

# Offer in Compromise



## Program overview and instructions

Anyone with a tax obligation who believes that it can never be paid in full, may ask the Philadelphia Department of Revenue to consider a payment for an amount less than the total liability.

This kind of request is called an Offer in Compromise, or OIC. This booklet provides information about who is eligible and how to submit an OIC. If you have any questions about this program, please email:

**[offersincompromise@phila.gov](mailto:offersincompromise@phila.gov)**.

## What is an Offer in Compromise (OIC)?

An Offer in Compromise (OIC) is an agreement between the taxpayer and the Department of Revenue to settle a tax liability for payment of less than the full amount owed. It is not an appeal of the taxpayer's liability. The goal is a compromise that is in the best interests of both the taxpayer and the Department.

To be considered, taxpayers must make an offer that is based on their true ability to pay. Submitting an offer does not guarantee the Department will accept it automatically. However, it does begin a process of evaluation and verification, and the Department will consider any special circumstances that might affect a taxpayer's ability to pay.

Generally, the Department will not accept an offer if the taxpayer can pay their tax debt in full via an installment agreement or a lump-sum payment.

An OIC request must cover all of the taxpayer's delinquent tax types and periods.

## Who is eligible?

The request may come from an individual, corporation, partnership, limited liability company, or any other legal entity with a tax obligation. Some claims are eligible; others are not.

Claims Eligible for Compromise:	Claims NOT Eligible for Compromise:
<ul style="list-style-type: none"> <li>• Business Income and Receipt Tax (BIRT)</li> <li>• Net Profits Tax (NPT),</li> <li>• Use and Occupancy (U&amp;O) Tax for a Tenant</li> <li>• Wage Tax</li> <li>• Liquor Tax</li> <li>• Earnings Tax</li> <li>• School Income Tax (SIT)</li> <li>• Amusement Tax</li> <li>• Hotel Tax</li> <li>• Parking Tax</li> </ul>	<ul style="list-style-type: none"> <li>• Current-year estimated BIRT</li> <li>• U&amp;O Tax for a Landlord</li> <li>• Real Estate Tax</li> <li>• Realty Transfer Tax</li> <li>• Commercial Trash Fee</li> <li>• Licences &amp; Inspections (L&amp;I) liens</li> <li>• Water, Sewer, Stormwater charges</li> </ul>

## What situations will exclude a taxpayer from an OIC?

The Department will not consider an OIC if the taxpayer:

- Is the subject of an open and active bankruptcy case.
- Is the subject of an open and active tax litigation case.
- Is the subject of an open and active license revocation case.
- Is the subject of an open and active Tax Review Board petition.
- Is the subject of an open and active tax audit.
- Has a tax balance (including interest and penalties) of less than \$2,500.
- Has not filed all required tax returns.
- Has not fully completed an Offer in Compromise request form.
- Has not provided all supporting documentation.
- Has not responded fully to all requests for additional information and documentation.
- Has submitted a request for the same account(s) in the past 24-months.

## What are the factors the Department will consider?

Although the Department will consider each case based on its own unique set of facts, it shall give the following factors strong consideration:

- The taxpayer's ability to pay, both immediately and over time.
- The taxpayer's assets, income, and expenses.
- The taxpayer's ability to dispose of assets or borrow against them to pay their liability.
- The potential for changed circumstances.
- Doubt as to collectability.
- The tax liability is based on trust taxes the taxpayer collected from customers and/or employees but did not remit to the Department.
- Consideration of equity and fairness.
- The likelihood the taxpayer will comply with tax laws in the future.
- Whether a compromise is in the best interests of the City.
- Lump-sum payment offers are preferred.

The Department will send a letter or email indicating that it received the offer in compromise request or that it is requesting additional information. Upon receipt of a completed request, the Department will attempt to act on it within 90 days.

## How do I compute the amount of my offer?

An offer is more likely to be accepted if it includes a substantial portion of the tax debt, and if it is a lump-sum payment. Also, taxpayers will receive more favorable consideration if they offer payment which they can raise only under the condition that their entire tax is settled. Examples of that would be personal loans from friends or family, bank loans, and sale of personal or real estate assets.

## What happens while the offer is pending?

- Interest and penalties continue to accrue on any unpaid balances until they are paid.
- The submission of an Offer in Compromise does not extend the legal, 60-day limit for filing a Tax Review Board petition.
- The submission of an OIC does not stop collection activity or change the payment requirements of an existing payment agreement.
- Payments made with the offer, or made while it is being reviewed, will be applied to the account according to the existing agreement and the Department's rules.
- Payments will not be refunded if the offer is rejected or withdrawn.

## What will the Department's response look like?

After review, the Department will send a written response to the taxpayer. It may:

- Accept the offer in compromise, and instruct the taxpayer on how to make payment.
- Reject the offer in compromise and refer the taxpayer to a representative to discuss other terms to settle the tax debt.
- Reject the offer in compromise and propose a counter-offer to settle the tax debt.

Note: All acceptances and rejections are at the Department's discretion, and are not subject to appeal.

## What documents do I need to submit?

In order to complete an offer in compromise, it must include:

- Offer in Compromise Request Form
- Federal Income tax returns for the three (3) filing periods prior to the date of the Offer in Compromise Request (include all W-2s, tax schedules, and worksheets).

## How do I submit the OIC?

Find and print an Offer in Compromise Request Form at [www.phila.gov/documents/offer-in-compromise](http://www.phila.gov/documents/offer-in-compromise)

Mail to: City of Philadelphia Department of Revenue  
Attn. Offer in Compromise Unit  
1401 JFK Boulevard  
2<sup>nd</sup> Floor, Room 200  
Philadelphia, PA 19102