 5-100, Offers Will Be Accepted (Jan. 30, 1992).

5 *Id.*

The IRS recognizes that the success of the program relies on taxpayers making adequate compromise proposals consistent with their ability to pay and on the IRS making prompt and reasonable decisions.<sup>6</sup> It is also the IRS's longstanding policy to educate and assist taxpayers who make a good faith effort to comply and to discuss OIC alternatives and assist taxpayers in preparing required forms when it has determined that an OIC is a viable solution to tax delinquency.<sup>7</sup> The IRS benefits from accepting an OIC because it immediately secures a payment and requires the taxpayer to remain in filing and payment compliance for the five-year period following acceptance.<sup>8</sup> The taxpayer benefits from receiving a fresh start and the finality of settling a debt that cannot be satisfied in full.<sup>9</sup>

**The National Taxpayer Advocate remains concerned that the IRS's administration of the Offer in Compromise program falls short of Congress's expectations.**

Acceptance of an OIC generally depends upon whether the amount offered reflects the taxpayer's RCP, which is calculated by evaluating a taxpayer's equity in assets and expected future income after allowing for the payment of necessary living expenses.<sup>10</sup> The IRS has developed national and local allowances for determining necessary living expense amounts but is required to deviate from these amounts to ensure taxpayers can still provide for their basic living expenses.<sup>11</sup> Accordingly, in determining a taxpayer's RCP, the IRS will consider the taxpayer's overall situation, which requires the examiner to use judgment to evaluate the facts and circumstances of each case.<sup>12</sup>

When calculating RCP, the IRS may also consider the effect of a bankruptcy on the collectibility of the tax debt.<sup>13</sup> In bankruptcy, income taxes may be discharged if certain conditions are met.<sup>14</sup> However, the IRS will consider the effect of filing for bankruptcy on the RCP only if the taxpayer indicates he or she may file for bankruptcy.<sup>15</sup>

6 IRM 1.2.1.6.17, Policy Statement 5-100, Offers Will Be Accepted (Jan. 30, 1992).

7 IRM 1.2.1.6.1, Policy Statement 5-1, Enforcement Is a Necessary Component of a Voluntary Assessment System (Aug. 18, 1994); IRM 1.2.1.6.17, Policy Statement 5-100, Offers Will Be Accepted (Jan. 30, 1992).

8 IRM 1.2.1.6.17, Policy Statement 5-100, Offers Will Be Accepted (Jan. 30, 1992).

9 While an OIC is being considered, the IRS is generally prohibited from levying against the taxpayer. IRC § 6331(k). Once the OIC is accepted and the taxpayer has paid the compromised liability amount, the IRS will release any federal tax liens. IRS, Form 656, Offer in Compromise 6 (Aug. 2019).

10 IRM 5.8.4.3(2), Doubt as to Collectibility (Jan. 18, 2018); IRM 5.8.4.3.1 Components of Collectibility (Apr. 30, 2015).

11 IRC § 7122(d)(2); IRM 5.8.5.22.1, Necessary Expenses (Oct. 22, 2010).

12 IRM 5.8.4.3(2), Doubt as to Collectibility (Jan. 18, 2018). *But see* National Taxpayer Advocate 2018 Annual Report to Congress vol. 2, at 39, 41 (Research Study: *A Study of the IRS's Use of the Allowable Living Expense Standards*) (finding IRS employees do not always exercise judgment to allow statutorily authorized deviation from the tables).

13 IRM 5.8.10.2.2, Offers in Compromise Before Bankruptcy (Feb. 14, 2017).

14 Income taxes are generally dischargeable if they become due three years before the taxpayer files for bankruptcy as long as it has been at least two years since the taxpayer filed the tax return and 240 days since the taxes were assessed. 11 U.S.C. §§ 507(a)(8)(A) and 523(a)(1)(B)(ii).

