

Offer in Compromises: The Different Types of Offers and How to Use Them

This presentation is a primer on the different types of Offers and how to use them as well as focusing on some finer points of the mechanics of Offers including recent changes to the IRS expense standards as of March 27, 2017. We will explore challenging liability post assessment the context of Collection Due Process hearings and “Doubt as to Liability” Offers. We will also discuss “Doubt as to Collectability,” “Special Circumstances,” and “Effective Tax Administration” Offers and how they are organized, the Internal Revenue Manual provisions that can be used to get maximum benefit out of an Offer, and some quirks with the IRS pre-qualifier tool. If there is time, we will talk about appealing Offer denials and alternative collection options should an Offer fail.

I. Authorization

- a. Compromises are authorized by IRC § 7122. See also Treas. Reg. 301.7122-1 and Internal Revenue Manual (IRM) § 5.8.
- b. An Offer in Compromise is deemed accepted if it is not rejected within 24 months of submission. IRC § 7122(f)

II. Types

- a. Doubt as to Collectability
- b. Doubt as to Collectability with Special Circumstances
- c. Effective Tax Administration Offers (ETA)
- d. Doubt as to Liability Offer

III. When to file an offer

- a. Typically after the tax is assessed. Generally the IRS must assess tax on the applicable tax year(s) before it will consider an OIC covering that period. Usually, a taxpayer who petitions Tax Court based on a statutory notice of deficiency to challenge the alleged liability must either reach a settlement with the IRS or go to trial to determine the amount of liability owed. The Tax Court would then issue a decision approving the settlement or, if the case has gone to trial, a decision as to the correct amount of tax and penalties owed. The IRS would subsequently assess tax, penalties (if applicable), and interest based on the decision of the Tax Court. Once the liability has been assessed, the taxpayer could submit an OIC for doubt as to collectability or effective tax administration to try to settle the debt for less than he or she owes.
- b. Do not file an offer unless taxpayer is in compliance with current tax obligations
 - i. Have all returns been filed?
 - ii. Is taxpayer current now with estimated payments?
 - iii. If taxpayer owns a business, or is a business, have all employment tax returns been filed and are the tax deposits current?

c. Exceptions

i. Current year taxes due

1. Mary will owe for 2016 taxes and files her return that has not yet been processed or she files an extension. She files an Offer to include the 2016 liability but the liability has not yet been assessed. IRS will typically hold the offers until the current year returns are processed.

ii. **Service Offer In Compromise**

1. A taxpayer with a pending Tax Court case can submit an OIC (Doubt as to Collectability, Special Circumstances, or ETA) to cover the alleged liability even though the tax is not yet assessed against the taxpayer. IRM 35.8.6.2.1.
2. The procedure:
 - a. Contact IRS Counsel's officer to get its consent to filing a Service OIC. IRM 35.8.6.2.1(2). Counsel's office then follows its procedure but it ends up with the centralized OIC unit where most offers go and it will be processed in the same matter.
 - b. Because OICs take over 6 months to review, typically 9-14 months, and the case may be docketed for calendar call, it may be necessary to file one or more motions to continue. The court will likely approve it. IRS Counsel's office can also request expedited review.
 - c. IRS Counsel "should" (pursuant to IRM) obtain a stipulation agreeing to the full amount of deficiencies and penalties, but the IRM authorizes petitioner to choose to have a signed stipulation held in escrow at Counsel's office or to file the stipulation with the Tax Court. If the stipulation is filed and the offer has not yet been approved, the petition would be bound by the amount agreed to in the stipulation if the OIC were not accepted. But if it is held in escrow and the OIC is not accepted, the petitioner could request that Counsel's office return or destroy the stipulation.
3. When to use them
 - a. They are not common.
 - b. Can be useful where the petitioner could prove that he or she does not owe the entire amount alleged by the IRS but because of complicated legal issues or substantiation

problems, proving so would be difficult and burdensome and the amount the petitioner would rightfully owe would still exceed what he or she could pay.

- c. Do not use them where you are reasonably confident that the liability can be reduced to a nominal amount by working with Appeals, Counsel's office or taking it to trial.
- d. Consider the timing involved in taxpayer's financial situation when considering this option.

IV. Challenging Liability in Collection Due Process Hearing

- a. Basics: I.R.C. § 6330(c)(2)(B) (emphasis added) is as follows: *“The person may also raise at the hearing challenges to the existence or amount of the underlying tax liability for any tax period if the person did not receive any statutory notice of deficiency for such tax liability or did not otherwise have an opportunity to dispute such tax liability.”*
 - i. Statute contemplates relief in 2 scenarios:
 - 1. If a taxpayer does not receive a notice of deficiency, the taxpayer can raise the underlying liability in a subsequent CDP hearing.
 - 2. If the taxpayer received a notice of deficiency but could not then contest the liability for other reasons (like a medical emergency), then taxpayer also has the right to raise the underlying liability in a subsequent CDP hearing.
 - ii. I also challenge liability in CDP hearings when:
 - 1. Challenge that the CSED date has passed before the issuance of the Notice of Intent to Levy.
 - 2. When a self-assessed return is wrong and taxpayer is in the process of amending the return.
- b. Developing issue: Ability of a taxpayer in a CDP case to raise underlying liability as an issue when the taxpayer has had the opportunity to discuss the issue with appeals prior to CDP hearing but the opportunity did not offer the taxpayer more than an administrative hearing without judicial review.
 - i. The relevant language of I.R.C. § 6330(c)(2)(B) (emphasis added) is as follows: *“The person may also raise at the hearing challenges to the existence or amount of the underlying tax liability for any tax period if the person did not receive any statutory notice of deficiency for such tax liability or did not otherwise have an opportunity to dispute such tax liability.”* For some reason, the Tax Court has been reading the word “or” as an “and”, but it has never explained why it has done so. The statute as written makes sense and contemplates relief in one of two scenarios: (1) If a taxpayer does not receive a notice of deficiency, the taxpayer can raise the underlying liability in a subsequent CDP hearing. (2) If the taxpayer received a notice of deficiency but could not then contest the liability (however that concept is understood) for other reasons (e.g., a medical emergency precludes the taxpayer from filing a petition with the Tax Court), then the taxpayer also has the right to raise the underlying

liability in a subsequent proceeding. From what I have seen, the error here can be traced to the preamble of the relevant regulations, but the regulations themselves do not require this result.

- ii. Interesting question. If you file Doubt as to Liability offer after an administrative hearing that did not come with the right of Judicial review, and the offer is denied and you appeal it administratively, if appeals denies the offer, can you then appeal it to Tax Court? I think the answer is yes, but typically the standard of review is “abuse of discretion.” Would this scenario allow a “de novo” standard? I am not sure.
- c. Why is this important?
 - i. Even though a case is in “collections” and the liability has been assessed, the liability may be wrong and there still may be opportunity to challenge it. If the liability issue is challenged and the Appeals Officer disagrees, you may have an opportunity to file the case in Tax Court and challenge the liability even after assessment.
 - ii. You may save your client more money by getting to the correct amount of liability than you would with other settlement alternatives.
 - iii. Of course, District Court and other pre-payment forums and refund suits may be available.

V. Doubt as to Liability Offers

- a. **“Doubt as to liability exists when there is a genuine dispute as to the existence or amount of the correct tax liability under the law. Doubt as to liability does not exist where the liability has been established by a final court decision or judgment concerning the existence or amount of the tax liability.”** IRM 4.18.2.2(1)
- b. Grounds for compromise may exist when there is legitimate doubt from both the viewpoint of the taxpayer and the IRS. Validity of the OIC-DATL is determined by evaluating the supporting evidence and circumstances. The taxpayer is required to submit documentation and/or other evidence to support his/her OIC-DATL. The evidence available for both parties must be weighed in order to determine the extent of any "doubt" . IRM 4.18.2.2(1)
- c. An OIC-DATL may not be rejected solely because the Service is unable to locate the taxpayer's return or return information. The taxpayer **cannot** be required to submit a financial statement for a doubt as to liability offer. Also, there is no application fee for a doubt as to liability offer.
- d. Process of DATL offers
 - i. Submit form 656-L. You should also include an extensive cover letter that will serve the basis for the offer and cite relevant statutes, regulations, IRM, and other guidance, including case law. Also attach all substantiation for your position.
 - ii. No application fee!

- iii. An examination should be conducted in a manner similar to an audit reconsideration examination.
- e. When to use them
 - i. These are not a second kick at the can to dispute a liability after tax court.
 - ii. Can be used after an unsuccessful CDP hearing where liability was disputed
 - iii. Can be used after a CDP hearing where liability was not disputed.
 - iv. Can be used when there was no prior CDP hearing.
 - v. Can be used after IRS disallows a requested change in an amended return.
 - vi. Examiner made a mistake in interpreting the law.
 - vii. Examiner failed to consider taxpayer's evidence.
 - viii. Taxpayer has new evidence.
- f. How to use them – depends on your goal
 - i. When “doubt” exists
 - 1. Here the goal is to get the offer approved.
 - 2. ‘An offer to compromise a tax liability should set forth the legal grounds for compromise and should provide enough information for the Service to determine where the offer fits within its acceptance policies. Doubt as to liability exists when there is a genuine dispute as to the existence or amount of the correct tax liability under the law. Doubt as to liability does not exist when the liability has been established by a final court decision or judgment concerning the existence of the liability.’ IRM 4.18.2.6(1)
 - 3. “While acceptance of an offer is a possibility, an accepted offer will be very rare. **This is because there will rarely be an instance when a liability cannot be determined.**” IRM 4.18.2.6(2).
Typically the only time an offer would be accepted is when there is no way to determine the liability, e.g. no books and records exist. In that event, the taxpayer will be requested to withdraw the OIC-DATL. Closure as acceptance will be the last resort. IRM 4.18.2.6(3).
 - 4. Who has authority to accept DATL offers?
 - a. SB/SE Director, Collection Policy; SB/SE National Program Manager (OIC); SB/SE Director Examination Policy; SB/SE Chiefs reporting directly to Director, Specialty Programs; SB/SE Examination and SB/SE Collection Territory Managers; SB/SE Technical Services Territory Managers; SB/SE Specialty Programs, Estate and Gift Tax, Excise Tax, and Employment Tax Territory Managers; SB/SE Compliance Services Offer Examiner Unit Managers (COIC); SB/SE Compliance Services

Operations Manager (DATL); LB&I International Individual Compliance (IIC) Territory Managers; Appeals Team Managers; and Appeals Team Case Leaders. IRM 1.2.44.2(19) and (20).

- ii. When the IRS took a plainly wrong position in audit or in disallowing an amended return and you need a second kick at the can. It is not a second kick at the can after a final court decision or judgment concerning the existence or amount of the tax liability
 - 1. Here the goal is to force the IRS to reexamine their position, which they MUST do as part of their reviewing procedure and if the IRS agrees, the DATL examiner will adjust the account and request that you withdraw the offer and have you sign off on the changes.
 - a. “When the examiner and taxpayer reach an agreement on the correct tax liability, a "compromise" is not required. In order to process the case as agreed it is necessary for the taxpayer to withdraw the offer.” IRM 4.18.2.7 (1)
 - 2. In these types of cases, offer a nominal amount – like \$10.
 - 3. Example – Taxpayer gets 1099-C for COD income. Taxpayer does not claim any exemption on original return. Taxpayer amends return to take the insolvency exemption. IRS disallowed the change to the amended return claiming that taxpayer did not timely claim an election. IRS is clearly wrong because insolvency exemption is an exemption and not an election and was not time barred. Taxpayer files DATL offer for sole purpose of getting IRS to reexamine their position. Taxpayer offers \$10. IRS agrees with taxpayer and makes the adjustment and requests taxpayer withdraw DATL offer. \$56K saved. Other tax liabilities and penalties resolved through penalty abatement and installment agreement.
 - 4. Don’t use this if there are other liabilities from other years and the whole amount is better settled with a doubt as to collectability or special circumstances offer.

g. Time frames

- i. Taxpayer contact should generally be made within 30 days from receipt of the OIC-DATL. Offers in process over six months are considered overaged. IRM 4.18.2.4(4).
- ii. IRC 7122(f), Deemed Acceptance of Offer Not Rejected Within Certain Period, provides, "Any offer-in-compromise submitted under this section shall be deemed to be accepted by the Secretary, if such offer is not rejected by the Secretary, before the date which is 24 months after the date of the submission of such offer. For purposes of the preceding sentence, any period during which any tax liability which is the subject of such

offer-in-compromise is in dispute in any judicial proceeding shall not be taken into account in determining the expiration of the 24-month period.”

VI. **Doubt as to Collectability Offers**

- a. Purpose and policy
 - i. The government, like other creditors, encounters situations where an account receivable cannot be collected in full or there is a legitimate dispute as to what is owed. It is an accepted business practice to resolve these issues through negotiation and compromise. IRM 5.8.1.1(1)
 - ii. The Service will accept an offer in compromise when it is unlikely that the tax liability can be collected in full and the amount offered reasonably reflects collection potential. An OIC is a legitimate alternative to declaring a case currently not collectible or a protracted installment agreement. Policy Statement P-5-100 in IRM 1.2.14.1.17
- b. Cost and forms
 - i. Form 433-A (OIC) and/or form 433-B (OIC) (for businesses) and form 656. Please note these were just revised as of March 2017 so update your forms.
 - ii. Application fee is still \$186 unless taxpayer can qualify for low income certification. The form has the guidelines.
- c. Reasonable collection potential (RCP)
 - i. The amount that could be reasonably collect from the taxpayer.
 - ii. Formula: $\text{Asset value} + ((\text{gross income} - \text{allowable expenses}) \times 12 \text{ or } 24 \text{ months}) = \text{offer amount}$.
- d. Offer amount
 - i. Based on taxpayer's Reasonable Collection Potential but there are 3 different avenues and methods that also factor into the offer amount.
 1. If a taxpayer qualifies for low-income certification, the tax payer does not need to submit the application fee or submit any payments in consideration of the offer.
 2. **Lump sum case method** (the method I generally recommend)
 - a. The amount is based on the net realizable equity value plus (net income after expenses multiplied by 12 months).
 - b. Taxpayer pays 20% of the offer amount with the submission of the offer and then if the offer is approved, taxpayer pays the remaining 80% in 5 months or less after acceptance.
 - c. This is my preferred method because the total offer amount will be lower in most cases than the Periodic Payment

method, discussed below and the IRS is less likely to lose payments.

