



State of California

Franchise Tax Board

**4905BE Booklet
Offer In Compromise
for Business Entities**

What you should know before preparing an Offer in Compromise

Are you an OIC Candidate?

If your business entity does not have the income, assets, or means to pay your tax liability now or in the foreseeable future, it may be a candidate. The Offer in Compromise program allows an entity to offer a lesser amount for payment of a **non-disputed final tax liability**.

Generally, we approve an Offer in Compromise when **the amount offered represents the most we can expect to collect within a reasonable period of time**.

Although each case is evaluated based on its own unique set of facts and circumstances, we give the following factors strong consideration in the evaluation:

- Ability to pay
- Equity in the entity's assets
- Present and future income
- Present and future expenses
- The potential for changed circumstances
- The offer is in the best interest of the state

Can We Process Your Application?

We will only process the Offer in Compromise application if you:

- Filed all of the required tax returns. If you have no filing requirement, note it on the application.
- Fully completed the Offer in Compromise application, and provided all supporting documentation.
- Agree with the Franchise Tax Board on the amount of tax you owe.

Will a Collateral Agreement be Required?

Upon approval, we may require the entity to enter into a collateral agreement for a term of five years. Generally, a collateral agreement will be required in cases when the entity has significant potential for increased earnings. A collateral agreement requires a business entity to pay to us a percentage of future earnings that exceed an agreed upon threshold.

Is Collection Activity Suspended?

Submitting an offer does not automatically suspend collection activity. In most cases, collection action will be suspended until the Offer in Compromise evaluation is completed. If delaying collection activity jeopardizes our ability to collect the tax, we may continue with collection efforts.

When Should Offered Funds be Submitted?

Do not submit the offered funds until we request them. When we do ask for the funds, submit them by cashiers check or money order. We are unable to accept installment payments.



The following documentation must be submitted with your Offer in Compromise Application or your application may be returned as incomplete. Please submit copies only. We will not return any documents that you send us. Indicate if any of the items below are not applicable. Additional documentation may be required and requested as the evaluation of the Offer in Compromise proceeds.

Check List of Required Items

- Business Entity Offer in Compromise Financial Statement, FTB form 4905 FS.
(included in this booklet)
- Bank Information:
 - Complete bank statements for all accounts held for the past twelve months.
 - Final statements for any accounts closed within the past two years.
- Current Lease or Rental Agreements, either as landlord or tenant.
- Real Property Information
Mortgage statements and escrow statements for property the entity currently owns, sold, or gifted in the last five years.
- IRS Information
If applicable, copy of IRS OIC and acceptance letter or other IRS arrangements.
- Vehicle Information:
 - Copies of loan/lease statements for any vehicles.
- Power of Attorney
Power of attorney if this offer is submitted by a designated representative.

Mail your completed and signed application to:

OFFER IN COMPROMISE GROUP
FRANCHISE TAX BOARD MS A453
PO BOX 2966
RANCHO CORDOVA CA 95741-2966

If you have questions other than those answered on the previous page of this booklet, contact the Offer in Compromise program at (916) 845-4787.

Offer in Compromise Application (Continued)

| | |
|---|---|
| | Date |
| Name of Business Entity | California Business Number |
| Address | Telephone Number |
| Name and Address of primary contact | Federal Employer ID Number (FEIN) |
| Telephone Number () Title | |
| Assumer's Name and Address | California or Federal Identification Number |
| Telephone Number () | |
| Authorized representative (attach Power of Attorney) Address | |
| Telephone Number () | |

The undersigned submits this Offer in Compromise for payment of the California state tax liability shown below:

1. AMOUNT OWED

Tax Year(s) _____

Amount Due _____
Include tax, interest, and penalties.

2. OFFER

The sum of \$ _____ is offered in compromise. We will instruct you when to pay the the offer amount. Do not send any funds now.

If this Offer in Compromise is denied, the Franchise Tax Board is to:

_____ Retain any amounts deposited and credit it to the undersigned's liabilities.

_____ Return the amount deposited.

Offer in Compromise Application (Continued)

3. SOURCE OF FUNDS

a. Is all or part of the amount being offered a loan? Yes No

If yes, please provide the following information and attach a copy of the loan agreement.

