



STATE OF CALIFORNIA  
**Franchise Tax Board**

# **Offer in Compromise Booklet for Business Entities**

# What You Should Know Before Preparing an Offer In Compromise

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## **Are you an OIC Candidate?**

If your business entity does not have either 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 (OIC) program allows an entity to offer a lesser amount for payment of a **non-disputed final tax liability**. (Revenue and Taxation Code Section 19443)

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

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 entity's willingness to dissolve/cancel with the Secretary of State.
- 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 OIC application if you meet the following requirements:

- File all of the required tax returns.
- Fully complete the OIC application and provide all supporting documentation.
- Agree with the Franchise Tax Board (FTB) 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 FTB 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 OIC evaluation is completed. However, 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 by letter. When we do ask for the funds, submit them by cashier's check or money order. The offer must be a lump sum payment. We are unable to accept installment payments toward the offer amount.

# Offer in Compromise Application – BE

## To be returned

The following documentation must be submitted with your Offer in Compromise Application, or your application may be returned as incomplete. **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 OIC proceeds.

### Check List of Required Items

- Business Entity Offer in Compromise Financial Statement. (Included in this booklet.)
- Business Bank Accounts
  - List all types of accounts, including payroll, checking, savings, certificates of deposits, etc., held during the past three years.
  - Provide copies of the last three months of bank statements for every bank account and the closing statement for any account closed in the past two years.
- Current leases or rental agreements, either as landlord or tenant.
- Real Property Information
  - Mortgage statements (including current balance owed and amount of monthly payment) for each property the entity owns.
  - Most recent property tax bill for each property the entity owns.
  - Escrow statements for each property the entity currently owns, sold, or gifted in the last five years.
- IRS Information
  - If applicable, copy of IRS OIC application and determination letter or other IRS arrangements.
  - Copies of any notices of IRS adjustments or assessments that you have not reported to FTB.
  - Copies of any notices regarding an IRS audit for any tax years if the audit is still open.
- Vehicle Information
  - Copies of loan/lease statements for any vehicles.
- Power of Attorney
  - Copy of FTB 3520-BE, *Business Entity or Group Nonresident Power of Attorney Declaration*, if this offer is submitted by a designated representative.

Fax or mail your completed and signed application to:

**Fax:** 916.845.0479

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

If you have questions, refer to the section, **What you should know before preparing an Offer in Compromise**, in this booklet, or contact the Offer in Compromise Program at 916.845.4787.



# Offer in Compromise Application – BE

California Business Entity Number \_\_\_\_\_

## Business Entity Information

Name of Business Entity		California Business Entity Number (Issued by Secretary of State)	
Address		Phone Number	
City	State	ZIP Code	

## Primary Contact Information

Name of Primary Contact		Title	Federal Employer ID Number (FEIN)
Address		Phone Number	
City	State	ZIP Code	

## Assumers Information

Name and Address of Assumer		Title	Federal Employer ID Number (FEIN)
Address		Phone Number	
City	State	ZIP Code	

## Representative Information (attach FTB 3520-BE, Business Entity or Group Power of Attorney Declaration).

Name of Representative		Title	Phone Number
Address			
City	State	ZIP Code	

## Offer in Compromise Payment Information

The undersigned submits this OIC for payment of the California state tax liability as follows:

### 1. AMOUNT OWED

Tax Year(s) End \_\_\_ / \_\_\_ / \_\_\_, \_\_\_ / \_\_\_ / \_\_\_, \_\_\_ / \_\_\_ / \_\_\_      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.**

Select which of the following you would like FTB to do if this OIC is denied.

- Retain any amounts deposited and credit those amounts to the undersigned's liabilities.
- Return the amount deposited.

### 3. SOURCE OF FUNDS

a. Is all or part of the offer a loan?  Yes     No  
If yes, attach the loan agreement and provide the following information:

Name of Lender	Phone Number	Amount Borrowed
Lender's Address		

b. Is all or part of the amount being offered a gift?  Yes     No  
If yes, provide the following information:

Name of Donor	Phone Number	Amount of Gift
Donor's Relationship To The Entity		

**Offer in Compromise Application – BE (Continued)**

California Business Entity Number \_\_\_\_\_

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

**4. OWNERSHIP**

List any individual, entity, or corporate owners with a 25% or greater interest in this entity.

Name of Owner(s)	Percentage(%) Owned

Attach a separate sheet that identifies any and all parent or subsidiary relationships and the percentage of ownership.

**5. BASIS FOR THE OFFER**

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

(Attach additional pages if more space is needed.)

