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**TO: Our Clients and Their Advisors**

**RE: New Internal Revenue Service Collection Procedures**

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There have been significant changes to payment solutions available to taxpayers.

**Offers-In-Compromise ("OIC")**

- ◆ Effective July 16, 2006, Section 7122 of the Internal Revenue Code was amended to add subsection (c) "Rules for Submission of Offers-In Compromise".
- ◆ A twenty (20%) percent deposit must accompany an OIC application of a one-time lump-sum payment offer or an offer of five or fewer installments.
- ◆ The first proposed installment must accompany an offer of payments to be made in six or more installments ("periodic-payment offer") and each additional installment must be paid as it becomes due under the offer while the Internal Revenue Service ("Service") evaluates the offer.
- ◆ The 20% deposit and periodic installment payments are considered payments of tax and are NOT refundable. The taxpayer should specify how to apply each payment to tax, penalty and interest.
- ◆ An OIC application is deemed accepted if the Service fails to act upon it within two years.
- ◆ The Service will treat the offer as withdrawn if the taxpayer fails to make the continuing "offered" periodic installments.

**Partial Payment Installment Agreements ("PPIA")**

- ◆ Effective January 17, 2005 the Service implemented the new PPIA collection procedure available under Section 6159 of the Internal Revenue Code.
- ◆ A PPIA enables a taxpayer to enter into an installment agreement based upon its current financial ability to make monthly payments, regardless of whether the agreement will ultimately result in the full or partial payment of the tax liability.
- ◆ The taxpayer will be subject to financial review every two years which could result in an adjustment of the amount of the subsequent installment payments.
- ◆ Once a PPIA is accepted, the Service may not levy or proceed with any other enforcement action until at least thirty days after the agreement has been terminated for noncompliance.
- ◆ The PPIA automatically terminates upon the expiration of the statutory collections statute of limitation period for the underlying tax and the tax liability is extinguished.

Our office is available to assist you or your clients in exploring these and other issues concerning tax audits and tax dispute resolution. Our other areas of specialization include sophisticated gift and estate tax planning which includes family limited partnerships, qualified personal residence trusts and charitable scenarios which will assist in the preservation of wealth for future generations, real estate, business and employment law representation and retirement planning issues.