15 IRM 5.8.10.2.2, Offers in Compromise Before Bankruptcy (Feb. 14, 2017).

### Reasonable Collection Potential Calculations Result in the IRS Rejecting Offers in Compromise on Accounts for Which They Then Do Not Collect the Tax or Amount Offered

TAS conducted a research study in 2017 on individual OICs processed from 2009 to 2013, which showed that:

- The IRS never collected the amount offered in 40 percent of the returned and rejected OICs;
- For rejected OICs, the IRS's calculation of an individual taxpayer's RCP was over 15 times the amount offered but over 40 times the amount actually collected; and
- Taxpayers with accepted OICs have higher rates of future filing and payment compliance.<sup>16</sup>

In the 2018 Annual Report to Congress, the National Taxpayer Advocate recommended that the IRS “conduct a study to analyze the OIC amount offered and collected amounts to understand why the IRS is rejecting OICs that have an offered amount greater than the dollars collected. For instance, the IRS should look at how it is applying the Allowable Living Expense (ALE) standards and where the taxpayer is obtaining the payment for the OIC.”<sup>17</sup> The IRS agreed to conduct a study reviewing the collection results for OICs that were rejected between 2014 and 2019, but failed to review how it had calculated RCP in individual cases to understand why it was rejecting these OICs.<sup>18</sup> Based on the study results of amounts collected, the IRS responded to TAS that a change to the OIC program was unwarranted.<sup>19</sup>

In its study reviewing rejected OICs, the IRS found that in 29 percent of the lump sum payment OICs and in 34 percent of the periodic payment OICs that were not accepted, the IRS did not later collect the offered amount within 48 months of the OIC closure.<sup>20</sup> Similar to the 2017 TAS study results, the IRS study also shows that in a sizeable amount of cases, the IRS never collected the amount offered.<sup>21</sup> Furthermore, the IRS did not analyze why it is rejecting OICs that have an offered amount greater than the dollars collected. The IRS should review how it is applying ALE standards and calculating RCP to determine if these amounts are factors in rejecting potentially viable offers, consequently collecting lower amounts after the rejection. Therefore, the IRS's response to the 2018 Annual Report to Congress that a change to the OIC program is unwarranted is based on incomplete information.

This year, TAS conducted its own study to determine how the IRS was applying ALE standards and calculating RCP.<sup>22</sup> TAS took a statistically valid sample of individual OICs that were included in the 2017 study (250 cases) and reviewed the IRS's calculations of RCP in each case. TAS determined what financial factors were primary in the decision to reject the offer<sup>23</sup> and found that in 68 percent (171 of

16 National Taxpayer Advocate 2017 Annual Report to Congress vol. 2, at 42, 44, 60 (Research Study: *A Study of the IRS Offer in Compromise Program*).

17 National Taxpayer Advocate 2018 Annual Report to Congress 266, 276 (Most Serious Problem: *Offer in Compromise: Policy Changes Made by the IRS to the Offer in Compromise Program Make It More Difficult for Taxpayers to Submit Acceptable Offers*).

18 IRS, Draft Response to MSP #18 OIC (Aug. 8, 2019).

19 *Id.*

20 See *Id.* and attachment Enforcement Revenue Information System OIC – Stakeholder Analysis Brief – 20190612 – Final 7.

21 The TAS study reviewed cases four or more years after OIC closure, and the IRS study reviewed cases 48 months after closure.

22 The statistical information in this research study was not provided or reviewed by the Secretary under IRC § 6108(d). See IRC § 7803(c)(2)(B)(ii)(XII).

23 The TAS Data Collection Instrument for the case review considered the amount of the calculated future income potential, the calculated equity in assets, and the percentage of each attributable to the total RCP. It also considered the percentage of total asset equity attributable to retirement assets, life insurance, real property, dissipated assets, investment assets or other assets.

