Form 12A018 (05/18)
Commonwealth of Kentucky
DEPARTMENT OF REVENUE

KENTUCKY DEPARTMENT OF REVENUE
OFFER IN SETTLEMENT APPLICATION

PREREQUISITES FOR SUBMITTING AN OFFER IN SETTLEMENT

a. **Application Deposit**—All applications must be accompanied by a non-refundable $500 deposit. The deposit will be applied to your tax liability and count towards an offer amount should one be accepted.

b. **Minimum Case Balance**—Offers will only be reviewed and considered on cases with a balance exceeding $3,000. If your case balance does not exceed $3,000 you will need to contact the Division of Collections @ 502-564-4921, ext. 5354.

c. **Operating Business**—No offer will be reviewed or accepted on an operating business. The Department will only review and consider offers on businesses which are closed.

d. **Tax Compliance**—You must file all tax returns that you were legally required to file **prior** to submitting an offer. This includes Individual Income Tax returns and all returns for closed businesses and operating businesses. If you had no Individual Income Tax filing requirement for a specific year or period because you were not legally required to file the return, you must note the period(s) below.

Tax Period(s):_____ Reason(s) _____

e. **Bankruptcy Proceedings**—If you currently have an open bankruptcy proceeding, we cannot consider an offer. Once the bankruptcy is closed or discharged, you may submit an offer.

f. **Estimated Tax Payments**—You must be current on all required estimated tax payments.

STOP **If you do not meet the above requirements, you may not submit an offer at this time.**

II. REQUIRED DOCUMENTATION DUE WITH THIS APPLICATION

Applications submitted without all required documentation will be deemed invalid. You must provide complete and accurate financial disclosure for your entire household including that of non-liable parties. Additional information may be requested from you at a later date.

☐ a. **Statement of Financial Condition For Individuals**, Form 12A638(I) (signed & dated)

☐ b. **Copies of all bank account(s) statements** (on all household accounts for the most recent 3 months)

☐ c. **Proof of income** (copies of the last 3 months of pay stubs for all household earners)

☐ d. **Copy of most recent state & federal income tax returns** (include W-2's, 1099's, and all schedules)

☐ e. **If you are self-employed, you must also submit a Statement of Financial Condition for Businesses**, Form 12A639 (Plus the most recent corporation tax return, most recent profit/loss statement and all business bank account(s) statements for the most recent 3 months)

☐ f. **Recent copy of power of attorney** if represented by someone other than yourself

☐ g. **Recent copy of a credit report**

☐ h. **All documentation regarding inheritances and lawsuits either pending or resolved within the last 12 months**

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1. **Do I need an accountant, attorney, or consultant to help me submit an offer?**
   Our Offer in Settlement forms and program procedures have been designed to be self-explanatory. You have all of the information we need to help us make an informed decision about your offer, and most taxpayers should be able to complete the forms without professional assistance. DOR officials are available Monday - Friday to assist you with any questions you may have and to assist you through the offer process. You are entitled to hire the services of anyone you wish to represent you; however, DOR must have proof of their power of attorney privileges submitted with the offer.

2. **What happens if I submit an offer without all of the required documentation on the checklist, or if I have not met the prerequisites for submitting an offer?**
   You may resubmit the offer with all of the required documentation listed on the checklist. A new deposit may be required.

3. **Can I use the IRS Offer in Compromise forms to submit an offer to Kentucky?**
   No, you must submit the required Kentucky Department of Revenue Offer in Settlement Application and Statement of Financial Condition Form(s). See Pages 1 and 3 for all Offer in Settlement requirements.

4. **How do I know how much to offer?**
   Generally, the amount of your offer must equal or exceed the amount of money the DOR could otherwise reasonably collect from you, either immediately or through a pay agreement. However, each offer is reviewed on an individual, case-by-case basis. You should explore all possible options for funding your offer, including but not limited to liquidating assets, borrowing from family or friends, and obtaining financing from a lending institution. You cannot include refunds the DOR may owe you, or payments you have previously made, toward your offer amount.

5. **How will the DOR consider my offer?**
   A DOR officer will examine your assets, liabilities, and your ability to pay. We may request further documentation and will verify the information you provide. If our review of your financial condition indicates you have the ability to pay more than you offered or DOR may collect more than you offered, your offer will be rejected. The officer will make a recommendation to accept or reject your offer or may decide a larger amount is needed. It should be strictly understood that the acceptance of any offer is at the sole discretion of DOR.

6. **Does the DOR suspend collection activity while reviewing my offer?**
   No, any ongoing collection activity before an offer is submitted (payments, levies, etc.) is generally enforced while the offer is in review. If there is any indication the offer was submitted in order to delay any further collection activity, we will continue collection efforts. If you have special circumstances you feel the DOR should consider in reference to any current collection activity, you may submit a request in writing with your offer. To protect our interest, the Commonwealth may file a Notice of State Tax Lien, issue a Final Notice, and/or issue a Notice of Assessment after the offer is received if these actions have not already been taken.

