Bankruptcy or Offer in Compromise?
Where the Bankruptcy Code and IRS Policy Meet

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The choice between a filing a tax bankruptcy and an offer in compromise involves an understanding of bankruptcy law, tax law and Internal Revenue Service policy. Where do these provisions meet? Which forum will best serve your client? If your client qualifies for both, which one do you chose? Understanding how they overlap, and where they differ, allows implementation of the best tax resolution strategy to achieve abatement of an unpaid Federal tax liability.

The Need for a Tax Return

A fundamental difference between obtaining a fresh start from a tax bankruptcy and an offer in compromise is the need for an original tax return to be filed. A Chapter 7 bankruptcy filing will result in a tax discharge only if an original return has been filed.[i] A substitute return filed by the IRS pursuant to IRC 6020(b) will not qualify for a Chapter 7 bankruptcy discharge.

An offer in compromise will be considered and processed by the IRS if a substitute return has been filed.[ii] The IRS will review the substitute return to ensure that all income is reported on the substitute return, and will require an amended return if it appears additional income is to be included. In fact, filing an original return after a substitute for purposes of a compromise is a risky strategy, with a possible end result being a rejected compromise and a new ten year statute of limitations on collection prompted by the new assessment from the original return.

The IRS and Department of Justice has recently mounted challenges to the bankruptcy strategy of filing original returns after substitute. The IRS is arguing that the original returns in these situations are not "returns" for bankruptcy discharge purposes as they did not represent an honest attempt to comply with the tax law and served no purpose, primarily due to fact that they do no more than duplicate the substitutes. The Department of Justice has prevailed in a Sixth Circuit Court of Appeals case, and lost in an unreported Ninth Circuit decision.[iii]

The author has negotiated tax bankruptcy discharges in the aftermath of these recent challenges, with the experience that District Counsel/Special Procedures generally will not oppose the dischargeability of original returns following substitute returns when the original returns substantially reduce the tax, thus making the return a honest attempt to comply with the tax laws. For example, original returns containing substantial Schedule C expenses for which the taxpayer was not given credit by the IRS on the substitute returns may qualify for a discharge.

It is recommended that, prior to filing a bankruptcy petition seeking a tax discharge on original returns filed after substitutes, contact should be initiated with District Counsel to determine if opposition will be raised. If the original returns are deemed to be dischargeable, secure an Agreed Order preserving the settlement on the record with the bankruptcy court. If District Counsel will oppose the discharge, prepare to file a Motion to Determine Dischargeability with the bankruptcy court after filing the bankruptcy petition.

If the bankruptcy would be considered a no asset bankruptcy by the bankruptcy trustee, and an IRS challenge to an original return stands in the way of a discharge, consideration should be given to an offer in compromise. A taxpayer considering a no asset bankruptcy will most likely qualify for an advantageous settlement in an offer in compromise due to limited assets and disposable income to pay basic living expenses.

The substitute returns would be permissible in a compromise. The compromise would eliminate a challenge to the substitute returns and, if exempt assets exist that would survive a bankruptcy, eliminate post-bankruptcy collection from those assets. An immediate compromise also eliminates the timing elements necessary to have an original return qualify for a bankruptcy discharge, achieving a more expeditious and cost effective result.

Timing Elements

Obtaining a bankruptcy discharge is often a waiting game, involving stringent adherence to multiple timing rules.

A tax bankruptcy must be commenced more than three years after the tax returns were due to be filed (including extensions).[iv] If the returns were filed late, the bankruptcy must also be commenced more than two years from the date when the returns were filed.[v] For example, if a return was filed four years after if was due, the client would then have to wait an additional two years after it was actually filed before becoming eligible for a bankruptcy.

Additionally, a client must wait 240 days after a tax assessment to become eligible for a discharge.[vi] A bankruptcy filing will also be delayed by any offer in compromise submitted within 240 days after a tax assessment by the amount of time the compromise is pending plus 30 days.[vii] These periods operate independently of the two year/three year rule. Bankruptcies and offers should be avoided 240 days after assessment.

In contrast to the stringent bankruptcy timing rules, an offer in compromise may be submitted at anytime after assessment. No time constraints limit when an offer in compromise can be submitted, although adherence must be paid to issues of processability.[viii] The IRS will not accept a compromise for investigation if tax returns and estimated tax payments are not current. A business taxpayer seeking compromise of employment taxes must have filed and paid employment taxes for the preceding two quarters.