- d. Example. Offer amount is \$5K based on \$1K in assets and \$4K in net monthly income for 12 months. Taxpayer sends in \$1K with the offer and \$4K after acceptance, either as a lump sum or \$800 every month for 5 months after acceptance.

3. Periodic Payment

- a. The amount is based on the net realizable equity value plus (net income after expenses multiplied by **24** months).
- b. Offer will be paid in full in 6-24 months. Monthly payments are made while the offer is pending. IRS can lose them. Although offer payments made via EFTPS is now a brand new option as of last month.
- c. The amount of the offer is generally higher than Lump Sum method.
- d. Example. Offer amount is \$9K based on \$1K in assets and \$8K in net monthly income for 24 months. Taxpayer makes 24 \$375 monthly payments.
- e. This method can be good if taxpayer doesn't have the money for a lump sum offer, but I usually advise a client to save up the money for the lump sum offer since the total offer amount will generally be less.

e. Assets Generally.

- i. Assets are valued at net realizable equity (NRE). Net realizable equity is defined as quick sale value (QSV) less amounts owed to secured lien holders with priority over the federal tax lien, if applicable, and applicable exemption amounts. IRM 5.8.5.4.1(1)
- ii. QSV is defined as an estimate of the price a seller could get for the asset in a situation where financial pressures motivate the owner to sell in a short period of time, usually 90 calendar days or less. Generally, QSV is an amount less than fair market value (FMV). For purposes of determining the taxpayer's reasonable collection potential (RCP), information provided by the taxpayer and third party sources available to the OE/OS should be reviewed to arrive at an appropriate FMV of the property. IRM 5.8.5.4.1(2)
- iii. Normally, QSV is calculated at 80% of FMV. A higher or lower percentage may be applied in determining QSV when appropriate, depending on the type of asset and current market conditions. If, based on the current market and area economic conditions, it is believed that the

property would quickly sell at full FMV, then it may be appropriate to consider QSV to be the same as FMV. This is occasionally found to be true in real estate markets where real estate is selling quickly at or above the listing price. As long as the value chosen represents a fair estimate of the price a seller could get for the asset in a situation where the asset must be sold quickly (usually 90 calendar days or less) then it would be appropriate to use a percentage other than 80%. Generally, it is the policy of the Service to apply QSV in valuing property for offer purposes. IRM 5.8.5.4.1(3)

- iv. Jointly Held Assets. When taxpayers submit separate offers but have jointly owned assets, allocate equity in the assets equally between the owners. But if the joint owners demonstrate their interest in the property is not equally divided, then the equity is allocated based on each owner's contribution to the value of the assets. If the joint owners have joint and individual liabilities, apply the equity first to the joint liability and then to the individual liability. Property held as tenancy by the entirety when the tax is owed by one spouse only, the taxpayer's portion is usually 50% of the property's net realizable equity. IRM 5.8.5.5.
- v. Watch out for Alter Ego and Nominees. IRM 5.8.5.6.

f. Specific Assets

- i. Cash and Bank accounts (100% value). IRS allows/excludes \$1000 payment of bills. \$1000 is excluded from the offer calculation.
 - 1. Example: taxpayer has \$1000 in checking account and \$500 in savings. \$1000 is excluded for offer calculation but \$500 is included.
 - 2. IRS OIC pre-qualifier tool includes total without factoring in \$1000 allowable exclusion.
- ii. Stocks, Bonds, Other (80% of FMV)
 - 1. Closely held considerations.
 - a. IRM 5.8.5.8 states: To determine the value of closely held stock that is either not traded publicly or for which there is no established market, consider the following methods of valuing the company and assign the applicable portion of the company's value to the taxpayer's stock or other interest:
 - i. Secure and verify a CIS.
 - ii. Review recent year's annual report to stockholders.
 - iii. Review recent year's corporate income tax returns.

- iv. Request an appraisal of the business as a going concern by a qualified and impartial appraiser.
- b. If the business doesn't really have assets and is mostly based on goodwill, I generally value the business at zero.
- c. For BUSINESS OICs from closely held entities (IRM 5.8.5.8(6):
 - i. Compensation to Corporate Officers – Wages and/or other compensation, (i.e., draws) paid to corporate officers in excess of applicable expenses allowable per National and Local standards should generally not be allowed as business expenses. The OS should use judgment in determining whether the officer compensation is deemed excessive. The officer's ownership interest in the business and any control over the compensation received should also be a consideration.
 - ii. Stock Holder Distributions and Repayment of Loans to Officers – These expenses are discretionary in nature. Distributions of this nature made after the incurrence of the tax delinquency should be evaluated under the dissipated asset provisions. Loans to officers should be considered an account receivable and valued according to their collectibility.
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- iii. Retirement accounts (401Ks, IRAs, others) (80% FMV). These are important for not only asset considerations but also expense considerations
 - 1. Generally, funds held in retirement accounts are considered an asset and should be valued.
 - 2. Contributions to voluntary retirement plans are not a necessary expense BUT watch out for and ask the client if they are required to contribute to their plan as a condition of employment contract, because it could then be a necessary expense.

3. Also look for situations where client borrowed from a retirement account. It MAY take the asset out of the equation AND client may get to claim to required loan repayment amount as a necessary expense!
4. Always include a retirement plan statement and maybe retirement plan rules in the Offer. Make sure you only put down as an asset 80% of the vested amount.
5. General Rule – If the client/taxpayer can't get to it, neither can the IRS.
6. Consider the following (IRM 5.8.5.10(4)):
 - a. IF the account is an Individual Retirement Account (IRA), 401(k), or Keogh Account AND the taxpayer is not retired or close to retirement THEN equity is the cash value less any tax consequences for liquidating the account and early withdrawal penalty, if applicable.
 - b. IF the account is an Individual Retirement Account (IRA), 401(k), or Keogh Account AND the taxpayer is returned or close to retirement THEN Equity is the cash value less any tax consequences for liquidating the account and early withdrawal penalty, if applicable. Also, the plan may be considered as income, if the income from the plan is required to provide for necessary living expenses.
 - c. IF the contribution to a retirement plan is required as a condition of employment AND the taxpayer is able to withdraw funds from the accounts, then equity is the amount the taxpayer can withdraw less any tax consequences and early withdrawal penalty, if applicable.
 - d. IF the contribution to a retirement plan is required as a condition of employment AND the taxpayer is unable to withdraw funds from the account but is permitted to borrow on the plan, then equity is the available loan value.
 - e. If any retirement plan that may not be borrowed on or liquidated until separation from employment AND the taxpayer is retired, eligible to retire or close to retirement THEN Equity is the cash value less any tax consequences for liquidating the account and early withdrawal penalty, if applicable, or consider the plan as income if the income from the plan is necessary to provide for necessary living expenses. BUT if the taxpayer is not close to retirement, then the plan most likely has no equity.

- f. If the plan may not be borrowed on or liquidated until separation from employment and the taxpayer has no ability to access the funds within the terms of the offer AND the taxpayer is not eligible to retire until after the period for which we are calculating future income, then the plan has no equity. This is also applicable if the taxpayer ALREADY borrowed from the plan and is on a repayment plan and CANNOT borrow against it with an outstanding loan.
 - g. If the plan includes a stock option AND the taxpayer is eligible to take the option, then the equity is the value of the stock at FMV minus any expense to exercise the option.
- iv. Life Insurance
 - 1. Whole life. Valued as an asset at cash value minus loan balance(s). Also not includable as a necessary expenses in expense section.
 - 2. Term Life. Not included as an assets. Is includable as an expense. Include policy in the OIC package.
- v. Real Estate (80%) fair market value
 - 1. The IRM states that FMV must be established and you can use a real estate tax assessment, or market comparable or recent appraisal. IRM 5.8.5.13
 - 2. In practice it is most beneficial to the taxpayer to use the real estate tax assessment. Include a copy in the OIC package.
- vi. Vehicles (including airplanes and boats). 80% FMV
 - 1. Unusual vehicles or antique cars may require an appraisal.
 - 2. For most cars, trucks, SUVs, use Kelley Blue Book to estimate.
 - 3. \$3,450 is excluded per car in the valuation when the car/vehicle is used for work, the production of income or the welfare of the family. Typically speaking, if it is a single taxpayer, one car and one \$3450 allowance will be allowed and married, cohabitating, and families usually get the 2 car allowance of \$3,450. If I have a single taxpayer with 2 cars, I list the car with the most equity first.
 - 4. Leased cars have \$0 value.
 - 5. IRS OIC pre-qualifier tool does not take the car allowance into consideration for pre-screening.
 - 6. Payments will be discussed below in the income and expense portion.
- vii. Personal assets. (80% FMV)
 - 1. I usually put N/A since value of clothing, furniture and other personal effects are not to be included.

2. Would apply to valuable antiques, artwork, expensive jewelry (but I don't usually include wedding or engagement rings), or other collector's items.
- g. Income and calculation of "Future Income"
- i. Future income is defined as an estimate of the taxpayer's ability to pay based on an analysis of gross income, less necessary living expenses, for a specific number of months into the future. IRM 5.8.5.20(1), IRM 5.8.5.25(2)
 - ii. Consideration should be given to the taxpayer's overall general situation including such facts as age, health, marital status, number and age of dependents, level of education or occupational training, and work experience. Depending on taxpayer's situation, it may warrant placing a different value on future income than current or past income indicates.
 1. Irregular income, periods or long term unemployment
 2. Taxpayer is in poor health
 3. Close to retirement
 4. See IRM 5.8.5.20(4)
 - iii. What Income do you list on the form and how is it calculated.
 1. Wages
 - a. 5.15.1.11 is helpful for calculating bi-weekly and weekly salaries
 - i. Weekly – multiply by 4.3
 - ii. Bi-weekly – multiply by 2.17
 - b. Irregular or hourly – average 3 months.
 - c. Can also use w2, but IRS typically wants to see 3 months of paystubs.
 2. Social security
 3. Pensions
 4. Unemployment
 5. Interest, dividends
 6. Distributions
 7. Net business income.
 - a. Watch out for this category with self-employed persons.
 8. Child support
 9. Alimony

h. Monthly Household Expenses

- i. Actual vs. Allowable IRS Standards
- ii. Allowable and Necessary Expenses
 1. Allowable expenses consist of necessary and conditional expenses. IRM 5.8.5.22.

2. Allowable expenses include those expenses that meet the necessary expense test. *The necessary expense test is defined as expenses that are necessary to provide for a taxpayer's and his or her family's health and welfare and/or production of income.* There are three types of allowable expenses:
 - a. Allowable Living Expenses - based on National and Local Standards
 - b. Other Necessary Expenses - expenses that meet the necessary expense test, and are normally allowed
 - c. Other Conditional Expenses - expenses, which may not meet the necessary expense test, but may be allowable based on the circumstances of an individual case. IRM 5.15.1.7
3. IRS allowable collection standards are here: <https://www.irs.gov/businesses/small-businesses-self-employed/collection-financial-standards>
4. Some are local and some are national. You need to look them up in each category.
5. Taxpayers are allowed the National Standard Expense amount for their family size, without questioning the amount actually spent. If the total amount claimed is more than the total allowed by the National Standards, the taxpayer must provide documentation to substantiate and justify that the allowed expenses are inadequate to provide basic living expenses. All deviations from the national standards must be verified, reasonable and documented in the case history. IRM 5.8.5.22.1.
 - a. Sometimes the offer specialist doesn't even review the cover letter or the substantiation so you always need to review any denial and consider appeal when the IRS just used the basic IRS numbers.
6. **National and local expense standards are guidelines. If it is determined a standard amount is inadequate to provide for a specific taxpayer's basic living expenses, allow a deviation.** IRM 5.8.5.22.1(3)

iii. Requesting deviations

1. If you have a client with higher than the allowable expenses, put in the actual number, provide the documentation to support it, and write why a deviation is requested in the cover letter. There should always be a deviation requested in special circumstance offers.

iv. Specific Categories

1. Food, clothing, miscellaneous:

Expense	One Person	Two Persons	Three Persons	Four Persons
Food	\$345	\$612	\$737	\$845
Housekeeping supplies	\$32	\$65	\$66	\$65
Apparel & services	\$83	\$138	\$193	\$293
Personal care products & services	\$36	\$63	\$73	\$77
Miscellaneous	\$143	\$254	\$309	\$370
Total	\$639	\$1,132	\$1,378	1,650

More than four persons	Additional Persons Amount
For each additional person, add to four-person total allowance:	\$325

*national standards as of March 27, 2017

- Credit card payments are considered under miscellaneous and deviations for credit cards are not given. See IRM 5.15.1.10

2. Housing and Utilities

- a. When determining a taxpayer's housing and utility expense, use an amount sufficient to provide for basic living expenses. Use the amount shown in the expense standard schedules as a guideline unless such use results in the taxpayer not having adequate means to provide for basic living expenses. If it is determined that a standard amount is inadequate to provide for a basic living expenses, allow a deviation. If the amount of the payment cannot be verified through other sources (such as, bank statements), require the taxpayer to provide reasonable substantiation. Deviations from the expense standards must be verified, reasonable, and documented in the case history. IRM 5.8.5.22.2(1)

- b. Local standards. Allowable amount depends on county and family size.
- c. Deviations are generally allowed in this category if substantiation and a summary is provided.
- d. IRS IRM examples:
 - i. A taxpayer with a physical disability or an unusually large family requires a housing cost that is not covered by the local standard. Require the taxpayer to provide copies of mortgage or rent payments, utility bills and maintenance costs to verify the necessary amount.
 - ii. A taxpayer has owned their home for several years and the payment is above the established standard. Your investigation indicates the taxpayer would not be able to rent an apartment for less than their current loan payment. In that case, you should consider allowing the full amount of the loan payment. Document the case history.

