



State of California
Franchise Tax Board

FTB 4905 PIT BOOKLET
Offer in Compromise
for Individuals

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An Offer in Compromise (OIC) provides an alternative for individuals who are unable to pay their outstanding California income tax liabilities, and who won't be able to in the foreseeable future.

What You Need to Know Before Preparing an Offer in Compromise

Eligibility:	<p>If you are an individual without the income, assets, or means to pay your tax liability now or in the foreseeable future, you may be eligible for an OIC. The OIC Program allows you to offer a lesser amount for payment of a nondisputed final tax liability.</p> <p>Generally, we approve an OIC when the amount offered represents the most we can expect to collect within a reasonable period of time.</p> <p>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:</p> <ul style="list-style-type: none">• Your ability to pay.• Your equity in assets.• Your present and future income.• Your present and future expenses.• The potential for changed circumstances.• The offer is in the best interest of the state.
Your Application:	<p>We will only process your OIC application once you:</p> <ul style="list-style-type: none">• File all required tax returns. If you have no filing requirement, note it on the application.• Fully complete the OIC application and provide all supporting documentation.• You agree with the Franchise Tax Board (FTB) on the amount of tax you owe.
Collateral Agreement:	<p>Upon approval of your offer, we may require you to enter into a collateral agreement. If you have a significant potential for increased earnings, we may require that you pay a greater portion or all of your original tax liability if you earn more than anticipated during the five year period following FTB's approval of your OIC.</p>
Collection Activity:	<p>Submitting an offer does not automatically suspend collection activity. If delaying collection activity jeopardizes our ability to collect the tax, we may continue collection efforts. Interest, fees, and penalties continue to accrue as prescribed by law.</p>
When to pay:	<p>Do not submit the offer amount until we request it. When we ask for the funds, submit them by cashier's check or money order.</p>



STATE OF CALIFORNIA
OIC GROUP MS A453
FRANCHISE TAX BOARD
PO BOX 2966
RANCHO CORDOVA CA 95741-2966
916.845.4787 (not toll-free)
ftb.ca.gov

OFFER IN COMPROMISE APPLICATION FORM

Checklist of Required Items

You must submit the following documentation with your Offer in Compromise Application Form or we will return your application as incomplete. You must include the information for you and your spouse/Registered Domestic Partner (RDP). Please submit copies only. Indicate if any of the items below are not applicable (N/A). We may request additional documentation.

N/A	Included	
<input type="checkbox"/>	<input type="checkbox"/>	Verification of Income Complete pay stubs for the past three months, or financial statements for the past two years if self-employed. Include any investment or ownership in any business entity or trust, and income derived from these sources (dividends, K-1 income, distributions, etc.).
<input type="checkbox"/>	<input type="checkbox"/>	Verification of Expenses Billing statements for the last three months. (Include copies of revolving charge card statements, bills from other creditors, and personal loan statements.)
<input type="checkbox"/>	<input type="checkbox"/>	Bank Information Complete bank statements for savings and checking accounts for the last six months. If self-employed, provide bank statements for the last twelve months. Include accounts that have been closed during that period.
<input type="checkbox"/>	<input type="checkbox"/>	Securities Investment account statements showing the value of stocks, bonds, mutual funds, and/or retirement or profit sharing plans, e.g., IRA, 401(k), Keogh, or Annuity.
<input type="checkbox"/>	<input type="checkbox"/>	Current Lease or Rental Agreements
<input type="checkbox"/>	<input type="checkbox"/>	Real Property Information Mortgage statements and escrow statements for property you currently own, sold, or gave away in the last five years.
<input type="checkbox"/>	<input type="checkbox"/>	Internal Revenue Service (IRS) Information IRS OIC application and acceptance letter or other IRS arrangements.
<input type="checkbox"/>	<input type="checkbox"/>	Legal Documents Marital settlement agreements, divorce decrees, marital property settlements, trust documents, and bankruptcy documents.
<input type="checkbox"/>	<input type="checkbox"/>	Medical Information Physician's letter including diagnosis and prognosis and/or other documents to show any medical condition that should be considered.
<input type="checkbox"/>	<input type="checkbox"/>	Power of Attorney Power of Attorney if a designated representative submits this offer.

Mail your completed and signed application to the address listed above.

If you have any questions, contact the OIC group at 916.845.4787 (not toll-free).

Frequently Asked Questions

1. What is considered a fair offer in relation to the amount due?

Generally, an offer will be accepted when the amount offered is the most we can expect to collect within a reasonable period of time.

2. How long will it take to get a decision on my OIC?

Generally, if we accept your offer for processing, we will provide a decision to you within 90 days after receiving your offer. If your account is complex or additional information is required, it may take longer than 90 days.

3. Can I make payments on the offered amount?

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

4. Can I apply prior payments to the offered amount?

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

5. My IRS OIC has been accepted. Will FTB automatically approve my offer?

No, we evaluate your offer separately.

6. If my offer is not acceptable, will I be contacted?

Yes, we contact you to discuss your account and to determine the most appropriate resolution. For example, if it is determined that you will have the ability to make monthly payments that exceed the amount you offer, we work with you to establish an installment agreement.

7. Will you release state tax liens if you accept my offer?

We release FTB state tax liens upon final approval of your OIC.

8. Do I need to have someone represent me?

We do not require that you have representation. The OIC Program is available to all taxpayers, whether or not they have representation.

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

If this is a consideration, you may want to seek your own legal advice.

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

No, we will not accept a zero dollar offer. Your offer must represent the most we can expect to collect over a reasonable period of time and be in the states best interest to accept.

11. What is a collateral agreement?

A collateral agreement is a contractual agreement between you and FTB. By signing the agreement, you agree to pledge to us a percentage of your income that exceeds an agreed-upon threshold. Generally, the collateral agreement period is five years. We will make that determination in reviewing your application and financial information provided to us.

12. If you approve my offer, will I have to sign a collateral agreement?

Generally, we do not require a collateral agreement if you are on a fixed income or have limited potential for an increase in income.

13. Can I complete one application if I owe the Employment Development Department, the Board of Equalization, or the Franchise Tax Board?

To relieve some of the paperwork burden for taxpayers or their representatives, the state's three taxing agencies developed a single offer in compromise application. Individual taxpayers can use OIC Multi-Agency Application (DE 999CA) to apply with any or all of the three agencies.