An additional benefit to the compromise is the ability to compromise a tax liability before it has been assessed. This gives an audit situation an additional advantage of seeking to compromise a examination change before agreeing to the change if the amount of the audit is ripe for a compromise. The amount of an accepted compromise can then be compared to the hazards of Tax Court litigation. Before a pre-assessment offer can be finalized, the tax is required to ultimately be assessed.[ix]

There are no limits to how many times an offer in compromise can be submitted to resolve a tax liability, although the IRS does have discretion to refuse to investigate an offer deemed to be submitted for purposes of delay, or if it lacks merit in failing to offer sufficient equity in assets and the present value of disposable income. A Chapter 7 bankruptcy can be filed only once every six years. Thus, if a bankruptcy filing is necessary only to obtain automatic stay relief from unreasonable IRS collection action, a Chapter 13 would be best utilized (and eventually dismissed if unable to make a repayment plan) to preserve the Chapter 7 option.

If bankruptcy is desired but the timing elements are not met, negotiations often must be commenced with the IRS to establishing the client as currently not collectible or arrange an installment payment plane. This could, standing alone, accomplish the timing goal, although the client would have to ensure that income and assets do not increase in the interim. An increase in income could cause the uncollectible status to be reviewed by the IRS, and a haphazard increase in assets would only add to the value of a future bankruptcy estate.

If an installment plan is necessary to buy time, the total cost of the installment payments should be multiplied by the time necessary to achieve eligibility for a bankruptcy discharge, the balanced against the value of those payments in a compromise. The IRS will assign a present value to four years of future income on a compromise paid within ninety days of acceptance, and five years of future income on a compromise paid over more than ninety days but within two years. The risk of collection action while waiting for a bankruptcy must be parlayed against what would be paid if a compromise was filed without waiting.

Limitations on Type of Tax Involved

Only income taxes are dischargeable in a Chapter 7 bankruptcy. Social security taxes and income taxes (trust fund taxes) withheld from an employees wages, are not dischargeable.[x] Any fraudulent return or a willful attempt to evade or defeat a tax is also nondischargeable.[xi] Practitioners should query controlling cases in their region as a lower standard of fraud is often found in bankruptcy courts in comparison to Tax Court. Excise taxes, including workers compensation and sales taxes, are not dischargeable.

The employer's contributions to the social security taxes are dischargeable as these taxes are not taken from an employees wages and held in trust for the employee. Federal unemployment taxes (Form 940) would also be dischargeable as they are not trust fund taxes withheld from an employees wages. Thus, an individual employer can get some employment tax bankruptcy relief from the non-trust fund portion of the employment taxes.

The IRS has been granted greater latitude in compromising tax debts than that of a bankruptcy court. Pursuant to Internal Revenue Code Section 7122(a), an offer in compromise can be utilized to settle any civil or criminal case before referral to the Department of Justice, and by the

Attorney General after referral. This includes nondischargeable trust fund taxes, employment taxes, excise taxes, and fraud cases, all or which are nondischargeable in a Chapter 7 bankruptcy. A criminal liability will not be compromised unless it involves only regulatory provisions of the Internal Revenue Code, and the alleged violations were not deliberate, with the intent to defraud and did not involve trafficking in illegal narcotics, marijuana or smoking opium.[xii]

In the event that some tax is dischargeable (income taxes) and some is not (trust fund taxes), a Chapter 7 may be filed to discharge the income taxes. Immediately thereafter, a Chapter 13 could be filed to enter into a repayment plan on the nondischargeable taxes over a three to five year period. This would be preferred over an IRS installment agreement as the Chapter 13 will generally stop the accrual of interest while in the plan.

Statute of Limitations

The filing of a bankruptcy or compromise will give the IRS more time to collect the tax in the event either is unsuccessful.

Upon the filing of a bankruptcy petition, the statute of limitations for collection is extended by the period the bankruptcy is pending (until dismissal or discharge) and for six months thereafter.[xiii] Any offer in compromise pending on, or made after December 31, 1999, automatically suspends the statute of limitations on collection during the period the IRS is investigating the offer, for 30 days after any rejection of the offer, and for any period during which a timely filed appeal is being considered by the IRS.[xiv] Previously, an offer in compromise extended the statute of limitations on collection by the time the offer was pending plus one year.

With the new Collection Due Process Appeals, avenues may exist to have the Tax Court review an offer in compromise issue properly included in a due process appeal filed in anticipation of submitting an offer. This would further extend the statute by the time of the Tax Court review. If the statute of limitations on collection is set to expire, the preference may be to allow the statute to expire without the filing of a bankruptcy or a compromise.