3. Vehicle loan or lease

	One Car	Two Cars
National	\$485	\$970

4. Vehicle operating costs

- a. Miami – One Car - \$343, Two Cars - \$686
- b. The rest of Florida - “South Region:” One car - \$215, Two cars - \$430
- c. Allow the full operating costs portion of the local transportation standard, or the amount actually claimed by the taxpayer, whichever is less. Substantiation for this allowance is not required unless the amount claimed is more than the total allowed by any of the transportation standards. IRM 5.8.5.22.3 (4)
- d. If a taxpayer claims higher amounts of operating costs because he commutes long distances to reach his place of employment, he may be allowed greater than the standard. The additional operating expense would generally meet the production of income test and therefore be allowed if the taxpayer provides substantiation. IRM 5.8.5.22.3(5). Provide toll records and receipts for a sample month.

- e. In situations where the taxpayer has a vehicle that is currently over six years old or has reported mileage of 75,000 miles or more, an additional monthly operating expense of \$200 will generally be allowed per vehicle (up to two vehicles when a joint offer is submitted). IRM 5.8.5.22.3(6)
5. Public Transportation costs
 - a. IRS will allow \$189 (national standard) so take it.
 6. Health insurance
 - a. Put the actual and include a statement or mention in the cover letter that substantiation is in the pay stubs
 7. Out of pocket health care costs
 - a. National standard. It was \$60, then \$54, and now, as of March 27, 2017, \$49 for EACH member of the household under age 65. 65 and over \$117.
 - b. Provide substantiation for deviations and consider a special circumstances offer where client has any ongoing and/or progressive/ serious medical issues.
 8. Court-ordered payments
 - a. Payment of child support or alimony. It will be allowed. Include court order.
 - b. Restitution payments to victims are also allowed. IRM 5.15.1.10(3)
 9. Child support or dependent care.
 - a. Babysitting, daycare, after school care, are all allowable if it meets the necessary expense test.
 - b. Cost of child care can vary greatly. Do not allow unusually large child care expenses if more reasonable alternatives are available. Consider the age of the child and if both parents work. IRM 5.15.1.10(3).
 10. Life insurance
 - a. Term life on the life of the taxpayer only is allowed. Include statement or point it out in the paystub.
 11. Current monthly taxes
 - a. Provide receipts of estimated taxes.
 - b. Review paystubs
 12. Secured debts
 - a. If it meets the necessary expense test, it is probably allowed.

- b. Probably not allowed if it is a boat . . . unless taxpayer lives on the boat.
 - c. Student loans. “If guaranteed by the federal government and only for the taxpayer’s post-high school education.” IRM 5.8.5.22.4(3).
 - 13. Delinquent state or local tax payments
 - a. Important for Business OICs
 - 14. Attorneys’ fees
 - a. I always put Attorneys’ fees as an expense on my OICs. The expense is considered necessary when “the fees are for representation before the Service.”
 - i. Consider how you will structure your fee. Flat fee with monthly payments works for individuals with no business issues.
 - ii. IRS doesn’t typically request substantiation.
- i. What documents to ask your client for?
 - i. 3 months of paystubs
 - ii. 3 months of bank statements, all pages, all accounts
 - iii. Copies of mortgage statements, lease agreement, car lease or loan statement, utility bills
 - iv. Profit and Loss statement
 - v. 401K or other retirement statements, investment statements, copies of the retirement plan
 - vi. Court order or marital settlement agreements to support alimony and child support.
 - vii. Daycare bills and receipts
 - viii. Medical documents, notes, and bills

VII. Special Circumstances and Effective Tax Administration (ETA) Offers

a. What’s the difference?

- i. Taxpayers may qualify for an Effective Tax Administration (ETA) offer when **their Reasonable Collection Potential (RCP) is greater than the liability** but there are economic or public policy/equity circumstances that would justify accepting the offer for an amount less than full payment. IRM 5.8.11.2(2)(1)
- ii. Taxpayers may qualify for a Doubt as to Collectability with Special Circumstances (DCSC) offer when they **cannot fully pay the tax due but have proven special circumstances that warrant acceptance for less than RCP**. Factors establishing special circumstances under DATC are the same as those considered under ETA. IRM 5.8.11.2(2)(2)

- b. Before considering ETA offers, the IRS will look to 3 factors:
 - i. A liability has been or will be assessed against taxpayer(s) before acceptance of the OIC
 - ii. The sum of net equity in assets, future income, and the other components of collectibility making up RCP must be greater than the amount owed. So you still need to go through the financial analysis process
 - iii. Exceptional circumstances exist, such as the collection of the tax would create an economic hardship, or there is compelling public policy or equity considerations that provide sufficient basis for compromise. IRM 5.8.11.2(5)

c. Economic Hardship

- i. The definition of economic hardship as it applies to ETA offers is derived from Treasury Regulations § 301.6343-1. Economic hardship occurs when a taxpayer is unable to pay reasonable basic living expenses. The determination of a reasonable amount for basic living expenses will be made by the Commissioner and will vary according to the unique circumstances of the individual taxpayer. Unique circumstances, however, do not include the maintenance of an affluent or luxurious standard of living. IRM 5.8.11.2.1(2)
 - 1. Treas. Reg. § 301.6343-1(b)(4)(i)
 - a. **General rule.** The levy is creating an economic hardship due to the financial condition of an individual taxpayer. This condition applies if satisfaction of the levy in whole or in part will cause an individual taxpayer to be unable to pay his or her reasonable basic living expenses. The determination of a reasonable amount for basic living expenses will be made by the director and will vary according to the unique circumstances of the individual taxpayer. Unique circumstances, however, do not include the maintenance of an affluent or luxurious standard of living.
 - 2. Treas. Reg. § 301.6343-1(b)(4)(ii)
 - a. **Information from taxpayer.** In determining a reasonable amount for basic living expenses the director will consider any information provided by the taxpayer including –
 - (A) The taxpayer's age, employment status and history, ability to earn, number of dependents, and status as a dependent of someone else;
 - (B) The amount reasonably necessary for food, clothing, housing (including utilities, home-owner

insurance, home-owner dues, and the like), medical expenses (including health insurance), transportation, current tax payments (including federal, state, and local), alimony, child support, or other court-ordered payments, and expenses necessary to the taxpayer's production of income (such as dues for a trade union or professional organization, or child care payments which allow the taxpayer to be gainfully employed);
(C) The cost of living in the geographic area in which the taxpayer resides;
(D) The amount of property exempt from levy which is available to pay the taxpayer's expenses;
(E) Any extraordinary circumstances such as special education expenses, a medical catastrophe, or natural disaster; and
(F) Any other factor that the taxpayer claims bears on economic hardship and brings to the attention of the director.

3. Treas. Reg. § 301.6343-1(b)(4)(i)(i)

- a. **Good faith requirement.** In addition, in order to obtain a release of a levy under this subparagraph, the taxpayer must act in good faith. Examples of failure to act in good faith include, but are not limited to, falsifying financial information, inflating actual expenses or costs, or failing to make full disclosure of assets.
- ii. The taxpayer's income and basic living expenses must be considered to determine if the claim for economic hardship should be accepted. Basic living expenses are those expenses that provide for health, welfare, and production of income of the taxpayer and the taxpayer's family. National and local standard expense amounts are designed to provide accuracy and consistency in determining taxpayer's basic living expenses. These standards are guidelines and if it is determined that a standard amount is inadequate to provide for a specific taxpayer's basic living expenses, allow a deviation. Request the taxpayer provide reasonable substantiation to support the deviation and document the case file. IRM 5.8.11.2.1(4)
- iii. In addition to the basic living expenses, other factors to consider that impact upon the taxpayer's financial condition include:
 - 1. The taxpayer's age and employment status.
 - 2. Number, age, and health of the taxpayer's dependents,

3. Cost of living in the area the taxpayer resides, and
 4. Any extraordinary circumstances such as special education expenses, a medical catastrophe, or natural disaster.
 5. Note: This list is not all-inclusive. Other factors may be considered in making an economic hardship determination. IRM 5.8.11.2.1(5)
- iv. Factors that support an economic hardship determination may include:
1. The taxpayer is incapable of earning a living because of a long term illness, medical condition or disability, and it is reasonably foreseeable that the financial resources will be exhausted providing for care and support during the course of the condition.
 2. The taxpayer may have a set monthly income and no other means of support and the income is exhausted each month in providing for the care of dependents.
 3. The taxpayer has assets, but is unable to borrow against the equity in those assets, and liquidation to pay the outstanding tax liabilities would render the taxpayer unable to meet basic living expenses.
Note: These factors are representative of situations the Service regularly encounters when working with taxpayers to resolve delinquent accounts. They are not intended to provide an exhaustive list of the types of cases that can be compromised based on economic hardship.
- v. Examples from IRM 5.8.11.2.1(7):
1. The taxpayer has assets sufficient to satisfy the tax liability and provides full time care and assistance to a dependent child, who has a serious long-term illness. It is expected that the taxpayer will need to use the equity in assets to provide for adequate basic living expenses and medical care for the child. The taxpayer's overall compliance history does not weigh against compromise.
 2. The taxpayer is retired and the only income is from a pension. The only asset is a retirement account and the funds in the account are sufficient to satisfy the liability. Liquidation of the retirement account would leave the taxpayer without adequate means to provide for basic living expenses. The taxpayer's overall compliance history does not weigh against compromise.
 3. The taxpayer is disabled and lives on a fixed income that will not, after allowance of adequate basic living expenses, permit full payment of the liability under an installment agreement. The taxpayer also owns a modest house that has been specially equipped to accommodate for a disability. The equity in the house

is sufficient to permit payment of the liability owed. However, because of the disability and limited earning potential, the taxpayer is unable to obtain a mortgage or otherwise borrow against this equity. In addition, because the taxpayer's home has been specially equipped to accommodate the disability, forced sale of the taxpayer's residence would create severe adverse consequences for the taxpayer, making such a sale unlikely. The taxpayer's overall compliance history does not weigh against compromise.

- vi. Other Considerations/examples
 - 1. The IRM tends to talk about long term illnesses and disabilities. In practice, any time the taxpayer or dependent has any medical issue, you should bring it up and file the offer as a special circumstances offer, particularly if it is a progressive illness.
 - a. Include medical bills, pictures (like of an infection), doctors notes.
 - b. Discuss with the client if they are comfortable disclosing that information in the offer. Obviously, handle the special circumstances with sensitivity.
 - 2. Supporting family members outside of the country.
- vii. The existence of economic hardship criteria does not dictate that an OIC must be accepted. An acceptable offer amount must still be determined based on a full financial analysis and negotiation with the taxpayer. When hardship criteria are identified but the taxpayer does not offer an acceptable amount, the OIC should not be recommended for acceptance. IRM 5.8.11.2.1(10).
- viii. ETA and Special Circumstances offers due to **economic hardship only** apply to individual taxpayers and not business or other entities.
 - 1. Because economic hardship is defined as the inability to meet reasonable basic living expenses, it applies only to individuals (including sole proprietorship entities). Compromise on economic hardship grounds is not available to corporations, partnerships, or other non-individual entities. IRM 5.8.11.2.1

d. Public Policy or Equity Compelling Factors

- i. Available to both individual and other entity types of taxpayers
- ii. These usually are allowed if there was some error on the part of the IRS, usually dealing with the Service's erroneous advice.
- iii. Also allows relief when it can be demonstrated that the liability was directly related to the criminal or fraudulent act of a third party. IRM 5.8.11.2.2.1(4)

1. Example: A taxpayer contracted with a PSP to handle all the payroll tax matters of the business. The taxpayer utilized a PSP that had been in business for several years and contacted references of other businesses using the PSP who stated the PSP had acted appropriately. The taxpayer monitored the federal tax deposits via their bank account withdrawals and EFTPS. When it was determined the PSP may have missed deposits, the business immediately started verifying federal tax deposits on their due date. No other factors weigh against acceptance of an offer. Since the taxpayer acted in a reasonable manner, an acceptance of an offer under ETA Public Policy is appropriate.
2. Example: A taxpayer contracted with a PSP from outside the community and took no action to verify whether the PSP had clients who were satisfied with their manner of business. The taxpayer never monitored their deposits and when they received a notice from the IRS it was provided to the PSP. The PSP stated they would resolve the issue and the taxpayer never took any follow-up actions to determine if the delinquency issues had been resolved. In this situation the taxpayer is not deemed to have acted in a reasonable manner, so an offer should not be accepted.
Note: The Service will not compromise on public policy or equity grounds solely on the argument that the acts of a third party caused the unpaid tax liability. Third parties include: Representatives, Partners, Agents, or Employees.

VIII. Other quirks and issues

a. Dissipation of Assets

- i. Inclusion of dissipated assets in the calculation of the reasonable collection potential (RCP) is no longer applicable, except in situations where it can be shown the taxpayer has sold, transferred, encumbered or otherwise disposed of assets in an attempt to avoid the payment of the tax liability or used the assets or proceeds (other than wages, salary, or other income) for other than the payment of items necessary for the production of income or the health and welfare of the taxpayer or their family, after the tax has been assessed or within six months prior to the tax assessment. IRM 5.8.5.18
- ii. Generally, a three year time frame will be used to determine if it is appropriate to include a dissipated asset in RCP. Include the year of submission as a complete year in the calculation. IRM 5.8.5.18

b. Allocation of expenses

- i. Be careful when you have a non-liable spouse and a two-income household.
- ii. IRS will pro-rate the portion of the expenses that the taxpayer is responsible for based on the percentage of income the taxpayer brings in to the family.
 1. So, if husband is liable for the tax liable and wife is not and husband brings in 2/3s of the income, then he is only entitled to claim 2/3 of the expenses. BUT if husband pays alimony or child support, he will be allowed 100% of that expense. While the wife isn't liable for the taxes, her income affects his ability to pay.

IX. Terms of the Offer

- a. IRS will keep payments made towards the offer and apply them to the balance.
- b. You can designate which tax years the payments get applied to so you may want to consider designating to more recent years.
- c. IRS will keep any refunds through the calendar year in which the IRS accepts the offer.
- d. A pending offer will toll/suspend the statute of limitation on collection or CSED date.
- e. You have 30 days to appeal an offer rejection.
- f. **Taxpayer is require to timely file and timely pay all tax obligations for 5 years after acceptance, otherwise, it will default the agreement and all liability will come back.**
- g. **During the 5 years after acceptance, taxpayer cannot request installment agreement for any liability.**
- h. IRS can file a lien during the consideration of the offer, but they generally do not.