6. It is understood 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, except for any amounts deposited in connection with this offer, the Franchise Tax Board will keep all payments and other credits made to the entity's 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, upon the mailing of 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 compromise of any liability in this offer is final, until all the obligations of the business entity under the compromise agreement and collateral agreement are completely performed. In the event of a default by the entity on the compromised agreement, including any collateral agreement, it is agreed that the Franchise Tax Board may:
  - Rescind the compromise.
  - Re-establish all compromised liabilities.
  - Retain all amounts previously deposited under the offer.
  - Proceed to collect the remaining balance of the re-established liabilities.

The compromise agreement may also be rescinded for one or more of the following reasons:

- Failure to disclose any property information.
- Failure to file future required tax returns.
- Failure to pay final tax liabilities timely.
- Providing false records or statements relating to the assets or financial condition, by or on behalf of the entity, taxpayer, or any other person liable for the tax.

**Signature Authorization**

I hereby certify under penalty of perjury under the laws of California, that all information supplied on this form, including any attachment is true, correct, and complete to the best of my knowledge and ability.

Print Name	Title
Signature <b>X</b>	Date

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## Offer in Compromise Financial Statement – BE

Furnish the information requested on this form and include the OIC. It is important to complete each item. If the entity does not own a described item, write "None." "N/A" is not an acceptable response. Assets located outside of California or the U.S. must also be listed. Attach additional pages as necessary. Write your entity's name and number on all additional pages. Incomplete applications may be denied.

### 1. Business Entity Information

Name of Business Entity	California Business Entity Number (Issued by Secretary of State)		
Address	Phone Number		
City	State	ZIP Code	

### Primary Contact Information

Name of Primary Contact	Title	Federal Employer ID Number (FEIN)	
Address	Phone Number		
City	State	ZIP Code	

### 2. Entity Officers/General Partners/Managing Members

#### Entity Officers/General Partners/Managing Members 1.

Name of Entity Officer, General Partner, or Managing Member	Title	Business Phone Number	
City	Physical Address	Business Email Address	

#### Entity Officers/General Partners/Managing Members 2.

Name of Entity Officer, General Partner, or Managing Member	Title	Business Phone Number	
City	Physical Address	Business Email Address	

### 3a. Business Bank Accounts

List **all** types of accounts, including payroll, checking, savings, certificates of deposits, etc., held during the past three years. Provide copies of the last three months of bank statements for every bank account and the closing statement for any account closed in the past two years.

#### Business Bank Account 1.

Institution Name			
Institution Address			
City		State	ZIP Code
Type of Account	Routing Number	Account Number	Balance

#### Business Bank Account 2.

Institution Name			
Institution Address			
City		State	ZIP Code
Type of Account	Routing Number	Account Number	Balance

**Totals of Business Accounts Balances ▶**

**3b. Business Lines of Credit and Credit Cards**

California Business Entity Number \_\_\_\_\_

**Business Lines of Credit and Credit Cards 1.**

Institution Name			
Institution Address			
City			State
			ZIP Code
Credit Limit	Credit Available	Amount Owed	Minimum Monthly Payment

**Business Lines of Credit and Credit Cards 2.**

Institution Name			
Institution Address			
City			State
			ZIP Code
Credit Limit	Credit Available	Amount Owed	Minimum Monthly Payment
<b>Business Lines of Credit Totals ▶</b>		Total of Credit Available	Total of Minimum Monthly Payments

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

Institution Name			
Institution Address			
City			State
			ZIP Code
Box number	Box contents	Estimated market value	

**4. Pending Litigation (either against the entity or filed by the entity) and Pending Judgments**

Case Number	Court of Jurisdiction	Court Address	Amount Claimed
<b>Total ▶</b>			

**5. Judgments/Settlements (not included in Accounts Receivable)**

Case Number	Court and Jurisdiction	Date Recorded	Judgment Amount	Award Amount
<b>Total ▶</b>				

**6. Life Insurance Policies**

**Life Insurance Policy 1.**

Insurance Company Name	Insurance Policy Name	Insurance Policy Number	Date Made
Present Cash Surrender Value Plus Accumulated Dividends	Policy Loan	Policy Amount	Automatic Premium Payments

**Life Insurance Policy 2.**

Insurance Company Name	Insurance Policy Name	Insurance Policy Number	Date Made
Present Cash Surrender Value Plus Accumulated Dividends	Policy Loan	Policy Amount	Automatic Premium Payments
<b>Total of Life Insurance Policies ▶</b>	Total Present Cash Surrender Value Plus Accumulated Dividends	Total of Policy Loans	Total of Policy Amounts
			Total of Automatic Premium Payments

**Assets and Liabilities**

Furnish your entity's **most recent balance sheet and profit and loss statement.**  
 Include all interests in estates, trusts, and other property rights, including contingent interests and remainders.

