

Advice on Negotiating with the IRS

The IRS only wants you to settle, no matter how much you owe. As a rule, you should determine if the IRS is open to negotiation to settle on a compromise. This is where the Offer in Compromise comes in. Unfortunately, it's not that easy to solve your [IRS problems](#).

You should actually be poor to settle your IRS tax debt for pennies on the dollar because the IRS is very effective at collecting the money that they are after. You should not earn enough money to pay off your debt, must not have any equity in the properties you have, and must not have assets or investments. Only when the IRS completely realizes the plight of your circumstances will they feel that accepting a small amount of money and wiping the slate clean is more cost effective than going after the small value of the assets that you do have and ending your IRS problem.

Of course, when negotiating an Offer in Compromise, you simply cannot choose any amount on back taxes that you wish to pay the IRS. What you can pay hypothetically will have to be properly determined by you, as required by the IRS. To help you calculate this figure, you can use Forms 656 and 433-A.

Once you have submitted your offer and all of the needed paperwork and documentation, the negotiation process can finally begin. If the IRS agents don't like your first offer, they will send it back with a counter offer which may be slightly higher, or the whole amount. You aren't at square one, however, if they come back with the whole figure. This is a negotiation, and there are various aspects to each meeting that may help or hurt you when trying to fix your IRS problem.

As an advantage, submitting an [Offer in Compromise](#) will cease all IRS actions against you. Until the acceptance or dismissal of your Offer in Compromise, all enforcement actions will be frozen.

However, even with the dismissal of your Offer in Compromise, other payment options will be offered to you. Rather than paying fully at one time, you may be able to set up an installment payment plan to make minimal payments and buy you time. Unfortunately, your back taxes will still accrue interest. So even if you negotiate an installment plan, you'll wish to pay off the entire figure as soon as possible to avoid dragging on your IRS issue.

Keep in mind that the [statute of limitations](#) on your tax debt extends by the amount of time it requires to come to a decision from the moment you begin the negotiating process by filing an Offer in Compromise. The statute of limitations will be extended by a year if the process takes a year for your case to be dismissed.