250) of the cases, the rejection was based solely on the calculation of future income.<sup>24</sup> The TAS study found that the IRS may be miscalculating taxpayers' future income potential in determining their RCP and recommends the IRS review additional cases to verify this finding.<sup>25</sup>

Of the 250 cases it reviewed, TAS also reviewed the status of the accounts after rejection. In 82 percent of the 250 cases TAS reviewed this year, the IRS attempted to collect the debt after rejecting the OIC by assigning the accounts to ACS or field collection.<sup>26</sup> As of the end of fiscal year (FY) 2019, the IRS was not able to collect even the amount offered in 65 percent of these post-OIC referrals.<sup>27</sup> Furthermore, as of the end of FY 2019, 50 percent of the taxpayer accounts related to these 250 OICs either remained in the Queue or Currently Not Collectible (CNC) status, or the collection statute expired.<sup>28</sup> This emphasizes the need for the IRS to further study why it could not collect the calculated RCP on these accounts. Rejecting viable OICs impacts a taxpayer's *right to finality, to quality service, and to a fair and just tax system* as well as reducing dollars collected and losing the opportunity to bring the taxpayer into compliance.

### The IRS Fails to Calculate the Potential Impact of Bankruptcy in Reviewing Offers in Compromise

The IRS acknowledges that there are benefits to both the IRS and the taxpayer when accepting an OIC instead of the taxpayer filing for bankruptcy. For example:

- The IRS can negotiate for assets that may not be collectible if the taxpayer declares bankruptcy;
- The IRS may be able to collect the offer amount more quickly; and
- The taxpayer's credit will not reflect a bankruptcy, improving the taxpayer's ability to comply with future tax obligations.<sup>29</sup>

24 The TAS Data Collection Instrument for the case review considered the rejection based solely on the calculation of future income when there was a positive monthly ability to pay and there was either no asset equity or the total asset equity accounted for less than 25 percent of the total RCP. The margin for the 95 percent confidence interval is plus or minus 5.7 percent.

25 The 2017 study was based on OICs that were rejected or returned between 2009 and 2013, years during which the IRS took into account projected income for 48 months or longer when calculating the future income for RCP purposes. IRM 5.8.5.23, Calculation of Future Income (Oct. 22, 2010); IRM 5.8.5.6.6, Calculation of Future Income (Sept. 23, 2008). The IRS's method for calculating future income changed in 2018, and now the IRS generally bases the calculation on 12 months of future income for a lump sum cash OIC and 24 months for a periodic payment OIC. IRM 5.8.5.29, Payment Terms (Mar. 23, 2018). TAS applied the current calculation method to the reviewed cases and found that in almost 90 percent of the cases the 24-month future income calculation also exceeded the amount offered. IRS Compliance Data Warehouse (CDW), Individual Returns Transaction File (Tax Years (TYs) 2009-2013). The margin for the 95 percent confidence interval is plus or minus 4.5 percent. The collection statute could only be determined in 138 of the 171 cases. Of those 138 cases, 24 cases went to collection status code 12 due to abatement of the tax or full payment after the study. In about 90 percent of the remaining 114 cases, the 24-month future income calculation exceeded the amount offered. The margin for the 95 percent confidence interval is plus or minus 5.5 percent.

26 IRS CDW, Individual Returns Transaction File (TYs 2009-2013). For this purpose, TAS considered the IRS attempted to collect if the account went into Collection Status 22 (ACS) or 26 (Field Collection) after leaving Status 71 (OIC). The margin for the 95 percent confidence interval is plus or minus 4.7 percent.

27 *Id.* The margin for the 95 percent confidence interval is plus or minus 5.9 percent.

28 *Id.* The margin for the 95 percent confidence interval is plus or minus 6.1 percent. The Queue holds taxpayer balance due accounts awaiting assignment based on IRM 5.1.20.2, Inventory Delivery System Overview (July 8, 2019). See IRM 5.16, Currently Not Collectible (Sept. 18, 2018) for an explanation of CNC status.

29 IRM 5.8.10.2.2, Offers in Compromise Before Bankruptcy (Feb. 14, 2017).

Of the 14,420 OICs reviewed in the 2017 TAS study, 13 percent (1,922 OICs) later filed for bankruptcy.<sup>30</sup> For the IRS to take into account the effect of a bankruptcy on RCP only in cases where the taxpayer indicates he or she may file for bankruptcy impacts a taxpayer's *right to a fair and just tax system*. This policy also impacts the IRS's ability to collect from the taxpayer after OIC rejection and post-bankruptcy. The IRS should review rejected OICs where the taxpayer subsequently declares bankruptcy to determine if the IRS would have collected more if it had accepted the OIC in the first instance. Then, the IRS should consider whether it should change its policy to consider the effect of a potential bankruptcy filing in calculating every taxpayer's RCP.