<u>Lookback Periods</u>

A bankruptcy and offer in compromise are both subject to a bankruptcy trustee or offer in compromise specialist scrutinizing transactions and conveyances entered into prior to the filing of the bankruptcy petition and the compromise.

A client filing a bankruptcy is subject to objections of the bankruptcy trustee or IRS District Counsel to transfers made in anticipation of the bankruptcy. These transfers include any payment to a creditor aggregating more than $600.00 within 90 days before the bankruptcy,[xv] payments to insiders and family members within one year before the bankruptcy,[xvi] fraudulent transfers within one year before the bankruptcy[xvii] and any act hindering, delaying or defrauding creditors for a one year period before the bankruptcy.[xviii] State fraudulent transfer laws allowing the bankruptcy trustee to lookback longer than the one year bankruptcy fraud rule may also be implemented.

In the financial statements that accompany an offer in compromise, the IRS requests information on any recent transfers for less than full value. This is a “yes” or “no” question, and no guidance is provided as to the length of time of the lookback period. Generally, it is IRS policy to request between three and twelve months of documents verifying a client’s financial condition, including bank statements. No other lookback’s are required to be disclosed, although the investigation will certainly entail an analysis to ensure that no fraudulent conveyances or preferential transfers have been made to defeat the compromise.

Proper pre-bankruptcy and pre-compromise planning should be implemented to determine if any improper transfers have been made. Other strategies may entail paying nondischargeable debts with nonexempt property, paying attorney fees with nonexempt property, and waiting for the requisite lookback period to elapse prior to filing.

Hold on Collection Action

When confronted by an unreasonable IRS collection officer unwilling to release a property seizure, consideration should be given to the ability of a compromise or bankruptcy to stop IRS collection activity.

While a Offer in Compromise is pending, the IRS is prohibited from engaging in any action to collect the tax.[xix] The prohibition encompasses the period during which the IRS is evaluating and investigating the offer and for thirty days immediately following any rejection of the offer, and for any period when Appeals is considering a rejection.

A compromise takes a minimum of six to nine months for investigation and acceptance. If rejected and appealed, the period of appeals consideration would push the time frame the IRS is barred from collecting to well in excess of one year. The IRS may continue to collect during investigation of the offer if it is determined to be submitted for purposes of delay, if it does not contain adequate information permitting investigation, is nonprocessable or collection of the tax is in jeopardy.

An offer in compromise will not operate to stop an installment plan already in place. In such a scenario, the client will be requested to continue installment payments during the course of the investigation.[xx]

A pre-existing garnishment will not be automatically be released or terminated because of the submission of a compromise, although appropriate measures should be independently taken to ensure that the amount of the garnishment is minimized to account for ordinary and necessary living expenses. A compromise can be a useful tool to convince a collections officer to retreat from a seizure if the compromise offers at least what would be collected from a seizure.

Upon the filing of a bankruptcy, the automatic stay provisions of 11 U.S.C. 362(a) prevent the IRS from collecting the tax against a client. The automatic stay provisions operate regardless of whether the underlying tax is dischargeable. The stay provisions operate to prevent IRS collection activity from the date of filing until the earliest of when the bankruptcy is closed, dismissed, or a discharge granted or denied.

The IRS may commence to collect against any property of the estate which is abandoned by the trustee prior to case closure. In the alternative, the IRS may seek a relief from the automatic stay provisions allowing it to commence collection action.[xxi] Generally, a relief from stay will be granted if a creditor can prove that it lacks adequate protection to assure that its interest in property of the bankruptcy estate will not decline in value during the bankruptcy.

A no-asset bankruptcy generally will be pending for three to five months before a discharge is issued permitting collection action to resume on any nondischargeable liabilities or exempt assets. If a Chapter 13 is chosen, the IRS will be unable to take collection while the plan is being completed, usually between three to five years.

Exempt Asset Planning.

In both the bankruptcy and offer in compromise settings, certain assets may be retained by a client and are exempt from bankruptcy or compromise consideration and the collection process. Proper utilization of the amount of property that can be retained in a bankruptcy and compromise can have a substantial affect on the final cost, and ultimate success, of either option.

