

Compromise Procedures

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Collection Fact Sheet 4

Fact Sheet

Collections compromise agreements

A compromise is a written agreement between the Minnesota Department of Revenue (“department”), the Attorney General’s Office (“Attorney General”), and the taxpayer to settle an unpaid tax liability for less than the full amount legally due and owed.

Compromises are reserved for extraordinary circumstances—lack of funds alone is not enough to justify a compromise agreement. The department usually requires that the compromised amount be paid in one payment. If a compromise proposal by a taxpayer is rejected by the department or the Attorney General, there are no formal appeal rights regarding the decision.

Statutory provisions

The statutory procedure for implementing the offer in compromise program is found in Minnesota Statutes § 270C.52, subdivision 3.

Submitting an offer-in-compromise

A taxpayer who wishes to enter into a compromise agreement must submit a written proposal to the department. The proposal must be accompanied by a \$250 non-refundable deposit and contain the following information:

- the compromise offer and when it will be paid
- the source of the funds the taxpayer is using to pay the compromise amount;
- current financial information regarding the taxpayer, including real and personal property owned, and the taxpayer’s ability to pay the debt in full;
- why the compromise offer should be accepted; and other liable parties (spouse, partner, corporate officers).

Note: If you are seeking a compromise for a jointly filed debt, either:

1. **Both joint filers seek the compromise together.** Both complete the financial statement C58C, and the application, and we use the assets and income from both filers when determining the ability to pay. OR

2. **The filer seeking the compromise must first request a Separation of Liability.**

You must send a letter to the Individual Income Tax Division, Mail Station 7701, St. Paul, MN 55146-7701 requesting a separation of liability and provide the following information:

- The year(s) to be separated.
- A copy of the first and last page of the divorce decree, official legal separation information, or death certificate.

What the department considers

When reviewing the above information, the department considers the following factors:

- age of the liability;
 - age and health of the taxpayer;
 - employment potential of the taxpayer;
 - potential for collecting more than the amount offered—we review your financial information and determine your ability to make installment payments, then we complete a present value analysis to determine if it is in the state’s best interest to accept your lump-sum offer;
 - other liable parties (spouse, partner, corporate officers);
 - credit bureau report;
 - the relative amounts of tax, penalty, interest and costs that comprise the balance due;
 - collection history—previous collection actions, past or current bankruptcy of the taxpayer, and the amount paid against the liability to date, including any refunds that may have been applied;
 - equity of any assets you own; and
 - the reason you believe a compromise is merited.
- The department also considers whether
- the liability is composed of “trust taxes” (such as Minnesota income tax withheld by an employer or sales tax collected by a retailer);
 - the taxpayer is current with filing all Minnesota tax returns;

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- any doubt exists as to the correctness of the liability;
- all or a portion of the liability would be discharged if the taxpayer declared bankruptcy;
- in the case of a business liability, the business is open or closed; and whether
- the offer is the first offer-in-compromise or a reconsideration of a previous offer.

Following the department's review

After reviewing the proposal, the department will do one the following:

- recommend that the compromise offer be accepted;
- request that the taxpayer provide further information to substantiate information contained in the proposal;
- make a counter-offer to the taxpayer; or
- provide a written denial of the request for compromise.

Before the compromise is denied, an administrative review is done to ensure that the compromise request received a fair evaluation.

If the department accepts the proposal, a written compromise agreement will be prepared for signature. The agreement does not take effect until it is signed by the taxpayer, a designee of the Commissioner of Revenue, and, if necessary, a designee of the Attorney General.

Frequently asked questions

My IRS offer-in-compromise has been accepted. Does this mean that my Minnesota offer-in-compromise will be automatically accepted?

No. The Internal Revenue Service and the Minnesota Department of Revenue are two separate agencies. We use different criteria for our compromise review process. Consequently, a compromise that is approved by one agency may not be approved by the other.

Will collection action stop while the department is considering my compromise request?

It may stop, but if collection action is currently in process, we won't reverse the action while we review your compromise request.

How long does a compromise offer take to process?

The time to process can vary. If everything that is required is submitted with the compromise request, they can generally be processed within 60 days.

Do I need someone to represent me?

Professional representation is not required. The offer-in-compromise program is open to all taxpayers, whether or not they are represented.

Will my tax liens be released if my offer-in-compromise is accepted?

The department will not release liens until after acceptance of the compromise and payment of the agreed-upon amount. Payment must be received in secured funds (cashier's check or money order). The department does not release liens until after 30 days of receipt of unsecured payments (personal or business checks).

Can I make payments on my offer-in-compromise?

This situation is extremely rare, but in some instances, a compromise payment agreement is allowed.

What can I do if the department denies my compromise offer?

You can pay the full balance, submit a counter-offer, make arrangements to pay the full debt over time, or request a reconsideration of the denial of the compromise offer. Reconsideration requests must be sent to the Taxpayer Rights Advocate Office. The address:

Taxpayer Rights Advocate Office
PO Box 7335
St. Paul, MN 55107-7335

To request payment arrangements, please contact the collection officer who denied your compromise offer.

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

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

Questions?

Website: www.revenue.state.mn.us

Email: mdor.collection@state.mn.us

Call: 651-556-3003 from the Twin Cities area or
1-800-657-3909 from elsewhere in Minnesota
TTY users, call 711 for Minnesota Relay.

Fax: 651-556-5116

Write: Minnesota Revenue
PO Box 6447
St. Paul, MN 55164-0447

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