

IRS announces Two Significant Changes to the Offer in Compromise policies - Ace Plus Tax Resolution's advice

Ace Plus Tax Resolution underlines how the two significant changes to the Offer in Compromise policies would benefit taxpayers and provides advice

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EINPresswire.com/ -- James Cha, a CPA and a Certified Tax Resolution Specialist from Ace Plus Tax Resolution, underlines how the two significant changes to the [Offer in Compromise](#) policies would benefit taxpayers.

On November 15, 2021, the Taxpayer Advocate Service (TAS), an independent IRS unit, announced two significant changes to the IRS Offer in Compromise (OIC) program, which are favorable for taxpayers who owe federal taxes. James Cha, CPA, CTRS, says that "This new policy in OICs marks a significant shift for the benefit of taxpayers with accepted offers. It will also help taxpayers experiencing financial hardships." The TAS collaborated with the IRS to remove some obstacles for taxpayers considering an OIC. An OIC allows taxpayers to settle their tax liability for less than the full amount owed for the tax year(s). An accepted offer benefits the taxpayer by bringing welcome tax



debt finality for the tax year(s) included in the offer.

Effective November 1, 2021, taxpayers will be allowed to keep their tax refunds once the IRS accepts their OICs and enables certain taxpayers to seek Offset Bypass Refunds (OBR) as discussed below while their OICs are pending before the IRS. Following are the specifics of the two policy changes.



*Tax Refund Offset Relief - The IRS will no longer offset claimed refunds for the calendar year in which the OIC was accepted. They will no longer apply that refund to the outstanding tax liability for the year(s) included in the OIC agreement, Form 656. In other words, the IRS will now forego taking the post-offer acceptance refund and applying it to the year(s) of the offer acceptance. Prior to November 1, 2021, the IRS kept any refunds, including interest, that taxpayers might be owed for tax periods extending through the calendar year in which the IRS accepted the offer.

Suppose that the IRS accepts a taxpayer's OIC to settle outstanding tax liabilities for 2018 and 2019 on December 15, 2021. The taxpayer is otherwise in current tax compliance and timely files a 2021 tax return claiming a tax refund. Under the revised OIC policy, the IRS will not offset the refund shown on the taxpayer's 2021 tax return and apply it as a payment to the 2018 and 2019 liabilities that are subject to the OIC agreement.

For many taxpayers, this could be a game-changer even to consider submitting an OIC with the IRS. James states "For many taxpayers with back taxes, an accepted OIC without a tax refund taken out will provide financial security. The benefit for the year of OIC acceptance will vary based on the amount of refund. Definitely, the individuals receiving a considerable amount of refunds based on refundable tax credits will enjoy more extensive benefits."

*Offset Bypass Refund Relief - The IRS has the statutory authority and discretion to offset refunds when the taxpayer owes any other federal debt or state taxes. However, prior to November 1, 2021, taxpayers who submitted an OIC could not obtain refunds shown on their tax returns for the year the IRS accepted their offer and had no administrative remedy available to them for that.

Under the new OIC policy, the IRS will now forego the refund offset and issue the refund if the taxpayer only owes federal taxes and is experiencing economic hardship through an Offset Bypass Refund. The new OIC policy enables certain taxpayers to seek the OBR while their OICs

are pending before the IRS. The new procedures allow qualifying taxpayers who are experiencing financial hardship to seek an OBR during the pendency of their OIC. These individuals would be able to retain their tax refunds as long as they meet certain criteria in the Internal Revenue Manual (IRM).

*The Final Words

Thanks to these new favorable changes, more taxpayers will be eligible to be accepted for an Offer in Compromise to settle their back taxes from their improvement on their financial situation.

James at Ace Plus Tax Resolution advises that people must be informed that the current acceptance rate of the OIC program by the IRS is only about 33%. Therefore, taxpayers considering filing OICs by themselves are highly recommended to seek help from tax professionals specializing in tax 'collection' rather than solely in tax return preparation or audit representation. Also, he warns to stay away from some national scam companies that routinely overstate how they can help with this program and guarantee to clear up people's back taxes for pennies on the dollar. Instead, he suggests searching for conservative companies that go through proper due diligence procedures to investigate the IRS account records and analyze the taxpayers' financial information to determine the eligibility of the OIC program.

Besides the OIC program, there are numerous tax relief options that are put forth by the government, but individuals and business owners should seek an experienced tax relief specialist who can strategize, take full advantage, and save considerable sums of money for taxpayers.

Ace Plus Tax Resolution provides permanent solutions to taxpayers with IRS and state tax problems. James Cha is a CPA and Certified Tax Resolution Specialist® at Ace Plus Tax Resolution, has been representing his clients and dealing with the IRS for over 30 years. His practice is in Los Angeles, but his clients are all across the nation.

Contact him at (213) 600-7388 or James@AcePlusTaxResolution.com for a free consultation. VIDEO (YouTube) - What is an Offer in Compromise? <https://aceplustaxresolution.com/offer-in-compromise/>

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JAMES CHA

Ace Plus Tax Resolution

+1 213-600-7388

James@aceplustaxresolution.com

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