X. Denials

- a. Most Offers are denied due to the Service determining that the reasonable collection potential is more than the offer. The offer specialist may ask for an increased offer and give you the reasons why (as to what expense deviations were disallowed or how income was calculated). The offer specialist will prepare an offer addendum.
- b. If the doubt as to collectability or special circumstances offer is rejected, the service will issue a letter detailing the calculations it used. Review those because typically most offer specialists will not even look at the letter or the substantiation requesting deviations and will just go off of the IRS standards and their internal income verification. Often it is worth putting together an appeals package.
- c. **Not in the Best interest of the Government rejection**
 - i. An offer rejection may also be based on a determination that acceptance of the specific offer at hand is not in the "best interest of the government"

(NIBIG) as discussed in Revenue Procedure 2003-71, SECTION 6.03 which states: "The decision whether and when to accept an offer to compromise a liability is within the discretion of the Service. In keeping with IRM 1.2.14.1.17, *Policy Statement P-5-100*, an offer will only be accepted if it is determined to be in the best interest of both the taxpayer and the Service. In addition to the criteria discussed in Section 4.02, the Service may take into account public policy and tax administration concerns in determining whether an offer to compromise is acceptable".
IRM 5.8.7.7.1

1. Examples

- a.** The taxpayer's offer meets processability criteria however; the taxpayer has an egregious history of past noncompliance, as evidenced by the taxpayer's failure to report all of their income on recent tax years and by failing to pay the tax liability when they had the means to do so.
- b.** The taxpayer's offer meets processability criteria however; it is determined inclusion of a dissipated asset is appropriate and the taxpayer is unwilling or unable to include the value of the dissipated asset in the offer amount.

d. Public Policy Rejection

i. Rare

1. Examples

- a.** The taxpayer has in the past, and continues to openly encourage others to refuse to comply with the tax laws.
- b.** Indicators exist showing that the financial benefits of a criminal activity are concealed or the criminal activity is continuing.

XI. Appeals

- a.** You have 30 days after date on the rejection letter to appeal.
- b.** Appeals letter must be signed and contain perjury statement.

XII. Appealing to Tax Court

- a.** Review standard is "abuse of discretion" and the Service has broad discretion.
- b.** Typically the Tax Court will not disturb the appeals officer's decision to reject an offer unless it is arbitrary, capricious, or without sound basis in fact and law. Furthermore, Courts have held that no abuse of discretion occurs where the appeals officer follows IRS guidelines to determine a taxpayer's RCP and uses that ability to pay conclusion as a basis for rejection.
- c.** The facts would need to be egregious to warrant an appeal to Tax Court.

XIII. Collection Alternatives other than Offer in Compromise

a. Installment Agreements (consider with penalty abatements)

- i. Partial payment installment agreements
- ii. Graduated installment agreements
- iii. Streamlined
 1. 50K and less
 - a. Payment terms up to 72 months or the number of months to satisfy the liability before CSED expires.
 - b. No financial verification needed if it is a Direct Debit Installment Agreement.
 2. \$50,001 to 100K
 - a. As of November 2016, now there is a special Installment agreement being tested for 84 month plans.
 - i. No financial information needed if Direct Debit Installment Agreement.
 - ii. Lien determination required but IRS will often not file a notice of lien when there is a Direct Debit Installment Agreement.

b. Penalty Abatements

- i. First time penalty abatement (FTA). Call up collections and ask for it.
- ii. Reasonable Cause

c. Currently Not Collectible status.

- i. If a client would qualify for CNC status, they are a good candidate for a doubt as to collectability offer. CNC is temporary.

XIV. Links

- a. Internal Revenue Manual
 - i. https://www.irs.gov/irm/part5/irm_05-008-001.html
- b. Offer in Compromise Pre-qualifier tool
 - i. https://irs.treasury.gov/oic_pre_qualifier/
- c. IRS Collection Standards
 - i. <https://www.irs.gov/businesses/small-businesses-self-employed/collection-financial-standards>
- d. Doubt as to Liability Offer forms
 - i. <https://www.irs.gov/pub/irs-pdf/f6561.pdf>
- e. Doubt as to Collectability, Special Circumstances, and Effective Tax Administration Offer forms
 - i. <https://www.irs.gov/pub/irs-pdf/f656b.pdf>
 - ii. And attached

Form 656 Booklet

Offer in Compromise



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IRS contact information

If you want to see if you qualify for an offer before filling out the paperwork, you may use the Offer in Compromise Pre-Qualifier tool. The questionnaire format assists in gathering the information needed and provides instant feedback as to your eligibility based on the information you provided. The tool will also assist you in determining a preliminary offer amount for consideration of an acceptable offer. The Pre-Qualifier tool is located on our website at www.irs.gov.

If you have questions regarding qualifications for an offer in compromise, please call our toll-free number at 1-800-829-1040. You can get forms and publications by calling 1-800-TAX-FORM (1-800-829-3676), by visiting your local IRS office, or at www.irs.gov.

Taxpayer resources

The Taxpayer Advocate Service (TAS) is an independent organization within the Internal Revenue Service that helps taxpayers and protects taxpayer rights. We help taxpayers whose problems with the IRS are causing financial difficulties, who've tried but haven't been able to resolve their problems with the IRS, or believe an IRS system or procedure isn't working as it should. And the service is free. Your local advocate's number is in your local directory and at taxpayeradvocate.irs.gov. You can also call us at 1-877-777-4778. For more information about TAS and your rights under the Taxpayer Bill of Rights, go to taxpayeradvocate.irs.gov. TAS is your voice at the IRS.

Low Income Taxpayer Clinics (LITCs) are independent from the IRS. LITCs serve individuals whose income is below a certain level and who need to resolve a tax problem with the IRS. LITCs provide professional representation before the IRS or in court on audits, appeals, tax collection disputes, and other issues for free or for a small fee. For more information and to find an LTC near you, see the LTC page at www.taxpayeradvocate.irs.gov/litcmap or IRS [Publication 4134](#), Low Income Taxpayer Clinic List. This Publication is also available by calling the IRS toll-free at 1-800-829-3676 or visiting your local IRS office.

WHAT YOU NEED TO KNOW

What is an Offer?

An Offer in Compromise (offer) is an agreement between you (the taxpayer) and the IRS that settles a tax debt for less than the full amount owed. The offer program provides eligible taxpayers with a path toward paying off their tax debt and getting a fresh start. The ultimate goal is a compromise that suits the best interest of both the taxpayer and the IRS. To be considered, generally you must make an appropriate offer based on what the IRS considers your true ability to pay.

Submitting an application does not ensure that the IRS will accept your offer. It begins a process of evaluation and verification by the IRS, taking into consideration any special circumstances that might affect your ability to pay.

This booklet will lead you through a series of steps to help you calculate an appropriate offer based on your assets, income, expenses, and future earning potential. The application requires you to describe your financial situation in detail, so before you begin, make sure you have the necessary information and documentation.

Are You Eligible?

Before your offer can be considered, you must (1) file all tax returns you are legally required to file, (2) have received a bill for at least one tax debt included on your offer, (3) make all required estimated tax payments for the current year, and (4) make all required federal tax deposits for the current quarter if you are a business owner with employees. Your offer will be immediately returned without consideration if you have not filed all tax returns you are legally required to file.

Note: If it is determined you have not filed all tax returns any initial payment sent with your offer will be applied to your tax debt and your offer will be returned along with your application fee.

Bankruptcy

If you or your business is currently in an open bankruptcy proceeding, you are not eligible to apply for an offer. Any resolution of your outstanding tax debts generally must take place within the context of your bankruptcy proceeding.

If you are not sure of your bankruptcy status, contact the Centralized Insolvency Operation at 1-800-973-0424. Be prepared to provide your bankruptcy case number and/or Taxpayer Identification Number.

Can You Pay in Full?

Generally, the IRS will not accept an offer if you can pay your tax debt in full or through an installment agreement and/or equity in assets.

Note: Adjustments or exclusions, such as allowance of \$1,000 to a bank balance or \$3,450 against the value of a car, are only applied after it is determined that you cannot pay your tax debt in full.

Your Future Tax Refunds

The IRS will keep any refund, including interest, for tax periods extending through the calendar year that the IRS accepts the offer. For example, if your offer is accepted in 2016 and you file your 2016 Form 1040 on April 15, 2017 showing a refund, IRS will apply your refund to your tax debt. The refund is not considered as a payment toward your offer.

Doubt as to Liability

If you have a legitimate doubt that you owe part or all of the tax debt, complete and submit a **Form 656-L, Offer in Compromise (Doubt as to Liability)**. The Form 656-L is not included as part of this package. To request a Form 656-L, visit www.irs.gov or a local IRS office or call toll-free 1-800-TAX-FORM (1-800-829-3676).

Notice of Federal Tax Lien

A lien is a legal claim against all your current and future property. When you don't pay your first bill for taxes due, a lien is created by law and attaches to your property. A Notice of Federal Tax Lien (NFTL) provides public notice to creditors and is filed to establish priority of the IRS claim versus the claims of other creditors. The IRS may file an NFTL while your offer is being considered. However, an NFTL will usually not be filed until a final decision has been made on your offer.

Note: A Notice of Federal Tax Lien (NFTL) will not be filed on any individual shared responsibility payment under the Affordable Care Act.

Trust Fund Taxes

If your business owes trust fund taxes, responsible individuals may be held liable for the trust fund portion of the tax. Trust fund taxes are the money withheld from an employee's wages, such as income tax, Social Security, and Medicare taxes. You are not eligible to submit an offer unless the trust fund portion of the tax is paid or the Trust Fund Recovery Penalty determinations have been made on all potentially responsible individual(s). However, if you are submitting the offer as a victim of payroll service provider fraud or failure, the trust fund assessment discussed above is not required.

Your Rights as a Taxpayer

Each and every taxpayer has a set of fundamental rights they should be aware of when dealing with the IRS. Explore your rights and our obligations to protect them. For more information on your rights as a taxpayer, go to <http://www.irs.gov/Taxpayer-Bill-of-Rights>.

Other Important Facts

Penalties and interest will continue to accrue during consideration of your offer.

After you file your offer, you must continue to timely file and pay all required tax returns, estimated tax payments, and federal tax payments. Failure to meet your filing and payment responsibilities during consideration of your offer will result in your offer being returned. If your offer is accepted, you must continue to stay current with all tax filing and payment obligations through the fifth year after your offer is accepted (including any extensions).

Note: If you have filed your tax returns but you have not received a bill for at least one tax debt included on your offer, your offer may be returned.

An offer cannot be accepted for processing if the IRS has referred your case, or cases, involving all of the liabilities identified in the offer to the Department of Justice (DOJ). In addition, the IRS cannot compromise any restitution amount ordered by a court or a tax debt that has been reduced to judgment.

The law requires the IRS to make certain information from accepted offers available for public inspection and review. These public inspection files are located in designated IRS Area Offices.

The IRS may levy your assets up to the time that the IRS official signs and acknowledges your offer as pending. In addition, the IRS may keep any proceeds received from the levy. If your assets are levied after your offer is pending, immediately contact the IRS person whose name and phone number is listed on the levy.

If you currently have an approved installment agreement, you will not be required to make your installment agreement payments while your offer is being considered. If your offer is not accepted and you have not incurred any additional tax debt, your installment agreement with the IRS will be reinstated with no additional fee.

PAYING FOR YOUR OFFER

Application Fee

Offers require a \$186 application fee.

Exception: If you are an individual or are operating as a sole proprietor, or are a disregarded single member Limited Liability Company (LLC) taxed as a sole proprietor and your household gross income meets the Low Income Certification guidelines, you will not be required to send the application fee.

Note: You may be eligible to receive a refund of the application fee if the IRS either (1) accepts the offer to promote effective tax administration, or (2) accepts the offer based on doubt as to collectability and determines that collecting an amount greater than the amount offered would create an economic hardship. After the IRS processes your offer, the IRS will notify you if you are eligible to request a refund of the application fee.

Payment Options

You must select a payment option and include the payment with your offer. The amount of the initial payment and subsequent payments will depend on the total amount of your offer and which of the following payment options you choose:

Lump Sum Cash: This option requires 20% of the total offer amount to be paid with the offer and the remaining balance paid in 5 or fewer payments within 5 or fewer months of the date your offer is accepted.

Periodic Payment: This option requires the first payment to be paid with the offer and the remaining balance paid in monthly payments within 6 to 24 months, in accordance with your proposed offer terms.

Note: Under this option, you must continue to make monthly payments while the IRS is evaluating your offer. Failure to make these payments will cause your offer to be returned. There is no appeal. Total payments must equal the total offer amount.

Exception: If you are an individual, are operating as a sole proprietor, or are a disregarded single member LLC taxed as a sole proprietor, and your household income meets the Low Income Certification guidelines, you will not be required to send the initial payment or make the required monthly payments while your offer is being considered.

All payments sent in with your offer and made during consideration of the offer will be applied to your tax debt. The payments cannot be returned to you unless you pay more than the required payment and designate it as a deposit.

If you do not have sufficient cash to pay for your offer, you may need to consider borrowing money from a bank, friends, and/or family. Other options may include borrowing against or selling other assets.

Note: You may not pay your offer amount with an expected or current tax refund, money already paid, funds attached by any collection action, or anticipated benefits from a capital or net operating loss. If you are planning to use your retirement savings from an IRA or 401k plan, you may have future tax liabilities owed as a result. Contact the IRS or your tax advisor before taking this action.

HOW TO APPLY

Application Process

The application must include:

- **Form 656**, Offer in Compromise
- **Completed Form 433-A (OIC)**, Collection Information Statement for Wage Earners and Self-Employed Individuals, if applicable
- **Completed Form 433-B (OIC)**, Collection Information Statement for Businesses, if applicable
- **\$186 application fee**, unless you meet Low Income Certification
- **Initial offer payment**, unless you meet Low Income Certification

Note: Your offer(s) cannot be considered without the completed and signed Collection Information Statement(s), Form 433-A (OIC) and/or 433-B (OIC).

If You and Your Spouse Owe Joint and Separate Tax Debts

If you and your spouse have joint tax debt(s) and you and/or your spouse are also responsible for separate tax debt(s), you will each need to send in a separate Form 656. You will complete one Form 656 for yourself listing all your joint and any separate tax debts and your spouse will complete one Form 656 listing all his or her joint tax debt(s) plus any separate tax debt(s), for a total of two Forms 656.

