

Department
of the
Treasury

Internal
Revenue
Service

Office of
Chief Counsel

N o t i c e

N(35)800-1

August 26, 1998

Providing Taxpayers with
Payoff Amounts in Certain

Subject: Tax Court Settlements

Cancellation Date: February 22, 1999

Effective as of the date of this notice, attorneys will provide taxpayers with a computation of the total tax liability (including tax, penalties and estimated interest), which will be due in accordance with the terms of the settlement in certain Tax Court settlements.

These procedures shall apply to Tax Court cases involving individual taxpayers whose cases will not require restricted interest computations or interest netting. Cases requiring restricted interest computation include those involving carrybacks, offsetting of overpayments and underpayments between two or more years, section 6621(c) increased interest and the time sensitive components of the fraud and negligence penalties (tax years 1982 through 1988).

Providing taxpayers with their payoff amounts, including estimated interest, in accordance with the terms of a settlement should enable taxpayers to better evaluate and appreciate the consequences of the settlement and encourage earlier payment of the amount due. District Counsel offices should ensure that employees are aware of procedures to process any payment tendered by taxpayers. Ordinarily, no payment should be refused.

Settlements are often reached in a face to face meeting, either at District Counsel offices, trial sessions or elsewhere, or through correspondence. Accordingly, District Counsel offices should establish procedures to ensure that someone trained in making these computations is available, in person or on the phone, so that the computations may be made and the information provided to the taxpayer at the time the decision document is presented to the taxpayer or representative for signature.

Where the settlement negotiations have been conducted by correspondence, the computation of tax liability should be included in the letter transmitting the decision document to the taxpayer or representative for signature. Attached as Exhibit A is a form letter that may be used for transmitting the decision document and the computation of the amount, including interest, that is due from the taxpayer. Exhibit A will be added to the field macros shortly. If Exhibit A is not used, field attorneys should be certain to include language informing the taxpayer that the interest computation is only an estimate and that a final bill will be forwarded from the Service Center, similar to that appearing in the first paragraph of the second page of Exhibit A. Furthermore, in

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cases requiring restricted interest computations, the taxpayer should be informed that once the stipulation and/or decision document is filed and entered by the Tax Court, the computation of interest due will be calculated and billed.

The National Director of Appeals has given assurance that Appeals staff have the capability and are ready to assist Counsel in preparing these computations. Appeals already routinely provides estimated payoff amounts to taxpayers in the situations described above when it settles cases.

These procedures will be included in the next series of revisions to the CCDM.

Questions regarding this notice may be referred to George Bowden, Technical Assistant to the Assistant Chief Counsel (Field Service), at 202-622-7820 or Rich Goldman, Special Counsel (Tax Practice & Procedure), Procedural Branch, Field Service Division at 202-622-7950.

/s/ Marlene Gross

for STUART L. BROWN
Chief Counsel

Attachment

Exhibit A

Name and Address of Petitioner(s)

In re: Doe v. Commissioner
Docket Number

Dear Mr./Mrs./Ms. _____ :

This letter concerns the settlement you reached with the Internal Revenue Service for tax years _____ in your case in the United States Tax Court. In order to finalize our settlement, we must file with the Tax Court a decision document that shows the amount of tax [and additions to tax/penalties] that you owe based on that settlement agreement.

Enclosed are (1) a decision document (original and two copies) that shows the amount that you owe; (2) a Statement of Account that shows the calculation of the amount owed and all the payments and other credits to your account at the Internal Revenue Service for the tax year(s) at issue in your case; (3) a calculation of the estimated interest that you owe based on your settlement if you pay the entire amount of tax [additions to tax/penalties] and interest by __/__/____ or __/__/____, if you wait to pay until one of those dates [Dates approximately 30 and 60 days from the date of the letter]; and (4) Publication 594, which explains the collection process.

Please carefully review the Statement of Account, the interest computations and the decision document to make sure that you agree with them. It is important that they be correct because the United States Tax Court will usually not change its "decision," even if there is a mistake, unless the Court is notified of the mistake within 30 days after the "decision" is accepted by the Court. The Internal Revenue Service does not want you to pay more taxes and interest than the settlement of your case requires. Therefore, if you think there might be any mistakes in our calculations of the amount you owe or in the "decision," please contact attorney/paralegal as soon as possible.

If you agree with the calculations and the decision document, please sign the original and one copy of the decision document and return them to this office in the enclosed envelope for filing with the Tax Court. The remaining copy as well as the Statement of Account and the calculation of interest are for your records. [Please note that because the title of the Tax Court case is under both of your names, both of you must sign the "decision."] [The United States Tax Court has ordered the parties to file the "decision" by date decision due with Court, so you should return the "decision" to us before that date so that we can file it with the court on time.]

Once the decision document is filed and entered by the Tax Court, the Internal Revenue Service will send you a bill for the amount you owe. [Because a joint return was filed, both spouses are jointly and severally liable for the tax, any additions to tax and penalties and the interest.] In case you want to pay the tax, [additions to tax/penalties] and interest before you receive the bill, you may do so. As previously noted, the calculations on interest are estimates and only apply until [dates noted above]. A final computation will be made at the Service Center. The interest you owe will increase if full payment is not made by those dates. Also, interest will continue to run on the unpaid portions if you pay less than the total amount due.

If you decide to immediately pay some or all of the amount you owe, please mail a check to the [name and address of local Service Center]. The check should be made payable to the United States Treasury. In order to process the check and apply the payments appropriately, please include all of the following information with your check:

1. Your name(s) and address(es).
2. Your Social Security number(s).
3. The tax year(s) for which you are paying.
4. The type of tax due (for example, income tax, estate tax, excise tax).
5. The total amount of your payment. If you owe tax for more than one year, the Internal Revenue Service will also need to know how much you are paying for each year. You should also state how much of each year's payment you are paying towards tax, [how much for the additions to tax,] and how much you are paying towards interest.
6. A copy of the "decision" which you have signed.

Please contact Attorney/Paralegal _____ at (xxx) xxx-xxxx, if you have any questions about the information in this letter.

Sincerely,

Attorney

Enclosures:

Statement of Account
Interest Computation
Decision Document (original and 2 copies)
Publication 594 Understanding the Collection Process