**7. Statement of Assets and Liabilities as of \_\_\_\_/\_\_\_\_/\_\_\_\_ (date required)**

	Cost (less depreciation)	Fair Market Value
<b>a. Assets</b>		
Cash		
Cash Surrender Value of Insurance (Go to item 6)		
Accounts Receivables (Go to item 8a)		
Notes Receivables (Go to item 8b)		
Real Estate (Go to item 10)		
Machinery and Equipment (Go to item 13)		
Automobiles, Trucks, and Other Vehicles (Go to item 16)		
Aircraft (Go to item 14)		
Watercraft (Go to item 15)		
Securities (Go to item 11)		
Judgments/Settlements not included in Accounts Receivables (Go to item 5)		
Loans to Entity's Officers, General Partners, Members (not included in Notes Receivables, above) (Go to item 17)		
Other Assets (Go to item 20)		
<b>Total Assets ▶</b>		
<b>b. Liabilities</b>		
Loans to Entity's Officers, General Partners, Members (not included in Notes Receivables) (Go to item 17)		
Accounts Payable		
Notes Payable		
Other Loans		
Mortgages (Go to item 10)		
Judgments/Settlements not included in Accounts Payable (Go to item 5)		
Loans from Entity's Officers, Partners, Members, Shareholders (not included in Accounts Payable) (Go to item 17)		
Other Liabilities (describe)		
Reserves (itemize)		
<b>Total Liabilities ▶</b>		



**8a. Accounts Receivable**

California Business Entity Number \_\_\_\_\_

Accounts Receivable	Address	Book Value	Amount Due
<b>Total ▶</b>			

**8b. Notes Receivable**

Notes Receivable	Address	Book Value	Amount Due
<b>Total ▶</b>			

**9. Liquor License**

Business	County of Business	Type of Business	License Number
Type of License	Date Acquired	Date Expires	Current Market Value
<b>Total Market Value of Liquor Licenses ▶</b>			

**10. Real Estate (Residential, Commercial, and Undeveloped Land)**

Property Address/Assessor Parcel Number	Cost	Fair Market Value	Balance Due on Mortgage	Equity Value
<b>Total ▶</b>				

**11. Securities (Stocks, Bonds, etc.)**

Name of Security	Number of Shares	Cost	Fair Market Value
<b>Total ▶</b>			

**12. Business References**

Client/Vendor Name	Address	Relationship to Entity	Phone Number

### 13. Machinery and Equipment

California Business Entity Number \_\_\_\_\_

#### Machinery and Equipment 1.

Manufacturer		Model Number	Function	Date Purchased
Price at time of sale	Remaining Balance	Note Payable	Cost (less depreciation)	Fair Market Value

#### Machinery and Equipment 2.

Manufacturer		Model Number	Function	Date Purchased
Price at time of sale	Remaining Balance	Note Payable	Cost (less depreciation)	Fair Market Value

<b>Total Balances of Machinery and Equipment ▶</b>		Total of Notes Payable	Total Cost (less depreciation)	Total of Fair Market Value
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### 14. Aircraft

Manufacturer		Model	Year of Model	Tail Number	Fair Market Value
Hangar Location		Remaining Balance	Note Payable	Cost (less depreciation)	

<b>Total Balances of Aircraft ▶</b>		Total of Notes Payable	Total Cost (less depreciation)	Total of Fair Market Value
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### 15. Watercraft

Manufacturer		Model	Year of Model	Hull Number	Fair Market Value
Docking Location		Remaining Balance	Note Payable	Cost (less depreciation)	

<b>Total Balances of Watercraft ▶</b>		Total of Notes Payable	Total Cost (less Depreciation)	Total of Fair Market Value
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### 16. Automobiles, Trucks, and Other Vehicles

#### Automobiles, Trucks, and Other Vehicles 1.

Manufacturer		Model	Year of Model	VIN Number
License Plate Number	Remaining Balance	Note Payable	Cost (less depreciation)	Fair Market Value

#### Automobiles, Trucks, and Other Vehicles 2.

Manufacturer		Model	Year of Model	VIN Number
License Plate Number	Remaining Balance	Note Payable	Cost (less depreciation)	Fair Market Value