If you and your spouse or ex-spouse have a joint tax debt and your spouse or ex-spouse does not want to be part of the offer, you on your own may submit a Form 656 to compromise your responsibility for the joint tax debt.

Each Form 656 will require the \$186 application fee and initial payment unless you are an individual, are operating as a sole proprietor, or are a disregarded single member LLC taxed as a sole proprietor, and meet the Low Income Certification guidelines.

If You Owe Individual and Business Tax Debt

If you have individual and business tax debt that you wish to compromise, you will need to send in two Forms 656. Complete one Form 656 for your individual tax debts and one Form 656 for your business tax debts. Each Form 656 will require the \$186 application fee and initial payment.

Note: A business is defined as a corporation, partnership, or any business that is operated as other than a sole-proprietorship. An individual's share of a partnership debt will not be compromised. The partnership must submit an offer based on the partnership's and partners' ability to pay.

If You Have Tax Debt From a Limited Liability Company (LLC)

Individuals or individuals operating as a disregarded single member LLC taxed as a sole proprietor, tax debts (including employment taxes) incurred before January 1, 2009 may be included on one Form 656. However, in those instances where an LLC incurred employment taxes after January 1, 2009 or excise taxes after January 1, 2008, two Forms 656 must be sent with a separate application fee and initial payment for each offer, even if the tax debts were reported under the same Tax Identification Number. One Form 656 will be for the individual tax debts while the second Form 656 will be for the LLC employment tax debts incurred after January 1, 2009 and excise tax debts after January 1, 2008.

COMPLETING THE APPLICATION PACKAGE

Step 1 – Gather Your Information

To calculate an offer amount, you will need to gather information about your financial situation, including cash, investments, available credit, assets, income, and debt.

You will also need to gather information about your average household's gross monthly income and expenses. The entire household includes all those in addition to yourself who contribute money to pay expenses relating to the household such as, rent, utilities, insurance, groceries, etc. This is necessary for the IRS to accurately evaluate your offer.

In general, the IRS will not consider expenses for tuition for private schools, college expenses, charitable contributions, and other unsecured debt payments as part of the expense calculation.

Step 2 – Fill out Form 433-A (OIC), Collection Information Statement for Wage Earners and Self-Employed Individuals

Fill out Form 433-A (OIC) if you are an individual wage earner and/or operate as a sole proprietor, a disregarded single member LLC taxed as a sole proprietor or are submitting an offer on behalf of a deceased individual. This will be used to calculate an appropriate offer amount based on your assets, income, expenses, and future earning potential. You will have the opportunity to provide a written explanation of any special circumstances that affect your financial situation.

Step 3 – Fill out Form 433-B (OIC), Collection Information Statement for Businesses

Fill out Form 433-B (OIC) if the business is a Corporation, Partnership, LLC classified as a corporation, single member LLC taxed as a corporation, or other multi-owner/multi-member LLC. This will be used to calculate an appropriate offer amount based on the business assets, income, expenses, and future earning potential. If the business has assets that are used to produce income (for example, a tow truck used in the business for towing vehicles), the business may be allowed to exclude equity in these assets.

Step 4 – Attach Required Documentation

You will need to attach supporting documentation with Form(s) 433-A (OIC) and 433-B (OIC). A list of the documents required will be found at the end of each form. Include copies of all required attachments. **Do not send original documents.**

Step 5 – Fill out Form 656, Offer in Compromise

Fill out Form 656. The Form 656 identifies the tax years and type of tax you would like to compromise. It also identifies your offer amount and the payment terms.

Step 6 – Include Initial Payment and \$186 Application Fee

Include a personal check, cashier's check, or money order for your initial payment based on the payment option you selected (20% of the offer amount for a lump sum cash offer or the first month's payment for a periodic payment offer).

Include a separate personal check, cashier's check, or money order for the application fee (\$186).

Make both payments payable to the "United States Treasury." All payments must be made in U.S. dollars.

If you meet the Low Income Certification guidelines, the initial payment and application fee are not required.

Step 7 – Mail the Application Package

Make a copy of your application package and keep it for your records.

Mail the application package to the appropriate IRS facility. See page 27, Application Checklist, for details.

Note: If you are working with an IRS employee, let him or her know you are sending or have sent an offer to compromise your tax debt(s).

IMPORTANT INFORMATION

After You Mail Your Application Continue to:

Promptly reply to any requests for additional information within the time frame specified.

If you selected the Periodic Payment option, you must continue to make the payments during consideration of your offer, unless you meet the Low Income Certification. Failure to reply timely or make monthly payments may result in the return of your offer without appeal rights.

If your offer is accepted, you must continue to timely file all required tax returns and timely pay all estimated tax payments and federal tax payments that become due in the future. If you fail to timely file and timely pay any tax obligations that become due within the five years after your offer is accepted (including any extensions) your offer may be defaulted. If your offer is defaulted, you will be liable for the original tax debt, less payments made, and all accrued interest and penalties. An offer does not stop the accrual of interest and penalties. Please note that if your final payment is more than the agreed amount by \$50 or less the money will not be returned but will be applied to your tax debt. If your final payment is more than the agreed amount by more than \$50, your money will be returned to you.

In addition, your offer may be defaulted if you fail to promptly pay any tax debts assessed after acceptance of your offer for any tax years prior to acceptance that were not included in your original offer.

Collection Information Statement for Wage Earners and Self-Employed Individuals

Use this form if you are

- ▶ An individual who owes income tax on a Form 1040, U.S. Individual Income Tax Return
- ▶ An individual with a personal liability for Excise Tax
- ▶ An individual responsible for a Trust Fund Recovery Penalty
- ▶ An individual who is self-employed or has self-employment income. You are considered to be self-employed if you are in business for yourself, or carry on a trade or business.
- ▶ An individual who is personally responsible for a partnership liability (only if the partnership is submitting an offer)
- ▶ An individual who operates as a disregarded single member Limited Liability Company (LLC) taxed as a sole proprietor
- ▶ An individual who is submitting an offer on behalf of a deceased person

Note: Include attachments if additional space is needed to respond completely to any question. This form should only be used with the Form 656, Offer in Compromise.

Section 1 Personal and Household Information

Last Name		First Name		Date of Birth (mm/dd/yyyy)	Social Security Number - -
Marital status <input type="checkbox"/> Unmarried <input type="checkbox"/> Married	Home Physical Address (Street, City, State, ZIP Code)			Do you: <input type="checkbox"/> Own your home <input type="checkbox"/> Rent <input type="checkbox"/> Other (specify e.g., share rent, live with relative, etc.)	
County of Residence		Primary Phone () -		Home Mailing Address (if different from above or Post Office Box number)	
Secondary Phone () -		Fax Number () -			

Provide information about your spouse.

Spouse's Last Name	Spouse's First Name	Date of Birth (mm/dd/yyyy)	Social Security Number - -
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Provide information for all other persons in the household or claimed as a dependent.

Name	Age	Relationship	Claimed as a dependent on your Form 1040?	Contributes to household income?
			<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
			<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
			<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No
			<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No

Section 2 Employment Information for Wage Earners

Complete this section if you or your spouse are wage earners and received a Form W-2. If you or your spouse have self-employment income (that is you file a Schedule C, E, F, etc.) instead of, or in addition to wage income, you must also complete Business Information in Sections 4, 5, and 6.

Your Employer's Name		Employer's Address (street, city, state, zip code)	
Do you have an ownership interest in this business? <input type="checkbox"/> Yes <input type="checkbox"/> No	If yes, check the business interest that applies: <input type="checkbox"/> Partner <input type="checkbox"/> Officer <input type="checkbox"/> Sole proprietor		
Your Occupation	How long with this employer (years) (months)		
Spouse's Employer's Name		Employer's Address (street, city, state, zip code)	
Does your spouse have an ownership interest in this business? <input type="checkbox"/> Yes <input type="checkbox"/> No	If yes, check the business interest that applies: <input type="checkbox"/> Partner <input type="checkbox"/> Officer <input type="checkbox"/> Sole proprietor		
Spouse's Occupation	How long with this employer (years) (months)		

Section 3 Personal Asset Information

Use the most current statement for each type of account, such as checking, savings, money market and online accounts, stored value cards (such as, a payroll card from an employer), investment and retirement accounts (IRAs, Keogh, 401(k) plans, stocks, bonds, mutual funds, certificates of deposit), life insurance policies that have a cash value, and safe deposit boxes. Asset value is subject to adjustment by IRS based on individual circumstances. Enter the total amount available for each of the following (if additional space is needed include attachments).

Round to the nearest dollar. Do not enter a negative number. If any line item is a negative number, enter "0".

Cash and Investments (domestic and foreign)

<input type="checkbox"/> Cash <input type="checkbox"/> Checking <input type="checkbox"/> Savings <input type="checkbox"/> Money Market/CD <input type="checkbox"/> Online Account <input type="checkbox"/> Stored Value Card		
Bank Name	Account Number	(1a) \$
<input type="checkbox"/> Checking <input type="checkbox"/> Savings <input type="checkbox"/> Money Market/CD <input type="checkbox"/> Online Account <input type="checkbox"/> Stored Value Card		
Bank Name	Account Number	(1b) \$
Total of bank accounts from attachment		(1c) \$
Add lines (1a) through (1c) minus (\$1,000) =		(1) \$
Investment Account: <input type="checkbox"/> Stocks <input type="checkbox"/> Bonds <input type="checkbox"/> Other		
Name of Financial Institution	Account Number	
Current Market Value	Minus Loan Balance	
\$ _____ X .8 = \$ _____	– \$ _____ =	(2a) \$
Investment Account: <input type="checkbox"/> Stocks <input type="checkbox"/> Bonds <input type="checkbox"/> Other		
Name of Financial Institution	Account Number	
Current Market Value	Minus Loan Balance	
\$ _____ X .8 = \$ _____	– \$ _____ =	(2b) \$
Total investment accounts from attachment. [current market value X.8 minus loan balance(s)]		(2c) \$
Add lines (2a) through (2c) =		(2) \$
Retirement Account: <input type="checkbox"/> 401K <input type="checkbox"/> IRA <input type="checkbox"/> Other		
Name of Financial Institution	Account Number	
Current Market Value	Minus Loan Balance	
\$ _____ X .8 = \$ _____	– \$ _____ =	(3a) \$
Retirement Account: <input type="checkbox"/> 401K <input type="checkbox"/> IRA <input type="checkbox"/> Other		
Name of Financial Institution	Account Number	
Current Market Value	Minus Loan Balance	
\$ _____ X .8 = \$ _____	– \$ _____ =	(3b) \$
Total of retirement accounts from attachment. [current market value X .8 minus loan balance(s)]		(3c) \$
Add lines (3a) through (3c) =		(3) \$
Cash Value of Life Insurance Policies		
Name of Insurance Company	Policy Number	
Current Cash Value	Minus Loan Balance	
\$ _____	– \$ _____ =	(4a) \$
Total cash value of life insurance policies from attachment	Minus Loan Balance(s)	
\$ _____	– \$ _____ =	(4b) \$
Add lines (4a) through (4b) =		(4) \$

Real Estate (Enter information about any house, condo, co-op, time share, etc. that you own or are buying)

Property Address <i>(Street Address, City, State, ZIP Code)</i>	Primary Residence <input type="checkbox"/> Yes <input type="checkbox"/> No	
	Date Purchased	
County and Country	Date of Final Payment	
How title is held <i>(joint tenancy, etc.)</i>	Description of Property	
Current Market Value \$ _____ X .8 = \$ _____	Minus Loan Balance <i>(Mortgages, etc.)</i> - \$ _____	(Total Value of Real Estate) = (5a) \$
Property Address <i>(Street Address, City, State, ZIP Code)</i>	Primary Residence <input type="checkbox"/> Yes <input type="checkbox"/> No	
	Date Purchased	
County and Country	Date of Final Payment	
How title is held <i>(joint tenancy, etc.)</i>	Description of Property	
Current Market Value \$ _____ X .8 = \$ _____	Minus Loan Balance <i>(Mortgages, etc.)</i> - \$ _____	(Total Value of Real Estate) = (5b) \$
Total value of property(s) from attachment [current market value X .8 minus any loan balance(s)]		(5c) \$
Add lines (5a) through (5c) =		(5) \$

Vehicles (Enter information about any cars, boats, motorcycles, etc. that you own or lease)

Vehicle Make & Model	Year	Date Purchased	Mileage	
<input type="checkbox"/> Lease	Name of Creditor		Date of Final Payment	
<input type="checkbox"/> Loan			Monthly Lease/Loan Amount \$ _____	
Current Market Value \$ _____ X .8 = \$ _____	Minus Loan Balance <i>(Mortgages, etc.)</i> - \$ _____		Total value of vehicle <i>(if the vehicle is leased, enter 0 as the total value)</i> = (6a) \$	
			Subtract \$3,450 from line (6a) (If line (6a) minus \$3,450 is a negative number, enter "0") (6b) \$	
Vehicle Make & Model	Year	Date Purchased	Mileage	
<input type="checkbox"/> Lease	Name of Creditor		Date of Final Payment	
<input type="checkbox"/> Loan			Monthly Lease/Loan Amount \$ _____	
Current Market Value \$ _____ X .8 = \$ _____	Minus Loan Balance <i>(Mortgages, etc.)</i> - \$ _____		Total value of vehicle <i>(if the vehicle is leased, enter 0 as the total value)</i> = (6c) \$	
			If you are filing a joint offer, subtract \$3,450 from line (6c) (If line (6c) minus \$3,450 is a negative number, enter "0") If you are not filing a joint offer, enter the amount from line (6c) (6d) \$	
Total value of vehicles listed from attachment [current market value X .8 minus any loan balance(s)]				(6e) \$
Total lines (6b), (6d), and (6e) =				(6) \$

Other valuable items (artwork, collections, jewelry, items of value in safe deposit boxes, interest in a company or business that is not publicly traded, etc.)

Note: Do not include clothing, furniture and other personal effects.

Description of asset:		
Current Market Value	Minus Loan Balance	
\$ _____ X .8 = \$ _____	- \$ _____ =	(7a) \$
Description of asset:		
Current Market Value	Minus Loan Balance	
\$ _____ X .8 = \$ _____	- \$ _____ =	(7b) \$
Total value of valuable items listed from attachment [current market value X .8 minus any loan balance(s)]		(7c) \$
Add lines (7a) through (7c) =		(7) \$
Do not include amount on the lines with a letter beside the number. Round to the nearest whole dollar. Do not enter a negative number. If any line item is a negative, enter "0" on that line. Add lines (1) through (7) and enter the amount in Box A =		

NOTE: If you or your spouse are self-employed, Sections 4, 5, and 6 must be completed before continuing with Sections 7 and 8.