In an offer in compromise, the IRS generally will not consider the following items in determining the value of the offer:

- Amounts in bank accounts necessary for one month's living expenses, generally determined by use of IRS collection standards;[xxii]

- Tools of the trade or profession of a value not exceeding $3,125.00;[xxiii]

- Household furniture and personal effects of a value not exceeding $6,250.00.[xxiv] This is generally interpreted by the IRS to exclude automobiles;[xxv]

- Value of real estate and vehicles is generally discounted by 80% from fair market value;[xxvi] and

- A pension and profit sharing plan will be considered as having no equity in a compromise if the client is required by the terms of his employment to contribute a percentage of his or her earnings to the retirement plan and the contribution cannot be withdrawn until separation, retirement or death. When the client voluntarily elects to participate in a retirement plan, the equity for a compromise will be the gross amount in the plan reduced by the employer's contributions. The value of property in a retirement plan is cash value less the tax implications of distribution.[xxvii]

The Bankruptcy Code exemptions of property that may be kept by a client are different than the exemptions provided by the Internal Revenue Code and Internal Revenue Manual. The majority of states have opted out of the federal exemptions, and employ use of only the state and federal nonbankruptcy exemptions. The following amounts are allowed under one state's exemption laws: [xxviii]

- Homestead exemption in personal residence of $5,000.00;

- Tools of trade or profession in the amount of $750.00;

- Automobile in the amount of $1,000.00;
- Clothing, bedding, refrigerator and household furnishings of $200.00 per item, with a $2,000.00 maximum for household furnishings;
- Cash, tax refunds, money in bank accounts totaling $400.00;
- Jewelry in the amount of $400.00 for the first item, $200.00 for each remaining item with a $2,000.00 maximum; and
- Interest in life insurance or annuities and rights to certain qualified individual retirement accounts, Keogh plans, pension plans or annuities.

The exemptions provided in bankruptcy and in a compromise are both allocated on an individual basis. The amounts would double if a spouse were involved in the proceeding.

In comparing the allowances in this scenario, the Internal Revenue Code allowance for personal belongings and tools of the trade are significantly greater than the bankruptcy exemptions. Additionally, cash in bank accounts would be exempt in an offer up to one month's living expense, while a similar amount in a bankruptcy would likely be turned over to the bankruptcy trustee for payment to creditors as a dividend from the bankruptcy estate. The Internal Revenue Code exemption for tools of a trade or business can be significantly greater than that allowed by a bankruptcy trustee.

A compromise allows a reduction for 80% of an automobiles value, while the illustrated bankruptcy exemption allows $1,000.00. Which would be greater for your client based on the value of a car?

Also, it is important to consider that compromise exemptions do not survive the offer, while a bankruptcy exemption can survive the bankruptcy and be subject to collection by IRS after the bankruptcy is completed if any pre-petition tax liens were filed. For example, a pension exempt from an offer may survive a bankruptcy and be subject to pre-petition tax liens.

Release of Federal Tax Liens

Upon the receipt of the final payment of the amount accepted in a compromise, the IRS will administratively release all Federal tax liens filed. The tax liability will be removed from the client's IRS accounts and a zero balance due will be shown. Property exempt from the compromise will not be subject to IRS collection action after the offer is completed.

At the conclusion of a bankruptcy, unsecured, dischargeable taxes will be abated by IRS Special Procedures. If no tax liens are filed and there is exempt property surviving the bankruptcy (i.e., pensions), the exempt property will not be considered post-bankruptcy property subject to IRS collection action. The failure of the IRS to file Federal tax liens in this situation precludes post-bankruptcy collection action. Thus, when considering a bankruptcy tax filing, care should be used to verify the filing of any and all Federal tax liens and the amount of exempt property owned by the client.

Failure to file a tax lien prior to bankruptcy is most likely to occur in small dollar cases or when the IRS has concluded an audit and makes an examination assessment near the end of the statute of limitations on assessment. If the tax return was timely filed, the three year bankruptcy test will pass shortly after the assessment, and the IRS will only have 240 days from the assessment to file Federal tax liens. As such the likelihood of liens filed on pre-petition property decreases, increasing the likelihood of exempt property surviving the bankruptcy.

Taxes which were not discharged in the bankruptcy, and discharged taxes secured by a properly filed Federal tax lien, can be collected against exempt property.[xxix] Even if the tax is completely dischargeable, properly filed pre-petition tax liens will survive the bankruptcy and encumber exempt assets.

If exempt assets exist and are subject to post-bankruptcy collection, Special Procedures Function will review the exempt assets and make a determination if post-bankruptcy collection is appropriate, or refer the matter to District Counsel.[xxx] The equity in exempt assets should equal or exceed the criteria for filing a proof of claim for collection to be justified. Any exempt equity below this amount but which is deemed to be easily reached is pursued on a case by case basis.