#### Automobiles, Trucks, and Other Vehicles 3.

Manufacturer		Model	Year of Model	VIN Number
License Plate Number	Remaining Balance	Note Payable	Cost (less depreciation)	Fair Market Value

#### Automobiles, Trucks, and Other Vehicles 4.

Manufacturer		Model	Year of Model	VIN Number
License Plate Number	Remaining Balance	Note Payable	Cost (less depreciation)	Fair Market Value

<b>Total Balances of Automobiles, Trucks, and Other Vehicles ▶</b>		Total of Notes Payable	Total Cost (less Depreciation)	Total of Fair Market Value
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### 17. 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
<b>Total ▶</b>			

**18. Statement of Income – Business Entity**

California Business Entity Number \_\_\_\_\_

IMPORTANT: Provide the requested information in the Gross Income section (from income tax returns, as adjusted, for the last two years and from records for current year from January 1 to the current date). Each year listed must be filled in, even if the entity had no income. If no income, enter \$0.

<b>a. Gross Income</b>	20____	20____	Jan 1 to ____ 20____
Gross sales or receipts (Subtract returns and allowances)			
Cost of goods 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 (Specify)			
Other (Specify)			
Other (Specify)			
<b>Total Income ▶</b>			
<b>b. Deductions</b>	20____	20____	Jan 1 to ____ 20____
Compensation of officers			
Salaries and wages (Not deducted elsewhere)			
Rents			
Repairs			
Bad debts			
Interest			
Taxes			
Losses			
Dividends			
Depreciation and depletion			
Contributions			
Advertising			
Other (Specify)			
Other (Specify)			
Other (Specify)			
<b>Total Deductions ▶</b>			
<b>Net Income (loss) ▶</b>			
<b>Nontaxable Income ▶</b>			

**19. Salaries Paid to or Other Distributions to Principal Officers** California Business Entity Number \_\_\_\_\_  
 IMPORTANT: Provide salaries paid to principal officers for the most recent accounting period. Specify Tax Year End: \_\_\_/\_\_\_/\_\_\_

Officer's Name	Title	Salaries	Dividends Paid	Other
<b>Total ▶</b>				

**20. Other Assets**

Description	Estimated Value	Location
<b>Total ▶</b>		

**21. Disposal of Assets**

From the beginning of the taxable period covered by this OIC to the present date, has there been a disposition of any assets or property with a cost or fair market value of more than \$1000, except sales of inventory in the ordinary course of business for full value at the time of sale, transfer, exchange, gift or other disposition?

No  Yes (If yes, furnish the following information and supporting documentation (e.g., bill of sale or escrow closing statement).

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

**22.** Does the business own any assets or interests in assets, either actual or contingent, other than those listed above?

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

**23. a.** Are foreclosure proceedings pending on any real estate that the entity owns or has an interest in?  Yes  No

b. If yes, give location of real estate.

c. Was the government made a party to the suit?  Yes  No

**24. a.** Are bankruptcy or receivership proceedings pending? (If yes add Case No. \_\_\_\_\_ and Court \_\_\_\_\_)  Yes  No

b. Is the business in process of liquidation?  Yes  No

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

**26. Affidavit**

**Signature Authorization**

I hereby certify under penalty of perjury under the laws of California, that all information supplied on this form, including any attachment is true, correct, and complete to the best of my knowledge and ability.

Signature <b>X</b>	Title	Date
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To learn about your privacy rights, how we may use your information, and consequences if you do not provide information we request, go to [ftb.ca.gov/Forms](http://ftb.ca.gov/Forms) and search for **1131**. To request this notice by mail, call 800.338.0505 and enter form code 948 when instructed.

## Questions and Answers

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**Q. What does the Franchise Tax Board (FTB) 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 the total of the prior payments and the offered amount in relation to the total liability when evaluating your offer.

**Q. My Internal Revenue Service (IRS) Offer in Compromise (OIC) has been accepted. Will FTB automatically approve my offer?**

A. No, we will evaluate your FTB offer separately from your IRS offer.

**Q. If FTB 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 entity 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 OIC.

**Q. Do I need to have someone represent me?**

A. Representation is not required. The OIC 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's tax liabilities may be dischargeable under the Bankruptcy Code in some circumstances. If this is a consideration, you may want to seek legal advice.

**Q. Can I apply for an OIC if I have no funds to offer?**

A. No, we will not accept a zero dollar offer. Your offer must represent the most FTB 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 by the entity in exchange for a pledge of a percentage of the entity's income that is in excess of a specified amount. The collateral agreement is in conjunction with an OIC 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 entity has limited potential for increased earnings, we will generally not require a collateral agreement.