If you or your spouse are self-employed (e.g., files Schedule(s) C, E, F, etc.), complete this section.

Is your business a sole proprietorship? <input type="checkbox"/> Yes <input type="checkbox"/> No		Address of Business (If other than personal residence)	
Name of Business			
Business Telephone Number () -	Employer Identification Number	Business Website	Trade Name or DBA
Description of Business	Total Number of Employees	Frequency of Tax Deposits	Average Gross Monthly Payroll \$
Do you or your spouse have any other business interests? Include any interest in an LLC, LLP, corporation, partnership, etc. <input type="checkbox"/> Yes (Percentage of ownership:) Title: <input type="checkbox"/> No		Business Address (Street, City, State, ZIP code)	
Business Name		Business Telephone Number () -	Employer Identification Number
Type of business (Select one) <input type="checkbox"/> Partnership <input type="checkbox"/> LLC <input type="checkbox"/> Corporation <input type="checkbox"/> Other _____			

List business assets such as bank accounts, tools, books, machinery, equipment, business vehicles and real property that is owned/leased/rented. If additional space is needed, attach a list of items. Do not include personal assets listed in Section 3.

Round to the nearest whole dollar. Do not enter a negative number. If any line item is a negative number, enter "0".

<input type="checkbox"/> Cash <input type="checkbox"/> Checking <input type="checkbox"/> Savings <input type="checkbox"/> Money Market/CD <input type="checkbox"/> Online Account <input type="checkbox"/> Stored Value Card		
Bank Name	Account Number	(8a) \$
<input type="checkbox"/> Cash <input type="checkbox"/> Checking <input type="checkbox"/> Savings <input type="checkbox"/> Money Market/CD <input type="checkbox"/> Online Account <input type="checkbox"/> Stored Value Card		
Bank Name	Account Number	(8b) \$
Total bank accounts from attachment		(8c) \$
Add lines (8a) through (8c) =		(8) \$

Description of asset:

Current Market Value	Minus Loan Balance	<i>(if leased or used in the production of income, enter 0 as the total value)</i>	=	(9a) \$
\$ _____ X .8 = \$ _____	- \$ _____			
Description of asset:				
Current Market Value	Minus Loan Balance	<i>(if leased or used in the production of income, enter 0 as the total value)</i>	=	(9b) \$
\$ _____ X .8 = \$ _____	- \$ _____			
Total value of assets listed from attachment [current market value X .8 minus any loan balance(s)]				(9c) \$
Add lines (9a) through (9c) =				(9) \$
IRS allowed deduction for professional books and tools of trade -				(10) \$ [4,600]
Enter the value of line (9) minus line (10). If less than zero enter zero. =				(11) \$

Notes Receivable

Do you have notes receivable? Yes No

If yes, attach current listing that includes name(s) and amount of note(s) receivable.

Accounts Receivable

Do you have accounts receivable, including e-payment, factoring companies, and any bartering or online auction accounts? Yes No

If yes, you may be asked to provide a list of your account(s) receivable.

Do not include amounts from the lines with a letter beside the number [for example: (9c)]. Round to the nearest whole dollar.
Do not enter a negative number. If any line item is a negative, enter "0" on that line.
Add lines (8) and (11) and enter the amount in Box B =

If you provide a current profit and loss (P&L) statement for the information below, enter the total gross monthly income on line 17 and your monthly expenses on line 29 below. Do not complete lines (12) - (16) and (18) - (28). You may use the amounts claimed for income and expenses on your most recent Schedule C; however, if the amount has changed significantly within the past year, a current P&L should be submitted to substantiate the claim.

Round to the nearest whole dollar. Do not enter a negative number. If any line item is a negative number, enter "0".

Business Income (You may average 6-12 months income/receipts to determine your Gross monthly income/receipts.)

Gross receipts	(12) \$
Gross rental income	(13) \$
Interest income	(14) \$
Dividends	(15) \$
Other income	(16) \$
Add lines (12) through (16) =	(17) \$

Business Expenses (You may average 6-12 months expenses to determine your average expenses.)

Materials purchased (e.g., items directly related to the production of a product or service)	(18) \$
Inventory purchased (e.g., goods bought for resale)	(19) \$
Gross wages and salaries	(20) \$
Rent	(21) \$
Supplies (items used to conduct business and used up within one year, e.g., books, office supplies, professional equipment, etc.)	(22) \$
Utilities/telephones	(23) \$
Vehicle costs (gas, oil, repairs, maintenance)	(24) \$
Business Insurance	(25) \$
Current Business Taxes (e.g., Real estate, excise, franchise, occupational, personal property, sales and employer's portion of employment taxes)	(26) \$
Secured debts (not credit cards)	(27) \$
Other business expenses (include a list)	(28) \$
Add lines (18) through (28) =	(29) \$

Round to the nearest whole dollar.
Do not enter a negative number. If any line item is a negative, enter "0" on that line.
Subtract line (29) from line (17) and enter the amount in Box C =

Enter your household's gross monthly income. The information below is for yourself, your spouse, and anyone else who contributes to your household's income. The entire household includes spouse, non-liable spouse, significant other, children, and others who contribute to the household. This is necessary for the IRS to accurately evaluate your offer.

Monthly Household Income

Note: Entire household income should also include income that is considered not taxable and may not be included on your tax return.

Round to the nearest whole dollar.

Primary taxpayer					
Gross Wages	Social Security	Pension(s)	Other Income (e.g. unemployment)	Total primary taxpayer income =	(30) \$
\$ _____	+ \$ _____	+ \$ _____	+ \$ _____		
Spouse					
Gross Wages	Social Security	Pension(s)	Other Income (e.g. unemployment)	Total spouse income =	(31) \$
\$ _____	+ \$ _____	+ \$ _____	+ \$ _____		
Additional sources of income used to support the household, e.g., non-liable spouse, or anyone else who may contribute to the household income, etc.					(32) \$
Interest and dividends					(33) \$
Distributions (e.g., income from partnerships, sub-S Corporations, etc.)					(34) \$
Net rental income					(35) \$
Net business income from Box C					(36) \$
Child support received					(37) \$
Alimony received					(38) \$
Round to the nearest whole dollar. Do not enter a negative number. If any line item is a negative, enter "0" on that line.					
Add lines (30) through (38) and enter the amount in Box D =					

Monthly Household Expenses

Enter your average monthly expenses.

Note: For expenses claimed in boxes (39) and (45) only, you should list the full amount of the allowable standard even if the actual amount you pay is less. You may find the allowable standards at <http://www.irs.gov/Businesses/Small-Businesses-&Self-Employed/Collection-Financial-Standards>.

Round to the nearest whole dollar.

Food, clothing, and miscellaneous (e.g., housekeeping supplies, personal care products, minimum payment on credit card). A reasonable estimate of these expenses may be used.	(39) \$
Housing and utilities (e.g., rent or mortgage payment and average monthly cost of property taxes, home insurance, maintenance, dues, fees and utilities including electricity, gas, other fuels, trash collection, water, cable television and internet, telephone, and cell phone).	(40) \$
Vehicle loan and/or lease payment(s)	(41) \$
Vehicle operating costs (e.g., average monthly cost of maintenance, repairs, insurance, fuel, registrations, licenses, inspections, parking, tolls, etc.). A reasonable estimate of these expenses may be used.	(42) \$
Public transportation costs (e.g., average monthly cost of fares for mass transit such as bus, train, ferry, taxi, etc.). A reasonable estimate of these expenses may be used.	(43) \$
Health insurance premiums	(44) \$
Out-of-pocket health care costs (e.g. average monthly cost of prescription drugs, medical services, and medical supplies like eyeglasses, hearing aids, etc.)	(45) \$
Court-ordered payments (e.g., monthly cost of any alimony, child support, etc.)	(46) \$
Child/dependent care payments (e.g., daycare, etc.)	(47) \$
Life insurance premiums	(48) \$
Current monthly taxes (e.g., monthly cost of federal, state, and local tax, personal property tax, etc.)	(49) \$

Secured debts (e.g., any loan where you pledged an asset as collateral not previously listed, government guaranteed Student Loan)	(50) \$
Enter the amount of your monthly delinquent State and/or Local Tax payment(s)	(51) \$
Round to the nearest whole dollar. Do not enter a negative number. If any line item is a negative, enter "0" on that line. Add lines (39) through (51) and enter the amount in Box E =	
Round to the nearest whole dollar. Do not enter a negative number. If any line item is a negative, enter "0" on that line. Subtract Box E from Box D and enter the amount in Box F =	

The next steps calculate your minimum offer amount. The amount of time you take to pay your offer in full will affect your minimum offer amount. Paying over a shorter period of time will result in a smaller minimum offer amount.

Note: The multipliers below (12 and 24) and the calculated offer amount do not apply if IRS determines you have the ability to pay your tax debt in full within the legal period to collect.

Round to the nearest whole dollar.

If you will pay your offer in 5 or fewer payments within 5 months or less, multiply "Remaining Monthly Income" (Box F) by 12 to get "Future Remaining Income" (Box G). Do not enter a number less than \$0.

	X 12 =	
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If you will pay your offer in 6 to 24 months, multiply "Remaining Monthly Income" (Box F) by 24 to get "Future Remaining Income" (Box H). Do not enter a number less than \$0.

	X 24 =	
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Determine your minimum offer amount by adding the total available assets from Box A and Box B (if applicable) to the amount in either Box G or Box H.

	+		=	<p>Offer Amount Your offer must be more than zero (\$0). Do not leave blank. Use whole dollars only. \$</p>
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If you cannot pay the Offer Amount shown above due to special circumstances, explain on the Form 656, Offer in Compromise, Section 1, Low Income Certification. You must offer an amount more than \$0.

Additional information IRS needs to consider settlement of your tax debt. If you or your business are currently in a bankruptcy proceeding, you are not eligible to apply for an offer.

Are you the beneficiary of a trust, estate, or life insurance policy?

Yes No

Are you currently in bankruptcy?

Yes No

Have you filed bankruptcy in the past 10 years?

Yes No

Discharge/Dismissal Date (mm/dd/yyyy)

Location Filed

Are you or have you been party to a lawsuit?

Yes No

If yes, date the lawsuit was resolved: (mm/dd/yyyy)

Are you or have you been party to any lawsuits involving the IRS/United States (including any suits regarding tax matters)?

Yes No

If yes and the suit included tax debt, provide the types of tax and periods involved.

In the past 10 years, have you transferred any assets for less than their full value?

Yes No

If yes, provide date, value, and type of asset transferred: (mm/dd/yyyy)

In the past 3 years have you transferred any real property (land, house, etc.)?

Yes No

If yes, list the type of property, value, and date of the transfer.

Have you lived outside the U.S. for 6 months or longer in the past 10 years?

Yes No

Do you have any assets or own any real property outside the U.S.?



Yes No

If yes, provide description, location, and value.

Do you have any funds being held in trust by a third party?

Yes No If yes, how much \$ Where:

Under penalties of perjury, I declare that I have examined this offer, including accompanying documents, and to the best of my knowledge it is true, correct, and complete.

 Signature of Taxpayer	Date (mm/dd/yyyy)
 Signature of Spouse	Date (mm/dd/yyyy)

Remember to include all applicable attachments listed below.

- Copies of the most recent pay stub, earnings statement, etc., from each employer
- Copies of the most recent statement for each investment and retirement account
- Copies of the most recent statement, etc., from all other sources of income such as pensions, Social Security, rental income, interest and dividends (including any received from a related partnership, corporation, LLC, LLP, etc.), court order for child support, alimony, and rent subsidies
- Copies of bank statements for the three most recent months
- Copies of the most recent statement from lender(s) on loans such as mortgages, second mortgages, vehicles, etc., showing monthly payments, loan payoffs, and balances
- List of Notes Receivable, if applicable
- Verification of delinquent State/Local Tax Liability, if applicable
- Documentation to support any special circumstances described in the "Explanation of Circumstances" on Form 656, if applicable
- Attach a Form 2848, *Power of Attorney*, if you would like your attorney, CPA, or enrolled agent to represent you and you do not have a current form on file with the IRS.
- Completed and signed Form 656

Collection Information Statement for Businesses

Complete this form if your business is a

- ▶ Corporation
- ▶ Limited Liability Company (LLC) classified as a corporation
- ▶ Partnership
- ▶ Other multi-owner/multi-member LLC

Note: If your business is a sole proprietorship or a disregarded single member LLC taxed as a sole proprietor (filing Schedule C, D, E, F, etc.), do not use this form. Instead, complete Form 433-A (OIC) Collection Information Statement for Wage Earners and Self-Employed Individuals. This form should only be used with the Form 656, Offer in Compromise.

Include attachments if additional space is needed to respond completely to any question.

Business Name		Employer Identification Number	
Business Physical Address <i>(street, city, state, zip code)</i>		County of Business Location	
		Description of Business and DBA or "Trade Name"	
Primary Phone () -	Secondary Phone () -	Business Mailing Address <i>(if different from above or Post Office Box number)</i>	
Business website address			
Fax Number () -	Does the business outsource its payroll processing and tax return preparation for a fee?		If yes, list provider name and address in box below <i>(Street, City, State, ZIP Code)</i>
Federal Contractor <input type="checkbox"/> Yes <input type="checkbox"/> No	Total Number of Employees	<input type="checkbox"/> Yes <input type="checkbox"/> No	
Frequency of Tax Deposits	Average Gross Monthly Payroll \$		

Provide information about all partners, officers, LLC members, major shareholders (foreign and domestic), etc., associated with the business. Include attachments if additional space is needed.