## IMPACT ON THE INTERNAL REVENUE SERVICE

The IRS could be more efficient if it accepted viable offers rather than rejecting them and later assigning them to other Collection functions such as field collection, ACS, or shelved status.<sup>31</sup> Despite existing resource constraints, the IRS could potentially increase dollars collected and decrease CNC and shelved inventories by educating taxpayers in these statuses about the OIC program. Encouraging these taxpayers' participation in the OIC program is consistent with both Congress's intent in creating the statute and the IRS's policy to educate and assist taxpayers with OICs.<sup>32</sup>

The IRS collection function consists of field and campus components, such as revenue officers (ROs) and ACS. When the IRS assigns the RO a case, he or she contacts the taxpayer and then attempts to collect the liability and financial information to determine the taxpayer's ability to pay.<sup>33</sup> The RO does a full analysis of the case and resolves the account before closing it. For example, the RO could place the taxpayer into CNC status, enter the taxpayer into a full-pay or partial pay installment agreement, or assist the taxpayer in completing and submitting an OIC.

In contrast, ACS, which automatically sends payment demand notices and notices of federal tax lien and levies, relies upon taxpayers to call ACS employees after receiving a balance due notice. If contacted, then ACS employees will attempt to assist the taxpayer in resolving the liability, but they have less financial analysis training than ROs and do not work with taxpayers from inception to resolution as ROs do.

In recent years the number of ROs has declined by 40 percent, which has resulted in fewer taxpayers working with one employee to resolve their tax debt.<sup>34</sup> Although TAS has supported increased staffing, and the IRS has begun hiring additional ROs, reaching the level of staffing necessary to handle many

30 IRS CDW, Individual Returns Transaction File (TYs 2009-2013). For purposes of determining what percentage of taxpayers later filed for bankruptcy, TAS limited its review to 14,420 rejected OICs where the IRS calculated a RCP higher than the offer amount and did not subsequently collect the amount offered.

31 The IRS uses the term "shelved" to refer to cases that are inactive and unassigned.

32 See IRM 1.2.1.6.17, Policy Statement 5-100, Offers Will Be Accepted (Jan. 30, 1992).

33 IRM 5.15.1, Financial Analysis Handbook (July 24, 2019).

34 Full-time Revenue Officers declined from 3,752 to 2,239. IRS, Small Business/Self-Employed (SB/SE) Division, Collection Activity Report NO-5000-23, Collection Workload Indicators (FYs 2009-2019).

more accounts may not be possible under the current IRS budget.<sup>35</sup> The IRS is assigning more cases (81 percent in FY 2019) to ACS, as accounts assigned to ROs declined to five percent in FY 2019.<sup>36</sup>

If ACS cannot resolve the liability, then the account is either put into CNC status or shelved. The IRS's CNC inventory has grown from approximately \$61 billion in FY 2009 to approximately \$144 billion in FY 2019.<sup>37</sup> As of the end of FY 2019, IRS shelved inventory reached 8.2 million tax modules, with 47 percent of shelved modules later sent to PCAs.<sup>38</sup> PCAs only have authority to request the taxpayer make a voluntary payment or enter into a full payment installment agreement without assessing a taxpayer's RCP.<sup>39</sup> Currently, more taxpayers' accounts are going from ACS and the Queue to shelved status now that the IRS is required by statute to assign cases to PCAs.<sup>40</sup> With the statutory mandate that the IRS use PCAs, the delinquent tax dollars in IRS's shelved inventory have increased approximately 244 percent.<sup>41</sup> Beginning in 2021, the IRS will be required to withhold certain vulnerable taxpayers' accounts from PCAs, which will likely increase shelved or CNC inventory.<sup>42</sup> Each year unaccepted offers contribute to that total, many with little chance of any future collection because some of these taxpayers are either considered low-income or their allowable living expenses exceed income.<sup>43</sup>