In a no asset bankruptcy case, the IRS generally will not collect against any exempt assets. A no asset case includes the following:

a) A case in which a notice of no dividend is issued by the bankruptcy court; or

b) A case in which the assets are valued at an amount less than the exemptions and the cost of administration.

Each IRS district establishes value criteria for determining whether sufficient value exists to proceed against exempt assets. The exempt assets surviving a bankruptcy which are most often at issue are real estate and pension and retirement assets.

The IRS may keep its tax lien in place on exempt property that survives the bankruptcy. The IRS may not proceed against the debtor personally (i.e., garnishments), but exempt property may remain subject to a pre-petition tax lien.

Bankruptcy Terminating a Compromise

When filing a bankruptcy after completion of a compromise, the bankruptcy may void the compromise and any related collateral agreements. As the compromise is binding contract between the client and the Government, it is subject to rejection in an ensuing bankruptcy by the bankruptcy trustee.[xxxi] As the compromise contains contingency provisions lasting as long as five years, any later filed bankruptcy must ensure that a bankruptcy trustee assumes the contract.

If the terms of a compromise cannot be met, bankruptcy may utilized to terminate the compromise and receive a discharge of the compromised liabilities. Proper planning should be utilized in advance to determine if the client would be best served by compromising the compromise administratively, as permitted by the Internal Revenue Manual,[xxxii] rather than filing bankruptcy.

Bankruptcy as Leverage in a Compromise

A key component to the value of an offer in compromise is the analysis of a client's disposable income. In a compromise, the IRS will accept settlement of the tax liability in return for payment of the present value of disposable income. In a cash offer, in which the compromise funds will be paid within ninety days of acceptance, the IRS will settle for the present value of forty eight months of disposable income. In a deferred payment compromise (payment between ninety days and two years), the IRS will seek the present value of sixty months of disposable income.

What if a client has disposable income that, if analyzed in a compromise, would result in cost prohibitive administrative settlement? What if the tax liabilities were all dischargeable in the event a bankruptcy is filed? Of course, the client is ambivalent about filing bankruptcy, and prefers administrative settlement.

The IRS is permitted to consider the collection result of a potential bankruptcy discharge in evaluating the amount of a compromise. The Internal Revenue Manual provides that when a taxpayer threatens bankruptcy in an offer in compromise, the amount of the offer may be negotiated as a calculated business decision.[xxxiii]

Amounts subject to negotiation based on a threatened bankruptcy include monies collectible from future income. This is because the IRS would be barred from collecting from disposable income after a Chapter 7 bankruptcy against discharged liabilities.

Properly implemented, this provision can eliminate disposable income from an offer in compromise analysis. The result can be a compromise equal to only the value of exempt compromise assets, mirroring the result of a bankruptcy filing without the bankruptcy. The IRS can request an amount slightly in excess of amount collectible if bankruptcy was filed as recognition of the benefit the client is receiving by getting a bankruptcy result without a bankruptcy.

Using bankruptcy as leverage in a compromise can also be effective when exempt assets may survive the bankruptcy and be subject to future IRS collection action. Rather than file bankruptcy and then negotiate the value of the exempt assets with Special Procedures, resolution is possible by an immediate compromise. This can also be utilized to take advantage of compromise exemptions which may be greater than bankruptcy exemptions.

Administrative resolution is usually preferred to bankruptcy, and this technique combines the best of both worlds without negative bankruptcy implications.

Compromising During Bankruptcy

The Internal Revenue Manual instructs that the IRS will not consider an Offer in Compromise submitted by a client in bankruptcy. The IRS considers the investigation of a compromise during bankruptcy to be a potential hazard for charges of violating the automatic bankruptcy stay. Any offer submitted while in bankruptcy will be considered nonprocessable.[xxxiv]

If bankruptcy is filed during the pendency of an offer, the offer will be defaulted and offer payments will not be solicited by the IRS while the client is in bankruptcy.[xxxv] The author's experience in this situation is that the IRS will request that the offer be withdrawn during the pendency of the bankruptcy, and then refiled to complete the investigation when the bankruptcy is complete. A bankrupt taxpayer, submitting the same offer as a taxpayer who is not in bankruptcy, would have an offer returned as not processable.