Amount borrowed \$ _____

Name of lender _____

Lender's address _____

Lender's telephone number _____

b. Is all or part of the amount being offered a gift? Yes No

If yes, please provide the following information:

Amount of gift \$ _____

Name of donor _____

Donor's relationship to the entity _____

c. Describe sources of offered funds other than those listed in a or b.

4. OWNERSHIP

List any individual or corporate owners with 25% or more interest in this entity.

| Name of Owner(s) | % Owned |
|------------------|---------|
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |
| _____ | _____ |

(Attach a separate sheet scheduling any parent or subsidiary entity relationship.)

Offer in Compromise Application (Continued)

5. BASIS FOR THE OFFER

The following facts and reasons are submitted as grounds for acceptance of this offer:

(If more space is needed, please attach additional pages.)

6. It is understood that this offer will be considered and acted upon in due course and that it does not relieve the entity from the liability sought to be compromised unless and until the offer is accepted by the Franchise Tax Board and there has been full compliance with the terms of the agreement including any collateral agreement.
7. It is agreed that, except for any amounts deposited in connection with this offer, the Franchise Tax Board will keep all payments and other credits made to the account for the periods covered by this offer, and that the Franchise Tax Board will keep any and all amounts to which the entity may be entitled under the Revenue and Taxation Code, due through overpayments of any tax, penalty or interest, for any periods ending before the end of the calendar year in which this offer is accepted.
8. It is further agreed that upon notice to the entity of the acceptance of the offer, the entity shall have no right to contest in court or otherwise the amount of the liability sought to be compromised. No liability will be compromised until all obligations of the corporation under the compromise agreement or collateral agreement are completely performed. In the event of a default by the corporation on the collateral agreement, it is agreed that the Franchise Tax Board may disregard the amount of the offer and retain all amounts previously deposited under the offer and proceed to collect the balance of the original liability.

Under penalties of perjury, I declare that I have examined the information given in this statement and all other documents included with this offer and to the best of my knowledge and belief, it is (or they are) true, correct and complete.

Date of the Statement

Signature

Title

State of California – Franchise Tax Board

Business Entity Offer in Compromise Financial Statement

Please furnish the information requested on this form along with the Offer in Compromise. It is important that all questions are answered. If a question does not apply, please enter the word "none." If you run out of space, please attach additional pages (write your entity's name and number on all additional pages).

1. Business Entity Information

| | | | |
|-----------------|---------------------------|-------------------------|--|
| Entity Name | | Entity Number | |
| DBA | Type of Business/Industry | FEIN | |
| | | SOS | |
| Mailing Address | Physical Address | Telephone Number () | |

2. List of Entity Officers/General Partners/Managing Members

| Name | Business Address | Business Telephone Number | Title |
|------|------------------|---------------------------|-------|
| | | () | |
| | | () | |
| | | () | |
| | | () | |

3a. Bank Accounts (List all types of accounts including payroll, checking, savings, certificates of deposits, etc.) held during the past three years. Please provide copies of bank statements for the last (or final) three months for every account held.

| Institution Name | Address | Type of Account | Routing Number | Account Number | Balance |
|------------------|---------|-----------------|----------------|----------------|---------|
| | | | | | |
| | | | | | |
| | | | | | |
| | | | | | |
| Total ▶ | | | | | |

3b. Bank, Finance and Business Credit cards (Lines of credit)

| Institution Name | Address | Credit Limit | Amount Owed | Credit Available | Minimum Monthly Payments |
|------------------|---------|--------------|-------------|------------------|--------------------------|
| | | | | | |
| | | | | | |
| | | | | | |
| Total ▶ | | | | | |

3c. Safe Deposit Boxes (List contents of all deposit boxes rented or accessed by your entity)

| Institution Name | Address | Box Number | Contents | Estimated Market Value |
|------------------|---------|------------|----------|------------------------|
| | | | | |
| | | | | |
| | | | | |
| Total ▶ | | | | |