Last Name	First Name	Title
Percent of Ownership and Annual Salary	Social Security Number - -	Home Address <i>(Street, City, State, ZIP Code)</i>
Primary Phone () -	Secondary Phone () -	
Last Name	First Name	Title
Percent of Ownership and Annual Salary	Social Security Number - -	Home Address <i>(Street, City, State, ZIP Code)</i>
Primary Phone () -	Secondary Phone () -	
Last Name	First Name	Title
Percent of Ownership and Annual Salary	Social Security Number - -	Home Address <i>(Street, City, State, ZIP Code)</i>
Primary Phone () -	Secondary Phone () -	

Gather the most current statement from banks, lenders on loans, mortgages (including second mortgages), monthly payments, loan balances, and accountant's depreciation schedules, if applicable. Also, include make/model/year/mileage of vehicles and current value of business assets. To estimate the current value, you may consult resources like Kelley Blue Book (www.kbb.com), NADA (www.nada.com), local real estate postings of properties similar to yours, and any other websites or publications that show what the business assets would be worth if you were to sell them. Asset value is subject to adjustment by IRS. Enter the total amount available for each of the following (if additional space is needed, please include attachments).

Round to the nearest dollar. Do not enter a negative number. If any line item is a negative number, enter "0".

Cash and Investments (domestic and foreign)

<input type="checkbox"/> Cash <input type="checkbox"/> Checking <input type="checkbox"/> Savings <input type="checkbox"/> Money Market/CD <input type="checkbox"/> Online Account <input type="checkbox"/> Stored Value Card		
Bank Name	Account Number	(1a) \$
<input type="checkbox"/> Cash <input type="checkbox"/> Checking <input type="checkbox"/> Savings <input type="checkbox"/> Money Market/CD <input type="checkbox"/> Online Account <input type="checkbox"/> Stored Value Card		
Bank Name	Account Number	(1b) \$
<input type="checkbox"/> Cash <input type="checkbox"/> Checking <input type="checkbox"/> Savings <input type="checkbox"/> Money Market/CD <input type="checkbox"/> Online Account <input type="checkbox"/> Stored Value Card		
Bank Name	Account Number	(1c) \$
Total bank accounts from attachment		(1d) \$
Add lines (1a) through (1d) =		(1) \$

Investment Account: <input type="checkbox"/> Stocks <input type="checkbox"/> Bonds <input type="checkbox"/> Other		
Name of Financial Institution	Account Number	
Current Market Value	Minus Loan Balance	(2a) \$
\$ _____ X .8 = \$ _____	- \$ _____ =	
Investment Account: <input type="checkbox"/> Stocks <input type="checkbox"/> Bonds <input type="checkbox"/> Other		
Name of Financial Institution	Account Number	
Current Market Value	Minus Loan Balance	(2b) \$
\$ _____ X .8 = \$ _____	- \$ _____ =	
Total investment accounts from attachment. [current market value X.8 minus loan balance(s)]		(2c) \$
Add lines (2a) through (2c) =		(2) \$

<p>Notes Receivable</p> <p>Do you have notes receivable? <input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>If yes, attach current listing which includes name, age, and amount of note(s) receivable.</p>	
<p>Accounts Receivable</p> <p>Do you have accounts receivable, including e-payment, factoring companies, and any bartering or online auction accounts? <input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>If yes, you may be asked to provide a list of name, age, and amount of the account(s) receivable.</p>	

If the business owns more properties, vehicles, or equipment than shown in this form, please list on a separate attachment.

Real Estate (Buildings, Lots, Commercial Property, etc.)

Property Address (Street Address, City, State, ZIP Code)	Property Description	Date Purchased	
	Name of Creditor	Date of Final Payment	
	County and Country		
Current Market Value		Minus Loan Balance (mortgages, etc.)	
\$ _____ X .8 = \$ _____		- \$ _____ Total Value of Real Estate =	
		(3a) \$	
Property Address (Street Address, City, State, ZIP Code)	Property Description	Date Purchased	
	Name of Creditor	Date of Final Payment	
	County and Country		
Current Market Value		Minus Loan Balance (mortgages, etc.)	
\$ _____ X .8 = \$ _____		- \$ _____ Total Value of Real Estate =	
		(3b) \$	
Total value of property(s) listed from attachment [current market value X .8 minus any loan balance(s)]			(3c) \$
Add lines (3a) through (3c) =			(3) \$

Business Vehicles (cars, boats, motorcycles, trailers, etc.). If additional space is needed, list on an attachment.

Vehicle Make & Model	Year	Date Purchased	Mileage or Use Hours	
<input type="checkbox"/> Lease	Monthly Lease/Loan Amount	Name of Creditor	Date of Final Payment	
<input type="checkbox"/> Loan	\$			
Current Market Value		Minus Loan Balance		
\$ _____ X .8 = \$ _____		- \$ _____ Total value of vehicle (if the vehicle is leased, enter 0 as the total value) =		
		(4a) \$		
Vehicle Make & Model	Year	Date Purchased	Mileage or Use Hours	
<input type="checkbox"/> Lease	Monthly Lease/Loan Amount	Name of Creditor	Date of Final Payment	
<input type="checkbox"/> Loan	\$			
Current Market Value		Minus Loan Balance		
\$ _____ X .8 = \$ _____		- \$ _____ Total value of vehicle (if the vehicle is leased, enter 0 as the total value) =		
		(4b) \$		
Vehicle Make & Model	Year	Date Purchased	Mileage or Use Hours	
<input type="checkbox"/> Lease	Monthly Lease/Loan Amount	Name of Creditor	Date of Final Payment	
<input type="checkbox"/> Loan	\$			
Current Market Value		Minus Loan Balance		
\$ _____ X .8 = \$ _____		- \$ _____ Total value of vehicle (if the vehicle is leased, enter 0 as the total value) =		
		(4c) \$		
Total value of vehicles listed from attachment [current market value X .8 minus any loan balance(s)]				(4d) \$
Add lines (4a) through (4d) =				(4) \$

Other Business Equipment

[If you have more than one piece of equipment, please list on a separate attachment and put the total of all equipment in box (5b)]

Type of equipment	
Current Market Value	Minus Loan Balance
\$ _____ X .8 = \$ _____	– \$ _____
Total value of equipment listed from attachment [current market value X .8 minus any loan balance(s)]	
	Total value of equipment (if leased or used in the production of income enter 0 as the total value) =
	(5a) \$ _____
	(5b) \$ _____
	Total value of all business equipment
	Add lines (5a) and (5b) =
	(5) \$ _____
Do not include amount on the lines with a letter beside the number. Round to the nearest dollar. Do not enter a negative number. If any line item is a negative number, enter "0" on that line. Add lines (1) through (5) and enter the amount in Box A =	

Enter the average gross monthly income of your business. To determine your gross monthly income use the most recent 6-12 months documentation of commissions, invoices, gross receipts from sales/services, etc.; most recent 6-12 months earnings statements, etc., from every other source of income (such as rental income, interest and dividends, or subsidies); or you may use the most recent 6-12 months Profit and Loss (P&L) to provide the information of income and expenses.

Note: If you provide a current profit and loss statement for the information below, enter the total gross monthly income in Box B below. Do not complete lines (6) - (10). Entire household income should also include income that is considered as not taxable and may not be included on your tax return.

Gross receipts	(6) \$ _____
Gross rental income	(7) \$ _____
Interest income	(8) \$ _____
Dividends	(9) \$ _____
Other income (Specify on attachment)	(10) \$ _____
Round to the nearest dollar. Do not enter a negative number. If any line item is a negative number, enter "0" on that line. Add lines (6) through (10) and enter the amount in Box B =	

Enter the average gross monthly expenses for your business using your most recent 6-12 months statements, bills, receipts, or other documents showing monthly recurring expenses.

Note: If you provide a current profit and loss statement for the information below, enter the total monthly expenses in Box C below. Do not complete lines (11) - (20).

Materials purchased (e.g., items directly related to the production of a product or service)	(11) \$ _____
Inventory purchased (e.g., goods bought for resale)	(12) \$ _____
Gross wages and salaries	(13) \$ _____
Rent	(14) \$ _____
Supplies (items used to conduct business and used up within one year, e.g., books, office supplies, professional equipment, etc.)	(15) \$ _____
Utilities/telephones	(16) \$ _____
Vehicle costs (gas, oil, repairs, maintenance)	(17) \$ _____
Insurance (other than life)	(18) \$ _____
Current taxes (e.g., real estate, state, and local income tax, excise franchise, occupational, personal property, sales and employer's portion of employment taxes, etc.)	(19) \$ _____
Other expenses (e.g., secured debt payments. Specify on attachment. Do not include credit card payments)	(20) \$ _____
Round to the nearest dollar. Do not enter a negative number. If any line item is a negative number, enter "0" on that line. Add lines (11) through (20) and enter the amount in Box C =	
Round to the nearest dollar. Do not enter a negative number. If any line item is a negative number, enter "0" on that line. Subtract Box C from Box B and enter the amount in Box D =	

The next steps calculate your minimum offer amount. The amount of time you take to pay your offer in full will affect your minimum offer amount. Paying over a shorter period of time will result in a smaller minimum offer amount.

If you will pay your offer in 5 or fewer payments within 5 months or less, multiply "Remaining Monthly Income" (Box D) by 12 to get "Future Remaining Income." Do not enter a number less than zero.

Note: The multipliers below (12 and 24) and the calculated offer amount do not apply if IRS determines you have the ability to pay your tax debt in full within the legal period to collect.

Round to the nearest whole dollar.

	X 12 =	
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If you will pay your offer in 6 to 24 months, multiply "Remaining Monthly Income" (Box D) by 24 to get "Future Remaining Income". Do not enter a number less than zero.

	X 24 =	
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Determine your minimum offer amount by adding the total available assets from Box A to the amount in either Box E or Box F. Your offer amount must be more than zero.

	+		=	<p>Offer Amount Your offer must be more than zero (\$0). Do not leave blank. Use whole dollars only. \$</p>
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You must offer an amount more than \$0.

***You may exclude any equity in income producing assets shown in Section 2 of this form.**

Additional information IRS needs to consider settlement of your tax debt. If this business is currently in a bankruptcy proceeding, the business is not eligible to apply for an offer.

Is the business currently in bankruptcy?

Yes No

Has the business ever filed bankruptcy?

Yes No

If yes, provide:

Date Filed (mm/dd/yyyy) _____ Date Dismissed or Discharged (mm/dd/yyyy) _____
 Petition No. _____ Location Filed _____

Does this business have other business affiliations (e.g., subsidiary or parent companies)?

Yes No

If yes, list the Name and Employer Identification Number:

Do any related parties (e.g., partners, officers, employees) owe money to the business?

Yes No

Is the business currently, or in the past, a party to a lawsuit?

Yes No

If yes, date the lawsuit was resolved:

Are you or have you been party to any lawsuits involving the IRS/United States (including any suits regarding tax matters)?

Yes No

If yes and the suit included tax debt, provide the types of tax and periods involved.

In the past 10 years, has the business transferred any assets for less than their full value?

Yes No

If yes, provide date, value, and type of asset transferred:

In the past 3 years have you transferred any real property (land, house, etc.)?

Yes No

If yes, list the type of property, value, and date of the transfer.

Has the business been located outside the U.S. for 6 months or longer in the past 10 years?

Yes No

Do you have any assets or own any real property outside the U.S.?

Yes No

If yes, please provide description, location, and value.

Does the business have any funds being held in trust by a third party?

Yes No **If yes**, how much \$ _____ Where: _____

Does the business have any lines of credit?

Yes No **If yes**, credit limit \$ _____ Amount owed \$ _____

What property secures the line of credit? _____

Under penalties of perjury, I declare that I have examined this offer, including accompanying documents, and to the best of my knowledge it is true, correct, and complete.

Signature of Taxpayer	Title	Date (mm/dd/yyyy)
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- A current Profit and Loss statement covering at least the most recent 6–12 month period, if appropriate.
- Copies of the three most recent statements for each bank, investment, and retirement account
- If an asset is used as collateral on a loan, include copies of the most recent statement from lender(s) on loans, monthly payments, loan payoffs, and balances.
- Copies of the most recent statement of outstanding notes receivable.
- Copies of the most recent statements from lenders on loans, mortgages (including second mortgages), monthly payments, loan payoffs, and balances.
- Copies of relevant supporting documentation of the special circumstances described in the “Explanation of Circumstances” on Form 656, if applicable.
- Attach a Form 2848, Power of Attorney, if you would like your attorney, CPA, or enrolled agent to represent you and you do not have a current form on file with the IRS. Make sure the current tax year is included.
- Completed and signed Form 656

Offer in Compromise

► To: Commissioner of Internal Revenue Service

IRS Received Date

In the following agreement, the pronoun "we" may be assumed in place of "I" when there are joint liabilities and both parties are signing this agreement.

I submit this offer to compromise the tax liabilities plus any interest, penalties, additions to tax, and additional amounts required by law for the tax type and period(s) marked in Section 2 or Section 3 below.

Did you use the Pre-Qualifier tool located on our website at http://irs.treasury.gov/oic_pre_qualifier/ prior to filling out this form?

Yes No

Note: The use of the Pre-Qualifier tool is not mandatory before sending in your offer. However, it is recommended.

Include the \$186 application fee and initial payment (*personal check, cashier's check, or money order*) with your Form 656. You must also include the completed Form 433-A (OIC) and/or 433-B (OIC) and supporting documentation. You should fill out either Section 1 or Section 2, but not both, depending on the tax debt you are offering to compromise.

Section 1 Individual Information (Form 1040 filers)

If you are a 1040 filer, an individual with personal liability for Excise tax, individual responsible for Trust Fund Recovery Penalty, self-employed individual, individual personally responsible for partnership liabilities, and/or an individual who operates as a single member LLC or a disregarded entity taxed as a sole proprietorship you should fill out Section 1. You must also include all required documentation including the Form 433-A (OIC), the \$186 application fee, and initial payment.

Your First Name, Middle Initial, Last Name Social Security Number (SSN)
- -

If a Joint Offer, Spouse's First Name, Middle Initial, Last Name Social Security Number (SSN)
- -

Your Physical Home Address (*Street, City, State, ZIP Code*)

Your Home Mailing Address (*if different from above or Post Office Box number*)

Is this a new address? Yes No

If yes, would you like us to update our records to this address? Yes No

Employer Identification Number
-

Individual Tax Periods

If Your Offer is for Individual Tax Debt Only

1040 Income Tax-Year(s) _____

Trust Fund Recovery Penalty as a responsible person of (*enter business name*) _____
for failure to pay withholding and Federal Insurance Contributions Act taxes (Social Security taxes), for period(s) ending _____

941 Employer's Quarterly Federal Tax Return - Quarterly period(s) _____

940 Employer's Annual Federal Unemployment (FUTA) Tax Return - Year(s) _____

Other Federal Tax(es) [specify type(s) and period(s)] _____

Note: If you need more space, use attachment and title it "Attachment to Form 656 dated _____." Make sure to sign and date the attachment.

