



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

SMALL BUSINESS/SELF-EMPLOYED DIVISION

January 15, 2010

Control Number: SB/SE-05-0110-004  
Expiration Date: January 15, 2011  
Impacted IRM: IRM 5.8

MEMORANDUM FOR DIRECTORS, COMPLIANCE CAMPUS OPERATIONS  
(Brookhaven) and (Memphis)  
DIRECTORS, COLLECTION AREA OPERATIONS

FROM: Frederick W. Schindler **/s/ Frederick Schindler**  
Director, Collection Policy

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

The purpose of this memorandum is to re-issue the procedures outlined in Interim Guidance Memorandum, SB/SE-05-0209-006, *Interim Guidance for Additional Review of Real Property Valuations in Offer in Compromise Cases*.

The following procedures that discuss when an additional review of real property will be conducted on offer in compromise cases that meet specific criteria are still applicable. 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 any questions, please contact me or Gloria Orozco, National OIC Program Manager, or a member of your staff may contact Thomas B. Moore, OIC Senior Program Analyst. Field offer, field collection and COIC personnel should elevate their questions through the appropriate management chain.

Attachment

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

# ADDITIONAL EQUITY REVIEW CHECKSHEET

Taxpayer: \_\_\_\_\_

TIN: \_\_\_\_\_

Offer Number: \_\_\_\_\_

IRS Offer Rec'd Date: \_\_\_\_\_

Offer Investigator: \_\_\_\_\_

Phone Number: \_\_\_\_\_ - \_\_\_\_\_ - \_\_\_\_\_

Fax Number: \_\_\_\_\_ - \_\_\_\_\_ - \_\_\_\_\_

NOTE: If you answer NO to any of the questions below the offer does not meet the criteria established for the additional review. Continue with normal processing.

Are Liabilities for individual taxes (MFT 30,31,20,or 55)? \_\_\_\_\_ Yes \_\_\_\_\_ No

Is the only issue preventing the offer from acceptance the equity in real property? \_\_\_\_\_ Yes \_\_\_\_\_ No

Is the original offer amount or a negotiated amount greater than or equal to future income value (FIV) plus equity in assets other than real property? \_\_\_\_\_ Yes \_\_\_\_\_ No

Offer amount/amount taxpayer willing to offer	_____
Outstanding liability	_____
Equity in real property stated by the taxpayer	_____
Equity in real property as determined by the Offer Investigator	_____
RCP in assets other than real property	_____
Future Income Value (FIV)	_____

**ALSO COMPLETE THE ADDITIONAL INFORMATION SECTION ON PAGE 2**

Fax the completed checksheet, along with the Form 433-A/B, plus any supporting documents (do not fax the history) to:  
ATTN: Richard C. Lee, GM at (512) 464-3599.

**To be completed by NEH-ETA GROUP.**

Offer does not meet established criteria continue with normal processing.

Offer meets review criteria (after contacting taxpayer to advise of transfer, mailing the transfer letter, and transferring the offer on AOIC to Area 5) send the offer file via overnight mail to:

I.R.S.  
ATTN: ETA/NEH Group  
9430 Research Blvd.  
STOP 5250 AUNW  
Austin, TX 78759