10. Trucks and Delivery Equipment

| Description (Make, Model, Year, and License Plate Number) | Cost (less) depreciation | Fair Market Value |
|---|--------------------------|-------------------|
| | | |
| | | |
| | | |
| | | |
| | | |
| | | |
| Total ▶ | | |

11. Automobiles and Motorcycles

| Description (Make, Model, Year, and License Plate Number) | Cost (less) depreciation | Fair Market Value |
|---|--------------------------|-------------------|
| | | |
| | | |
| | | |
| | | |
| | | |
| Total ▶ | | |

12. Aircraft

| Year, Model Number, Model Name, and Tail (N) Number | Hangar Location | Cost (less) depreciation | Fair Market Value |
|---|-----------------|--------------------------|-------------------|
| | | | |
| | | | |
| | | | |
| | | | |
| Total ▶ | | | |

13. Watercraft

| Year, Make, Model and Vehicle Registration Number (CF Number) | Docking Location | Cost (less) depreciation | Fair Market Value |
|---|------------------|--------------------------|-------------------|
| | | | |
| | | | |
| | | | |
| | | | |
| Total ▶ | | | |

14. Securities (Stocks, bonds, etc.)

| Name of Security | Number of Shares | Cost | Fair Market Value |
|------------------|------------------|------|-------------------|
| | | | |
| | | | |
| | | | |
| | | | |
| Total ▶ | | | |

15. Judgments/Settlements (not included in Accounts Receivable)

| Case Number | Court and Jurisdiction | Judgment Amount | Date Recorded | Award Amount |
|----------------|------------------------|-----------------|---------------|--------------|
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| Total ▶ | | | | |

16. Loans to Entity's Officers, General Partners, Members (not included in Notes Receivables)

| Recipient's Name and Title | Date Loan Originated | Loan Amount | Outstanding Balance |
|----------------------------|----------------------|-------------|---------------------|
| | | | |
| | | | |
| | | | |
| | | | |
| Total ▶ | | | |

17. Other Assets

| Description | Estimated Value | Location |
|----------------|-----------------|----------|
| | | |
| | | |
| | | |
| | | |
| | | |
| Total ▶ | | |

18. Business References

| Client/Vendor Name | Relationship to Entity | Address | Telephone Number |
|--------------------|------------------------|---------|------------------|
| | | | () |
| | | | () |
| | | | () |
| | | | () |
| | | | () |
| | | | () |

19.

Statement of Income – Business Entity

IMPORTANT: Please furnish the information requested below (from income tax returns, as adjusted, for the last two years and from records for current year from January 1 to date).

| a. Gross Income | 20____ | 20____ | Jan 1 to | 20____ |
|---|--------|--------|----------|--------|
| Gross sales or receipts (Subtract returns and allowances) | | | | |
| Cost of good sold | | | | |
| Gross profit – trading or manufacturing | | | | |
| Gross profit – from other sources | | | | |
| Interest income | | | | |
| Rents and royalties | | | | |
| Gains and losses (<i>From Schedule D</i>) | | | | |
| Dividends | | | | |
| Other (<i>Specify</i>) | | | | |
| Other (<i>Specify</i>) | | | | |
| Other (<i>Specify</i>) | | | | |
| Total Income ► | | | | |
| b. Deductions | | | | |
| Compensation of officers | | | | |
| Salaries and wages (<i>Not deducted elsewhere</i>) | | | | |
| Rents | | | | |
| Repairs | | | | |
| Bad Debts | | | | |
| Interest | | | | |
| Taxes | | | | |
| Losses | | | | |
| Dividends | | | | |
| Depreciation and depletion | | | | |
| Contributions | | | | |
| Advertising | | | | |
| Other (<i>Specify</i>) | | | | |
| Other (<i>Specify</i>) | | | | |
| Other (<i>Specify</i>) | | | | |
| Total Deductions ► | | | | |
| b. Net Income (<i>loss</i>) | ► | | | |
| b. Nontaxable income | ► | | | |

20. Salaries paid to principal officers and dividends distributed

IMPORTANT: Please show salaries paid to principal officers for the most recent accounting period.

| a. Officers Names and Titles | Salaries | Dividends Paid |
|------------------------------|----------|----------------|
| • President | | |
| • Vice President | | |
| • Treasurer | | |
| • Secretary | | |
| • Member | | |
| • Partner | | |
| Total ▶ | | |

21. Disposal of assets – From the beginning of the taxable period covered by this offer in compromise to the present date, has there been a disposition of any assets or property with a cost or fair market value of more than \$500, except for full value at the time of sale, transfer, exchange, gift or other disposition?