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- 35 The IRS planned to hire 500 to 600 ROs and estimated that 250 ROs would depart during FY 2019. Michael Cohn, *IRS Faces Hiring Shortages Amid Workforce Attrition*, ACCOUNTING TODAY, June 25, 2019, <https://www.accountingtoday.com/news/irs-faces-hiring-shortages-amid-workforce-attrition>. In FY 2019, the total number of ROs increased by 71. IRS, SB/SE Division, Collection Activity Report NO-5000-23, Collection Workload Indicators (FY 2018-2019). See generally National Taxpayer Advocate 2018 Annual Report to Congress 240 (Most Serious Problem: *Field Collection: The IRS Has Not Appropriately Staffed and Trained Its Field Collection Function to Minimize Taxpayer Burden and Ensure Taxpayer Rights Are Protected*) (recognizing the importance of the individualized case work and geographic presence of ROs).
- 36 IRS, SB/SE Division, Collection Activity Report NO-5000-2, Taxpayer Delinquency Account Cumulative Report (FY 2019).
- 37 IRS, SB/SE Division, Collection Activity Report NO-5000-149, Recap of Accounts Currently Not Collectible (FYs 2009-2019).
- 38 IRS, SB/SE Division, Collection Activity Report NO-5000-149, Recap of Accounts Currently Not Collectible (FY 2019).
- 39 IRS Private Collection Agencies Policy and Procedures Guide, § 10, Individual and Business Payment Options (May 3, 2019). Under IRC § 6306, the IRS is required to enter into qualified collection contracts with private debt collectors to collect inactive account receivables.
- 40 See IRC § 6306. In 2015, the Fixing America's Surface Transportation Act, Pub. L. No. 114-94, § 32102, 129 Stat. 1312, 1733 (2015), mandated the IRS hire private debt collectors to collect inactive inventories. The IRS began implementing the program in April 2017. IRS Servicewide Electronic Research Program Alert #17A0120, Private Debt Collection (Apr. 4, 2017).
- 41 IRS SB/SE Division, Collection Activity Report NO-5000-149, Recap of Accounts Currently Not Collectible (FYs 2015-2019). Shelved inventory was \$11,330,340,718 at the end of FY 2015 and \$38,956,141,758 at the end of FY 2019.
- 42 Taxpayer First Act, Pub. L. No. 116-25, § 1205, 133 Stat. 981 (2019) (amending IRC § 6306(d)(3) to insert subparagraphs (E) and (F) as of December 31, 2020 to prohibit the IRS from sending to PCAs accounts of taxpayers whose income substantially consists of certain social security disability insurance benefits or whose adjusted gross incomes do not exceed 200 percent of the applicable poverty level).
- 43 The total individual OIC receipts for FY 2017, 2018, and 2019 were 141,006, representing 131,528 unique taxpayers. Of those who filed a tax return prior to OIC submission, over 15 percent (20,284) are now in CNC or shelved status (59 percent of these had income below 250 percent of poverty level and 56 percent had projected allowable living expenses greater than income). IRS CDW, Individual Returns Transaction File (TYs 2017-2019). Allowable expenses include transportation expenses, which may consist of ownership expenses (loan or lease payments) and operating expenses (maintenance, repairs, insurance, fuel, registrations, licenses, inspections, parking, and tolls). Unless otherwise indicated, in calculating taxpayers' ALEs, TAS allowed operating expenses (two allowances in the case of joint filers and one allowance for all other taxpayers), and all taxpayers were allowed one vehicle ownership expense. TAS used the ALE housing and utility standards published by SB/SE, but some five-digit zip codes may match to more than one county. Note: "A tax return prior to OIC submission" means a tax return was filed for the tax year preceding the fiscal year (e.g., for an offer submitted in FY 2017, TAS reviewed the tax year 2016 return) and some taxpayers may be counted in more than one fiscal year if they submitted offers in more than one fiscal year.