7. **How will I know if my offer has been accepted or rejected?**
   The DOR Officer assigned to review your offer will notify you by mail regarding the status of your offer. The date of the letter will be considered the official date of acceptance or rejection.

8. **Can I withdraw my offer once I have submitted it to the DOR?**
   Yes, you may withdraw your offer from consideration at any time by written notification or by phone. Any amounts paid or credited are non-refundable.

9. **May I submit another offer if my first is rejected?**
   Unless notified otherwise from a DOR Officer, you may submit a new offer. It is unlikely that the second offer will be given more favorable consideration than the original unless the amount of the offer is increased.

10. **What forms of payment do you accept for a settlement?**
    We accept personal checks, cashier's checks, debit cards, and multiple types of credit cards. There is a convenience fee for all card payments. We can accept payments electronically over the phone for personal checks, debit and credit cards.

11. **Where do I file the offer in settlement?**
    The offer may be submitted to the collector handling your case, or you may mail the offer and all required documentation to:

    Division of Collections
    Offer in Settlement Section
    P.O. Box 5222
    Frankfort, Kentucky 40602
    Phone: (502) 564-4921
    Fax: (502) 564-7348
    Website: www.revenue.ky.gov

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1. GENERAL PROGRAM INFORMATION

DOR Policy—The goal of this program is a settlement which is in the best interest of the Commonwealth. Offer in Settlement should not be the first action taken to resolve your liability. The DOR will give full consideration to an Offer in Settlement when it is unlikely that we can collect the full amount owed and when the amount you offer reasonably reflects collection potential. The goal is to collect the most we can at the earliest possible time, at the least cost to the Commonwealth.

Background—Kentucky Revised Statute 131.030(3) allows delegated officials of the Kentucky DOR to settle a tax liability for less than the full amount due. The term "tax liability" is the total amount a taxpayer owes including taxes, penalties, interest, and other additional amounts required by law.

Notice About Co-obligors—Other parties whom you share a tax liability are co-obligors. This may be a spouse or business partner. In most cases, the DOR will not consider a single offer from two obligors unless they are married. If there is a co-obligor(s) not included on your application, the DOR may pursue them for the remaining balance.

Possible Additional Requirements—We may require that you sign a written agreement that requires you to pay a percentage of future earnings, and/or give up certain present or potential tax benefits.

2. LINE BY LINE INSTRUCTIONS FOR APPLICATION PAGES 4 & 5

Item 1—List your full name, address and social security number.

Item 2—List the full name and social security number of a spouse or other person jointly submitting this offer with you.

Item 3—If applicable, enter the name and federal identification number of the business for which you are offering to resolve a tax debt.

Item 4—Check this box if you are/were a corporate officer or equivalent office-holder of the business, and are offering to resolve your personal liability for the trust taxes and/or officer assessable taxes for that business.

Item 5—Enter the total amount you are offering to settle your debt, not including any amounts already paid to or collected by the DOR prior to this offer.

Item 6—Specify the timeframe in which you plan to pay the offered amount. You should pay the full offered amount in the shortest time possible. The quicker you pay the less interest your debt will accrue. The DOR charges interest from the date of acceptance until the date you pay the full amount offered.

Item 7—Disclose where the source of the funds to pay the offer will be coming from, such as personal savings, borrowing from family or friends, liquidating an asset, etc.

Item 8—Check the tax type(s) that you offer to settle. If the type of liability is not on the form, specify the type of tax and periods of liability in "OTHER TAX TYPES." Example: Omitted Tangible Property Tax, 12/06.

Item 9—Provide a detailed explanation of your circumstances, supplying additional pages or documentation if necessary. It is your responsibility to show the DOR why it would be in the best interest of the Commonwealth to accept your offer.

Item 10—It is important that you read and clearly understand all of the terms and conditions of the offer.

Item 11—By signing Item 11(a) and/or 11(b), you agree that:

a. You give up any overpayments (refunds) for all tax periods prior to and including the tax year that we accept your offer or the tax year your offer is paid in full- whichever is later.

b. Any statutory period for assessment and collection of the amount owed is suspended while the offer is pending. The statute of limitations will extend by the amount of time in OIS plus one year.

c. You will not contest, in court or otherwise, the amount owed if the DOR accepts your offer.

d. The DOR can reinstate the entire amount owed if you do not comply with all the terms and conditions of the offer including the requirement to file returns and pay taxes for five years.

