CLICK HERE to return to the home page

Internal Revenue Manual Sections 5.10.4.3.1.2 through 5.10.4.3.1.5

Internal Revenue Manual Section 5.10.4.3.1.2

Minimum Bid - Fair Market Value

1. If facts not known at the time of the seizure justify a change to the property value, it is not necessary to adjust the amounts on Form 2433 for accounting control purposes; however, the reason an adjusted figure is used as a basis for computing the minimum bid price should be fully explained in the history.

2. The revenue officer and PALS should have agreed to the property value prior to seizure. If new facts emerge and a change to the value is appropriate, the PALS group manager must obtain revenue officer group manager concurrence in the new value. Both managers should document their agreement in the ICS case history. If the managers cannot agree, the Field Compliance Manager (FCM)/Territory Manager (TM) who approved the seizure must determine whether to proceed with sale or release the seizure. If the decision is elevated to the managers or TM, they must document the results of any discussions in the ICS history.

Internal Revenue Manual Section 5.10.4.3.1.3

Minimum Bid - Forced Sale Value

1. A property value reduction, not to exceed 25%, should then be applied to determine the forced sale value. This reduction reflects the fact that the sale is "forced" (i.e., is not being made by a willing seller). The difficulties associated with a forced government sale, such as no guarantee of clear title, property sold "as is, where is" , and no warranty on the property, should be considered when determining this percentage. The reason(s) for the percentage reduction is reflected in Item 6 of Form 4585.

2. The percentage reductions selected should be based on the facts of the case. The reasons for the percentage reductions must be documented on Form 4585 and in ICS.

Internal Revenue Manual Section 5.10.4.3.1.4

Minimum Bid - Reduced Sale Value

1. The forced sale value may then be reduced by a maximum of 20% in order to determine the reduced forced sale value. The PALS should check the appropriate reason(s) for the percentage reduction in Item 8 on Form 4585. Reasons listed on Form 4585 include:

- Past experience at sales for the type of property seized
- The possibility that senior lienholders may foreclose on the seized property
- How the property is titled and if there are other owners of record
- Whether the purchaser will have to re-negotiate prior encumbrances
- The effect the redemption period has on finding willing buyers
- Whether conditional financing is available
- Whether the property is subject to conditional sale procedures

Note:

If there are any other factors that might depress the value of the property at the sale, they should be documented in Item 8 on Form 4585.

2. The percentage reductions selected should be based on the facts of the case. The reasons for the percentage reductions must be documented on Form 4585 and in ICS.

Note:

Reduced Forced Sale Value (RFSV) is a combination of Forced Sale Value (FSV) and Reduced Sale Value (RSV). RFSV is generally 60% of the Fair Market Value (FMV). See IRM 5.10.1.5.3.1, Equity Determination — Documentation.

Internal Revenue Manual Section 5.10.4.3.1.5

Minimum Bid - Encumbrances

1. All encumbrances from Form 2434-B that are **senior** to the first NFTL should then be listed in Item 10 of Form 4585. Subtract the total of all prior claims from the reduced forced sale value to compute the minimum bid price.