### The IRS Could Affirmatively Identify Cases and Increase Collection Revenues With Targeted Outreach About the Offer in Compromise Program

Despite the fact that the IRS may be rejecting some viable OICs, the OIC program is generally an effective vehicle for collecting revenues and bringing taxpayers into compliance. In FY 2019, the IRS collected approximately 12.5 percent of the total liability on each accepted OIC through the OIC program.<sup>44</sup> The IRS has also been successful at collecting revenue through collection notices, which made up approximately 51 percent of total enforcement revenues in FY 2018.<sup>45</sup> To meet Congress's intent and its own goals of achieving long-term compliance and educating and assisting taxpayers,<sup>46</sup> the IRS should be actively identifying cases that are suitable for the OIC program. Before shelving cases or assigning cases to PCAs, the IRS could be contacting this group of taxpayers with targeted notices about the benefits of the OIC program. This could potentially increase compliance and revenues with little effort while giving taxpayers finality in settling their tax debt. Active outreach may increase collection and compliance, and protect taxpayers' *rights to finality, to be informed, to quality service, and to a fair and just tax system.*

## CONCLUSION

When the IRS rejects an OIC because it overstates RCP, fails to account for its future collection inactivity, or declines to consider the effect of filing bankruptcy in calculating the taxpayer's RCP, it is harmful to both the IRS and the taxpayer. The IRS does not immediately collect on the liability and instead will have to decide whether to expend additional resources to pursue enforced collection. Moreover, taxpayers whose OICs are accepted have a higher tendency to maintain filing and payment compliance for the five-year period following acceptance, which benefits both taxpayers and the IRS.<sup>47</sup> Overstating RCP is not reasonable or consistent with the IRS's current policy in accepting OICs where the amount offered reasonably reflects collection potential.<sup>48</sup> Rejecting otherwise viable OICs and missed opportunities to educate taxpayers on the program infringes on taxpayers' *rights to be informed, to quality service, to finality, and to a fair and just tax system* and may also result in loss of confidence in the program and its ultimate success.

44 IRS, SB/SE Division, Collection Activity Report NO-5000-108, Monthly Report of Offer in Compromise Activity (FY 2019). Contrast this to the 1.34 percent collection rate of the private debt collection (PDC) program from inception through FY 2018. PDC Program Scorecard for FY 2019.

45 Treasury Inspector General for Tax Administration, Ref. No. 2019-30-063, *Trends in Compliance Activities Through Fiscal Year 2018* 7 (Sept. 9, 2019).

46 See IRM 1.2.1.6.17, Policy Statement 5-100, Offers Will Be Accepted (Jan. 30, 1992) (stating that in cases where an OIC appears to be a viable solution to a delinquency, the employee assigned to the case will discuss the OIC alternative with the taxpayer, and when necessary, assist in preparing the required forms); IRM 1.2.1.6.1, Policy Statement 5-1, Enforcement Is a Necessary Component of a Voluntary Assessment System (Aug. 18, 1994) (recognizing long-term voluntary compliance as an IRS goal).

47 See National Taxpayer Advocate 2018 Annual Report to Congress, vol. 2, at 131, 137 (Research Study: *A Study of the IRS Offer in Compromise Program for Business Taxpayers*) (finding that 70 percent of individual taxpayers remained in filing compliance and 72 percent had no balance due, as opposed to 66 percent and 52 percent, respectively, for individual taxpayers whose OICs were rejected).

48 See IRM 1.2.1.6.17, Policy Statement 5-100, Offers Will Be Accepted (Jan. 30, 1992).

## RECOMMENDATIONS

### Administrative Recommendations to the IRS

The National Taxpayer Advocate recommends that the IRS:

1. Conduct a follow-up study evaluating a statistically-valid sample of rejected OICs to determine the accuracy of future income calculations and why the IRS is not collecting the RCP.
2. Review rejected OICs where taxpayers later declared bankruptcy and determine whether the policy should be revised to consider the effect of a potential bankruptcy on the RCP on all OICs rather than only those where the taxpayer threatens bankruptcy.
3. Work with the National Taxpayer Advocate to develop a pilot program where the IRS sends informative, educational letters about the OIC program to taxpayers in CNC or shelved status.