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1. Taxpayer Name _____ Social Security Number _____ – _____ – _____
   Address _____ Daytime Telephone Number _____
   City _____ State _____ Zip Code _____ Cell Number _____
   E-mail Address _____
2. Taxpayer Name (if joint offer) _____ Social Security Number _____ – _____ – _____
   Address _____ Daytime Telephone Number _____
   City _____ State _____ Zip Code _____ Cell Number _____
   E-mail Address _____
3. Business Name _____ Federal ID Number _____ – _____
4. ☐ Check here if you are a corporate officer or equivalent office-holder offering to settle your personal liability for trust taxes for the business listed above.
5. I / we offer to pay the amount of **$** _____ (The offer must be $500 or greater.)
6. Payment terms: ☐ Full offered amount is enclosed *or* Payment will be made within: ☐ 30-days ☐ 60-days ☐ 90-days
7. I / we shall obtain the funds to make this offer from following source(s): _____
8. I / we submit this offer to settle the tax liabilities plus any interest, penalties, additions to tax and additional amounts required by law for the type tax(s) and period(s) marked below. Mark "X" for each tax type, and fill in the correct periods and tax types.

   ☐ INDIVIDUAL INCOME TAX for years:_____
   ☐ WITHHOLDING TAX for periods:_____
   ☐ SALES AND USE TAX for periods:_____
   ☐ CORPORATE/LLET TAX for periods:_____
   ☐ OTHER TAX TYPES (be specific) for periods:_____
   _____
9. Explain the circumstances that prevent you from paying the liability in full. Attach additional sheets or documentation if needed._____
   _____
   _____

You must read and sign Page 5, or your offer will be invalid.

FOR OFFICIAL USE ONLY	
CASE NUMBER(S):	
AMOUNT PAID: $	**APPLICATION RECEIVED DATE:**
APPLICATION RECEIVED BY:	
AMENDED: ☐ YES ☐ NO	

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10. TERMS AND CONDITIONS: By submitting this offer, I/we have read, understand and agree to the following:

a. Voluntarily submit all payments made on this offer to the Department of Revenue (DOR);

b. The understanding there is no appeals process for rejected offers;

c. **To comply with all Kentucky Revised Statutes and Administrative Regulations relating to filing tax returns and paying required taxes for five tax years from the date the DOR accepts the offer or the date the offer was paid in full- whichever is later**;

d. To waive and agree to the suspension of any statutory period of limitation (time limits provided for by law) for DOR assessment and collection of the tax liability for the tax periods checked on Page 4, Item 8;

e. The understanding that regardless of Offer in Settlement acceptance, rejection, or withdrawal, the DOR will not refund any payment and/or credit from any source including, but not limited to, installment agreement payments, offsets, overpayments, and the OIS Application Fee and apply payments made under the terms of this offer in the best interest of the Commonwealth;

f. **The understanding the DOR will keep any refund, including interest, due because of the overpayment of any tax or other liability for the tax year that the offer was accepted or paid in full- whichever is later and for the same period of time, if any part of the tax liability covered by this offer is for individual income tax or withholding tax, any federal income tax refund that may become due may be offset pursuant to 26 USC §6402(e)**;

g. To return to the DOR any refund identified in Item "f" received after submitting this offer;

h. To remain responsible for the full amount of the tax liability unless and until DOR accepts the offer in writing and to meet all the terms and conditions of the offer; the understanding the DOR will not remove the original amount of the tax liability from its records until all terms and conditions have been met;

i. The understanding that filing bankruptcy before the terms and conditions of this offer are completed, any claim the DOR files in the bankruptcy proceeding will be a tax claim.

j. The offer is pending starting with the date an authorized DOR official signs this form until an authorized DOR official accepts, rejects, or withdraws the offer in writing;

k. The waiver and suspension of any statutory period of limitation for assessment and collection of the amount of tax liability described in Item 8 continuing to apply:
   (i) while the offer is pending (see Item "j" above),
   (ii) during the time the full offered amount has not been paid,
   (iii) during the time all terms and conditions have not been met, and
   (iv) for one additional year beyond the time periods identified in (i), (ii), and (iii) above;

l. **The understanding that if any of the terms and conditions are not met, the offer is in default and the DOR may:**
   (i) immediately file suit to collect the entire unpaid balance of the offer,
   (ii) immediately file suit to collect an amount equal to the original amount of the tax liability as liquidated damages, minus any payments received under the terms of this offer,
   (iii) disregard the amount of the offer and apply all amounts paid under the offer against the original amount of tax liability, and
   (iv) file suit or levy to collect the original amount of tax liability without further notice of any kind; and

m. The understanding that this offer is on behalf of only those whom sign as Taxpayer/Proponent in Item 11(a) or 11(b) and the Commonwealth of Kentucky reserves all rights of collection against co-obligors (see Page 3).

11. MANDATORY SIGNATURE(S): Under penalties of perjury, I declare that I have examined this offer, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete.

a. Signature of Taxpayer/Proponent **Date**	**b. Signature of Taxpayer/Proponent** **Date**