



State of California

**Franchise Tax Board**

**4905BE Booklet  
Offer In Compromise  
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 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 program allows an entity to offer a lesser amount for payment of a **non-disputed final tax liability**.

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

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:

- Ability to pay
- Equity in the entity's assets
- Present and future income
- Present and future expenses
- 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 Offer in Compromise application if you:

- Filed all of the required tax returns. If you have no filing requirement, note it on the application.
- Fully completed the Offer in Compromise application, and provided all supporting documentation.
- Agree with the Franchise Tax Board 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 us 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 Offer in Compromise evaluation is completed. 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. When we do ask for the funds, submit them by cashiers check or money order. We are unable to accept installment payments.



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

### Check List of Required Items

- Business Entity Offer in Compromise Financial Statement, FTB form 4905 FS.  
(included in this booklet)
- Bank Information:
  - Complete bank statements for all accounts held for the past twelve months.
  - Final statements for any accounts closed within the past two years.
- Current Lease or Rental Agreements, either as landlord or tenant.
- Real Property Information  
Mortgage statements and escrow statements for property the entity currently owns, sold, or gifted in the last five years.
- IRS Information  
If applicable, copy of IRS OIC and acceptance letter or other IRS arrangements.
- Vehicle Information:
  - Copies of loan/lease statements for any vehicles.
- Power of Attorney  
Power of attorney if this offer is submitted by a designated representative.

Mail your completed and signed application to:

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

If you have questions other than those answered on the previous page of this booklet, contact the Offer in Compromise program at (916) 845-4787.

## Offer in Compromise Application (Continued)

	Date
Name of Business Entity	California Business Number
Address	Telephone Number
Name and Address of primary contact	Federal Employer ID Number (FEIN)
Telephone Number ( )                      Title	
Assumer's Name and Address	California or Federal Identification Number
Telephone Number ( )	
Authorized representative (attach Power of Attorney) Address	
Telephone Number ( )	

The undersigned submits this Offer in Compromise for payment of the California state tax liability shown below:

1. AMOUNT OWED

Tax Year(s) \_\_\_\_\_

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.**

If this Offer in Compromise is denied, the Franchise Tax Board is to:

\_\_\_\_\_ Retain any amounts deposited and credit it to the undersigned's liabilities.

\_\_\_\_\_ Return the amount deposited.

# Offer in Compromise Application (Continued)

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3. SOURCE OF FUNDS

a. Is all or part of the amount being offered a loan?     Yes     No

If yes, please provide the following information and attach a copy of the loan agreement.

Amount borrowed \$ \_\_\_\_\_

Name of lender \_\_\_\_\_

Lender's address \_\_\_\_\_

Lender's telephone number \_\_\_\_\_

b. Is all or part of the amount being offered a gift?     Yes     No

If yes, please provide the following information:

Amount of gift \$ \_\_\_\_\_

Name of donor \_\_\_\_\_

Donor's relationship to the entity \_\_\_\_\_

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

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

4. OWNERSHIP

List any individual or corporate owners with 25% or more interest in this entity.

Name of Owner(s)	% Owned
_____	_____
_____	_____
_____	_____
_____	_____

(Attach a separate sheet scheduling any parent or subsidiary entity relationship.)

## Offer in Compromise Application (Continued)

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5. BASIS FOR THE OFFER

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

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(If more space is needed, please attach additional pages.)

6. It is understood that 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 that, except for any amounts deposited in connection with this offer, the Franchise Tax Board will keep all payments and other credits made to the 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 that upon 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 liability will be compromised until all obligations of the corporation under the compromise agreement or collateral agreement are completely performed. In the event of a default by the corporation on the collateral agreement, it is agreed that the Franchise Tax Board may disregard the amount of the offer and retain all amounts previously deposited under the offer and proceed to collect the balance of the original liability.

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Under penalties of perjury, I declare that I have examined the information given in this statement and all other documents included with this offer and to the best of my knowledge and belief, it is (or they are) true, correct and complete.

Date of the Statement

Signature

Title

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# State of California – Franchise Tax Board

## Business Entity Offer in Compromise Financial Statement

Please furnish the information requested on this form along with the Offer in Compromise. It is important that all questions are answered. If a question does not apply, please enter the word "none." If you run out of space, please attach additional pages (write your entity's name and number on all additional pages).

### 1. Business Entity Information

Entity Name		Entity Number	
DBA	Type of Business/Industry	FEIN	
		SOS	
Mailing Address	Physical Address	Telephone Number ( )	

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

Name	Business Address	Business Telephone Number	Title
		( )	
		( )	
		( )	
		( )	

3a. Bank Accounts (List all types of accounts including payroll, checking, savings, certificates of deposits, etc.) held during the past three years. Please provide copies of bank statements for the last (or final) three months for every account held.

Institution Name	Address	Type of Account	Routing Number	Account Number	Balance
<b>Total ▶</b>					

### 3b. Bank, Finance and Business Credit cards (Lines of credit)

Institution Name	Address	Credit Limit	Amount Owed	Credit Available	Minimum Monthly Payments
<b>Total ▶</b>					

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

Institution Name	Address	Box Number	Contents	Estimated Market Value
<b>Total ▶</b>				

## Assets and Liabilities

Please 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.

