

Taxpayer Paid Full Offer in Compromise But IRS Properly Demanded Full Payment of ALL of the Tax

The main point of this article is a reminder that a taxpayer who enters into an OIC still has an obligation to be current for the following five years' tax returns.

Mr. & Mrs. Sadjadi (Sadjadis) timely filed their 2008-2009 returns on time. The returns showed balance dues which the Sadjadis did NOT pay at the time of filing. An IRS examination resulted in additional taxes being assessed for these years. The Sadjadis set up an installment agreement for these years.

On April 18, 2013, about 2 years after they entered into the installment agreement, they entered into an Offer in Compromise (OIC) for these two tax years. They made the payments required on the OIC, with their last payment made in October 1, 2016.

They filed their 2015 return on October 19, 2016. The 2015 return showed a balance due which was NOT paid with the return. In short, they did not file their 2015 return on time nor did they pay the tax on time.

In June 2017, IRS issued a Notice of Intent to Levy for various tax years including 2008 & 2009. The taxpayers argued the tax related to their 2008 & 2009 returns did not have to be paid since these had fully paid the OIC amount.

IRS stated the Sadjadis had violated the terms of the OIC, therefore the full amount of the taxes from the 2008 & 2009 returns, less all amounts paid such as through the OIC payments, can be assessed and collected. IRS cited the wording on Form 656, Offer in Compromise, which states, among other wording:

- I must comply with my future tax obligations and understand I remain liable for the full amount of my tax debt until all terms and conditions of this offer have been met
- I will file tax returns and pay required taxes for the five-year period beginning with the date of acceptance of this offer.
- If I fail to meet any of the terms of this offer, the IRS may levy or sue me to collect any amount ranging from the unpaid balance of the offer to the original amount of the tax debt without further notice of any kind.

Tax Court agreed with IRS.

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Edward F. & Cynthia M. Sadjadi, TC Memo 2019-58. This case can be found by going to ustaxcourt.gov, clicking on the Opinion Search tab, and entering "Sadjadi" in the Case Name box.

This text has been shared courtesy of: David & Mary Mellem, EAs & Ashwaubenon Tax Professionals, 920-496-1065 (920-496-9111).

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