No Yes (If yes, please furnish the following information.)

| Description of Asset | Date of Transfer | Fair Market Value When Transferred | Consideration Received | Relationship of Transferee to Taxpayer |
|----------------------|------------------|------------------------------------|------------------------|--|
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |
| | | | | |

22. Are there any assets or an asset or an interest in assets either actual or contingent, other than those listed above?

No Yes (If yes, please describe the assets.)

| | | |
|--|---|--|
| 23a. Are foreclosure proceedings pending on any real estate which the entity owes or has an interest in? <input type="checkbox"/> No <input type="checkbox"/> Yes | b. If yes, please give location of real estate. | c. Was the government made a party to the suite? <input type="checkbox"/> No <input type="checkbox"/> Yes |
|--|---|--|

| | |
|--|---|
| 24a. Are bankruptcy or receivership proceedings pending? <input type="checkbox"/> No <input type="checkbox"/> Yes | b. Is it in process of liquidation? <input type="checkbox"/> No <input type="checkbox"/> Yes |
|--|---|

25. What is the prospect of an increase in value of assets or in present income? (Please give general statement.)

26. Affidavit

Under penalties of perjury, I declare that I have examined the information given in this statement and, to the best of my knowledge and belief, it is true, correct, and complete, and I further declare that there are no assets, owned either directly or indirectly, or income of any nature other than as shown in this statement.

| | | |
|-----------------------------|--------------|----------|
| 26a. Date of this statement | b. Signature | c. Title |
|-----------------------------|--------------|----------|

Questions and Answers

Q. What does the Franchise Tax Board consider a fair offer in relation to the amount due?

A. Generally, we will accept an offer when the amount offered is more than we can expect to collect within a reasonable period of time.

Q. Can I make payments on the offered amount?

A. No, we require a lump sum payment of the offered amount.

Q. Can prior payments be applied to the offered amount?

A. We cannot apply prior payments toward the offered amount. However, we will consider prior payments and the offered amount compared to the total liability when evaluating your offer.

Q. My Internal Revenue Service OIC has been accepted. Will the FTB automatically approve my offer?

A. No, we will evaluate your Franchise Tax Board offer separately from your Internal Revenue Service offer.

Q. If the Franchise Tax Board determines that my offer is not acceptable, will I be contacted?

A. Yes. We will contact you to discuss your account and to determine the most appropriate resolution. For example, if we determine that the corporation has the ability to make monthly payments which will exceed the amount offered, we will work with you to establish an installment agreement.

Q. Will state tax liens be released if the offer is accepted?

A. Generally, we release state tax liens upon final approval of your Offer in Compromise.

Q. Do I need to have someone represent me?

A. Representation is not required. The Offer in Compromise program is available to all taxpayers, whether or not they are represented.

Q. Can I get relief from the tax liability by filing bankruptcy?

A. Part or all of the entity taxes may be dischargeable under the bankruptcy code. If this is a consideration, you may want to seek legal advice.

Q. Can I apply for an Offer in Compromise if I have no funds to offer?

A. No, we will not accept a zero dollar offer. Your offer must represent the most the Franchise Tax Board can expect to collect over a reasonable period of time.

Q. What is the collateral agreement?

A. This is a contractual agreement between the entity and the State of California, where the state agrees not to pursue collection of amounts owed it by the entity in exchange for a pledge of a percentage of entity income that is in excess of a specified amount. The collateral agreement is in conjunction with an Offer in Compromise and is generally for a period of five years.

Q. If my offer is approved, will the entity have to sign a collateral agreement?

A. If the business entity has limited potential for increased earnings, we will generally not require a collateral agreement.