4. Statement of assets and liabilities as of \_\_\_\_/\_\_\_\_/\_\_\_\_  
(date)

a. Assets	Cost (less depreciation)	Fair Market Value
Cash		
Cash surrender value of insurance (See item 5)		
Accounts Receivables (See item 6a)		
Notes receivables (See item 6b)		
Real Estate (See item 8)		
Machinery and equipment (See item 9)		
Trucks and delivery equipment (See item 10)		
Automobiles and Motorcycles (See item 11)		
Aircraft (See item 12)		
Watercraft (See item 13)		
Securities (See item 14)		
Judgments/Settlements not included in Accounts Receivables (See item 15)		
Loans to entity's officers (not included in Notes Receivables, above) (See item 16)		
Other assets (See item 17)		
<b>Total Assets ►</b>		
<b>b. Liabilities</b>		
Loans on insurance (See item 16)		
Accounts payable		
Notes payable		
Mortgages (See item 8)		
Judgments (See item 15)		
Reserves (itemize)		
Loans to officers/partners (See item 16)		
Other (describe)		
<b>Total Liabilities ►</b>		

### 5. Life insurance policies

Policy Number	Insurance Company Name	Policy Amount	Present Cash Surrender Value Plus Accumulated Dividends	Policy Loan	Date Made	Automatic Premium Payments	Date Made
<b>Total ►</b>							



6. Accounts and Notes Receivable

a. Accounts Receivable	Address	Book Value	Amount Due

**Total ►**

b. Notes Receivable	Address	Book Value	Amount Due

**Total ►**

7. Pending Litigation and Pending Judgments

Case Number	Court of Jurisdiction	Court Address	Judgment Amount

**Total ►**

8. Real Estate

Property Address/Assessor Parcel Number	Cost	Fair Market Value	Balance Due on Mortgage	Equity Value

**Total ►**

9. Machinery and Equipment

Description (Manufacturer, Model Number, Function)	Cost (less depreciation)	Fair Market Value

**Total ►**

10. Trucks and Delivery Equipment

Description (Make, Model, Year, and License Plate Number)	Cost (less) depreciation	Fair Market Value
<b>Total ▶</b>		

11. Automobiles and Motorcycles

Description (Make, Model, Year, and License Plate Number)	Cost (less) depreciation	Fair Market Value
<b>Total ▶</b>		

12. Aircraft

Year, Model Number, Model Name, and Tail (N) Number	Hangar Location	Cost (less) depreciation	Fair Market Value
<b>Total ▶</b>			

13. Watercraft

Year, Make, Model and Vehicle Registration Number (CF Number)	Docking Location	Cost (less) depreciation	Fair Market Value
<b>Total ▶</b>			

14. Securities (Stocks, bonds, etc.)

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

15. Judgments/Settlements (not included in Accounts Receivable)

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

16. 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>			

17. Other Assets

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

18. Business References

Client/Vendor Name	Relationship to Entity	Address	Telephone Number
			( )
			( )
			( )
			( )
			( )
			( )

19.

Statement of Income – Business Entity

IMPORTANT: Please furnish the information requested below (from income tax returns, as adjusted, for the last two years and from records for current year from January 1 to date).

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

20. Salaries paid to principal officers and dividends distributed

IMPORTANT: Please show salaries paid to principal officers for the most recent accounting period.

a. Officers Names and Titles	Salaries	Dividends Paid
• President		
• Vice President		
• Treasurer		
• Secretary		
• Member		
• Partner		
<b>Total ▶</b>		

21. Disposal of assets – From the beginning of the taxable period covered by this offer in compromise to the present date, has there been a disposition of any assets or property with a cost or fair market value of more than \$500, except for full value at the time of sale, transfer, exchange, gift or other disposition?

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

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

22. Are there any assets or an asset or an interest in assets either actual or contingent, other than those listed above?

No     Yes (If yes, please describe the assets.)

23a. Are foreclosure proceedings pending on any real estate which the entity owes or has an interest in?  <input type="checkbox"/> No <input type="checkbox"/> Yes	b. If yes, please give location of real estate.	c. Was the government made a party to the suite?  <input type="checkbox"/> No <input type="checkbox"/> Yes
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24a. Are bankruptcy or receivership proceedings pending?  <input type="checkbox"/> No <input type="checkbox"/> Yes	b. Is it in process of liquidation?  <input type="checkbox"/> No <input type="checkbox"/> Yes
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25. What is the prospect of an increase in value of assets or in present income? (Please give general statement.)

26. Affidavit

Under penalties of perjury, I declare that I have examined the information given in this statement and, to the best of my knowledge and belief, it is true, correct, and complete, and I further declare that there are no assets, owned either directly or indirectly, or income of any nature other than as shown in this statement.

26a. Date of this statement	b. Signature	c. Title



## Questions and Answers

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**Q. What does the Franchise Tax Board 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 prior payments and the offered amount compared to the total liability when evaluating your offer.

**Q. My Internal Revenue Service OIC has been accepted. Will the FTB automatically approve my offer?**

A. No, we will evaluate your Franchise Tax Board offer separately from your Internal Revenue Service offer.

**Q. If the Franchise Tax Board 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 corporation 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 Offer in Compromise.

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

A. Representation is not required. The Offer in Compromise 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 taxes may be dischargeable under the bankruptcy code. If this is a consideration, you may want to seek legal advice.

**Q. Can I apply for an Offer in Compromise if I have no funds to offer?**

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