Recently, the Internal Revenue Manual provision prohibiting the IRS from investigating an offer in compromise of a taxpayer who is in bankruptcy was held to be discriminatory in violation of 11 U.S.C. 525 by treating bankrupt and non-bankrupt taxpayers differently. As a result, taxpayers may no longer have to wait until a bankruptcy is discharged before submitting an offer in compromise.[xxxvi]

The IRS policy on offers during bankruptcy adversely affects Chapter 13 and Chapter 11 taxpayers, who are forced out of consideration of an offer by the IRS policy. In these situations, the completion of the bankruptcy plan would eliminate the taxes as they would have been paid through the plan. Compromisinga Chapter 13 tax claim may also benefit the taxpayer in reducing the amount and time of payments required to complete the plan.

The IRS will consider an offer during bankruptcy if relief from the automatic stay is obtained. At first blush, this would cause concern as the client loses the protection from collection action that the stay provides. However, the IRS is similarly prevented from taking collection action during the investigation of a compromise. Problems could occur if the compromise is rejected before the bankruptcy is completed, thus allowing the IRS to commence collection action even though the client has not completed the bankruptcy, most likely to occur in a Chapter 13.

Generally, submitting an offer during a Chapter 7 proceeding will not be practical as the

Chapter 7 will normally be resolved within a five month time frame, permitting a compromise to be submitted on any nondischarged liabilities after the bankruptcy is concluded.

In the event a client has substantial tax and non-tax debts, of which the tax debts are nondischargeable, a compromise should be completed prior to filing a bankruptcy on the non-tax debts. The optimal time to submit an offer is when a client's financial condition is at its worst, and all non-tax debts should be reflected in the compromise, not discharged prior to compromising. Debts which could be discharged in a bankruptcy but considered in a pre-bankruptcy compromise include medical expenses and secured consumer debts.

Summary

The decision to resolve an unpaid Federal tax liability often involves a choice between securing a bankruptcy tax discharge or obtaining an abatement by an offer in compromise. Administrative resolution by a compromise is usually preferred to bankruptcy filing. The proper understanding and implementation of each strategy can save a client a significant amount of settlement money.

Endnotes

i. 11 U.S.C. 523(a)(1)(B).

ii. Internal Revenue Manual 5.8, Chapter 1.2.2..

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iii. Hindenlang v. U.S, 164 F.3d 1029 (6th Cir., 1999).

iv. 11 U.S.C. 507(a)(8)(A)(1).

v. 11 U.S.C. 523(a)(1)(B).

vi. 11 U.S.C. 507(a)(8)(A)(ii).

vii. 11 U.S.C. 507(a)(8)(A)(ii).

viii. Internal Revenue Manual 5.8, Chapter 3.3.

ix. Internal Revenue Manual 5.8, Chapter 1.2.1.

x. 11 U.S.C. 507(a)(8)(C).

xi. 11 U.S.C. 523(a)(1)(C).

xii. Tres. Reg. 301.7122-1(b).

xiii. IRC 6503(b).

xiv. Tres. Reg. 301.7122-1T(f)(2).

xv. 11 U.S.C. 547(b)(4)(A).

xvi. 11 U.S.C. 547(b)(4)(B).

xvii. 11 U.S.C. 548

xviii. 11 U.S.C. 727(a)(2).

xix. Tres. Reg.301.7122-1T

xx. Internal Revenue Manual 5.8, Chapter 3.5.

xxi. 11 U.S.C. 362(d).

xxii. Internal Revenue Manual 5.8, Chapter 5.3.2.

xxiii. Internal Revenue Code Section 6334(a)(3).

xxiv. IRC 6334(a)(2).

xxv. Internal Revenue Manual 5.8, Chapter 5.3.6.

xxvi. Internal Revenue Manual 5.8, Chapter 5.3.9.

xxvii. Internal Revenue Manual 5.8, Chapter 5.3.5.

xxviii. Ohio Revised Code 2329.66

xxix. 11 U.S.C. 522(c)(2)(B).

xxx. Internal Revenue Manual 57(13)2.62.

xxxi. 11 U.S.C. 365(a).

xxxii. Internal Revenue Manual 5.8, Chapter 9.3.

xxxiii. Internal Revenue Manual 5.8, Chapter 10.2.

xxxiv. Internal Revenue Manual 5.8, Chapter 10.2.1.

xxxv. Internal Revenue Manual 5.8, Chapter 10.2.3.

xxxvi. Chapman v. United States, US Bankruptcy Court, Southern District, West Virginia (97-30555).