Low-Income Certification (Individuals and Sole Proprietors Only)

Do you qualify for Low-Income Certification? You qualify if your gross monthly household income is less than or equal to the amount shown in the chart below based on your family size and where you live. If you qualify, you are not required to submit any payments during the consideration of your offer. If your business is other than a sole proprietor or disregarded single member LLC taxed as a sole proprietor and you owe employment taxes after January 1, 2009, you cannot qualify for the waiver. IRS will determine whether the household income (at the time of the offer submission or at the time the offer is processed, whichever is lower) and family size support the decision not to pay the application fee.

Check this box if your household's gross monthly income is equal to or less than the monthly income shown in the table below.

Size of family unit	48 contiguous states and D.C.	Hawaii	Alaska
1	\$2,513	\$2,888	\$3,138
2	\$3,383	\$3,890	\$4,227
3	\$4,254	\$4,892	\$5,317
4	\$5,125	\$5,894	\$6,406
5	\$5,996	\$6,896	\$7,496
6	\$6,867	\$7,898	\$8,585
7	\$7,738	\$8,900	\$9,675
8	\$8,608	\$9,902	\$10,765
For each additional person, add	\$871	\$1,002	\$1,090

Section 2 Business Information (Form 1120, 1065, etc., filers)

If your business is a Corporation, Partnership, LLC, or LLP and you want to compromise those tax debts, you must complete this section. You must also include all required documentation including the Form 433-B (OIC), and a separate \$186 application fee, and initial payment.

Business Name _____

Business Physical Address (Street, City, State, ZIP Code) _____

Business Mailing Address (Street, City, State, ZIP Code) _____

Employer Identification Number (EIN) -	Name and Title of Primary Contact	Telephone Number () -
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Business Tax Periods

If Your Offer is for Business Tax Debt Only

- 1120 Income Tax-Year(s) _____
- 941 Employer's Quarterly Federal Tax Return - Quarterly period(s) _____
- 940 Employer's Annual Federal Unemployment (FUTA) Tax Return - Year(s) _____
- Other Federal Tax(es) [specify type(s) and period(s)] _____

Note: If you need more space, use attachment and title it "Attachment to Form 656 dated _____." Make sure to sign and date the attachment.

Section 3 Reason for Offer

- Doubt as to Collectibility** - I do not have enough in assets and income to pay the full amount.
- Exceptional Circumstances (Effective Tax Administration)** - I owe this amount and have enough assets to pay the full amount, but due to my exceptional circumstances, requiring full payment would cause an economic hardship or would be unfair and inequitable. I am submitting a written narrative explaining my circumstances.

Explanation of Circumstances (Add additional pages, if needed) – The IRS understands that there are unplanned events or special circumstances, such as serious illness, where paying the full amount or the minimum offer amount might impair your ability to provide for yourself and your family. If this is the case and you can provide documentation to prove your situation, then your offer may be accepted despite your financial profile. Describe your situation below and attach appropriate documents to this offer application.

Section 4 Payment Terms

Check one of the payment options below to indicate how long it will take you to pay your offer in full. You must offer more than \$0. The offer amount should be in whole dollars only.

Lump Sum Cash

Check here if you will pay your offer in 5 or fewer payments within 5 or fewer months from the date of acceptance:

Enclose a check for 20% of the offer amount (waived if you are an individual or sole proprietor and met the requirements for Low Income Certification) and fill in the amount(s) of your future payment(s).

Total Offer Amount	-	20% Initial Payment	=	Remaining Balance
\$	-	\$	=	\$
You may pay the remaining balance in one payment after acceptance of the offer or up to five payments, but cannot exceed 5 months.				
Amount of payment	\$	payable within	1	Month after acceptance
Amount of payment	\$	payable within	2	Months after acceptance
Amount of payment	\$	payable within	3	Months after acceptance
Amount of payment	\$	payable within	4	Months after acceptance
Amount of payment	\$	payable within	5	Months after acceptance

Periodic Payment

Check here if you will pay your offer in full in 6 to 24 months.

Enter the amount of your offer \$ _____

Note: The total amount must equal all of the proposed payments including the first and last payments.

Enclose a check for the first month's payment.

\$ _____ is included with this offer then \$ _____ will be sent in on the _____ day of each month thereafter for a total of _____ months with a final payment of \$ _____ to be paid on the _____ day of the _____ month.

Note: The total months may not exceed a total of 24 months, including the first payment. Your first payment is considered to be month 1; therefore, the remainder of the payments must be made within 23 months for a total of 24.

You must continue to make these monthly payments while the IRS is considering the offer (waived if you met the requirements for Low Income Certification). Failure to make regular monthly payments will cause your offer to be returned with no appeal rights.

IRS Use Only

Attached is an addendum dated (insert date) _____ setting forth the amended offer amount and payment terms.

Section 5 Designation of Payment, Electronic Federal Transfer Payment System (EFTPS), and Deposit

Designation of Payment

If you want your payment to be applied to a specific tax year and a specific tax debt, such as a Trust Fund Recovery Penalty, please tell us the tax year/quarter _____. If you do not designate a preference, we will apply any money you send to the government's best interest. If you want to designate any payments not included with this offer, you must designate a preference for each payment at the time the payment is made. However, you cannot designate the \$186 application fee or any payment after the IRS accepts the offer.

Note: Payments submitted with your offer cannot be designated as estimated tax payments for a current or past tax year.

Electronic Federal Transfer Payment System (EFTPS)

Did you make your payment through the [Electronic Federal Tax Payment System \(EFTPS\)](#)?

Yes No

If yes, provide the amount of your payment(s) \$ _____, the date paid _____, and the 15 digit Electronic Funds Transfer (EFT) Number _____.

Note: Any initial payments paid through the EFTPS system must be made the same date your offer is mailed.

Deposit

If you are paying **more than** the initial payment with your offer and you want any part of that payment treated as a deposit, check the box below and insert the amount.

My payment of \$ _____ includes the \$186 application fee and \$ _____ for my first month's payment. I am requesting the additional amount of \$ _____ be held as a deposit.

If your offer is rejected, returned, or withdrawn please check one of the boxes below and let us know what you would like us to do with your deposit.

Return it to you (Initial here _____) Apply it to your tax debt (Initial here _____)

CAUTION: Do NOT designate the amounts sent in with your offer to cover the initial payment and application fee as "deposits." Doing so will result in the return of your offer with no right to appeal.

Section 6 Source of Funds, Making Your Payment, Filing Requirements, and Tax Payment Requirements**Source of Funds**

Tell us where you will obtain the funds to pay your offer. You may consider borrowing from friends and/or family, taking out a loan, or selling assets.

Making Your Payment

Include separate checks for the payment and application fee.

Make checks payable to the "United States Treasury" and attach to the front of your Form 656, Offer in Compromise. All payments must be in U.S. dollars. **Do not send cash.** Send a separate application fee with each offer; do not combine it with any other tax payments, as this may delay processing of your offer. You may also make payments through the [Electronic Federal Tax Payment System \(EFTPS\)](#). Your offer will be returned to you if the application fee and the required payment are not included, or if your check is returned for insufficient funds.

Filing Requirements

- I have filed all required tax returns.
- I was not required to file a tax return for the following years: _____

Note: Do not include original tax returns with your offer. You must either electronically file your tax return or mail it to the appropriate IRS processing office before sending in your offer.

Tax Payment Requirements (check all that apply)

- I have made all required estimated tax payments for the current tax year.
- I am not required to make any estimated tax payments for the current tax year.
- I have made all required federal tax deposits for the current quarter.
- I am not required to make any federal tax deposits for the current quarter.

Section 7 Offer Terms

By submitting this offer, I have read, understand and agree to the following terms and conditions:

Terms, Conditions, and Legal Agreement**IRS will keep my payments, fees, and some refunds.**

- a) I request that the IRS accept the offer amount listed in this offer application as payment of my outstanding tax debt (including interest, penalties, and any additional amounts required by law) as of the date listed on this form. I authorize the IRS to amend Section 1 and/or Section 2 if I failed to list any of my assessed tax debt or tax debt assessed before acceptance of my offer. I also authorize the IRS to amend Section 1 and/or Section 2 by removing any tax years on which there is currently no outstanding liability. I understand that my offer will be accepted, by law, unless IRS notifies me otherwise, in writing, within 24 months of the date my offer was received by IRS. I also understand that if any tax debt that is included in the offer is in dispute in any judicial proceeding it/ they will not be included in determining the expiration of the 24-month period.
- b) I voluntarily submit the payments made on this offer and understand that they will not be returned even if I withdraw the offer or the IRS rejects or returns the offer. Unless I designate how to apply each required payment in Section 5, the IRS will apply my payment in the best interest of the government, choosing which tax years and tax debts to pay off. The IRS will also keep my application fee unless the offer is not accepted for processing.
- c) The IRS will keep any refund, including interest, that I might be due for tax periods extending through the calendar year in which the IRS accepts my offer. I cannot designate that the refund be applied to estimated tax payments for the following year or the accepted offer amount. If I receive a refund after I submit this offer for any tax period extending through the calendar year in which the IRS accepts my offer, I will return the refund within 30 days of notification. The refund offset does not apply to offers accepted under the provisions of Effective Tax Administration or Doubt as to Collectibility with special circumstances based on public policy/equity considerations.
- d) I understand that the amount I am offering may not include part or all of an expected or current tax refund, money already paid, funds attached by any collection action, or anticipated benefits from a capital or net operating loss.
- e) The IRS will keep any monies it has collected prior to this offer. Under section § 6331(a) the IRS may levy up to the time that the IRS official signs and acknowledges my offer as pending, which is accepted for processing and the IRS may keep any proceeds arising from such a levy. No levy will be issued on individual shared responsibility payments. However, if the IRS served a continuous levy on wages, salary, or certain federal payments under sections 6331(e) or (h), then the IRS could choose to either retain or release the levy.
- f) The IRS will keep any payments that I make related to this offer. I agree that any funds submitted with this offer will be treated as a payment unless I checked the box to treat any amount more than the required initial payment as a deposit. Only amounts that exceed the mandatory payments can be treated as a deposit. I also agree that any funds submitted with periodic payments made after the submission of this offer and prior to the acceptance, rejection, or return of this offer will be treated as payments, unless I identify the amount more than the required payment as a deposit on the check submitted with the corresponding periodic payment. A deposit will be returned if the offer is rejected, returned, or withdrawn. I understand that the IRS will not pay interest on any deposit.
- g) If my offer is accepted and my final payment is more than the agreed amount by \$50 or less, the IRS will not return the difference, but will apply the entire payment to my tax debt. If my final payment exceeds the agreed amount by more than \$50, the IRS will return the excess payment to me.

Section 7 (Continued)**Offer Terms****Pending status of an offer and right to appeal**

h) Once an authorized IRS official signs this form, my offer is considered pending as of that signature date and it remains pending until the IRS accepts, rejects, returns, or I withdraw my offer. An offer is also considered pending for 30 days after any rejection of my offer by the IRS, and during the time that any rejection of my offer is being considered by the Appeals Office. An offer will be considered withdrawn when the IRS receives my written notification of withdrawal by personal delivery or certified mail or when I inform the IRS of my withdrawal by other means and the IRS acknowledges in writing my intent to withdraw the offer.

i) I waive the right to an Appeals hearing if I do not request a hearing in writing within 30 days of the date the IRS notifies me of the decision to reject the offer.

I must comply with my future tax obligations and understand I remain liable for the full amount of my tax debt until all terms and conditions of this offer have been met.

j) I will comply with all provisions of the internal revenue laws, including requirements to timely file tax returns and timely pay taxes for the five year period beginning with the date of acceptance of this offer and ending through the fifth year, including any extensions to file and pay. I agree to promptly pay any liabilities assessed after acceptance of this offer for tax years ending prior to acceptance of this offer that were not otherwise identified in Section 1 or Section 2 of this agreement. I also understand that during the five year period I cannot request an installment agreement for unpaid taxes incurred before or after the accepted offer. If this is an offer being submitted for joint tax debt, and one of us does not comply with future obligations, only the non-compliant taxpayer will be in default of this agreement. An accepted offer will not be defaulted solely due to the assessment of an individual shared responsibility payment. I also understand that during the five year period I cannot request an installment agreement for unpaid taxes incurred before or after the accepted offer.

k) I agree that I will remain liable for the full amount of the tax liability, accrued penalties and interest, until I have met all of the terms and conditions of this offer. Penalty and interest will continue to accrue until all payment terms of the offer have been met. If I file for bankruptcy before the terms and conditions of the offer are met, I agree that the IRS may file a claim for the full amount of the tax liability, accrued penalties and interest, and that any claim the IRS files in the bankruptcy proceeding will be a tax claim.

l) Once the IRS accepts my offer in writing, I have no right to challenge the tax debt(s) in court or by filing a refund claim or refund suit for any liability or period listed in Section 1 or Section 2, even if I default the terms of the accepted offer.

I understand what will happen if I fail to meet the terms of my offer (e.g., default).

m) If I fail to meet any of the terms of this offer, the IRS may revoke the certificate of release of federal tax lien and file a new notice of federal tax lien; levy or sue me to collect any amount ranging from one or more missed payments to the original amount of the tax debt (less payments made) plus penalties and interest that have accrued from the time the underlying tax liability arose. The IRS will continue to add interest, as required by section § 6601 of the Internal Revenue Code, on the amount the IRS determines is due after default Shared responsibility payments are excluded from levy.

I agree to waive time limits provided by law.

n) To have my offer considered, I agree to the extension of the time limit provided by law to assess my tax debt (statutory period of assessment). I agree that the date by which the IRS must assess my tax debt will now be the date by which my debt must currently be assessed plus the period of time my offer is pending plus one additional year if the IRS rejects, returns, or terminates my offer or I withdraw it. (Paragraph (h) of this section defines pending and withdrawal.) I understand that I have the right not to waive the statutory period of assessment or to limit the waiver to a certain length or certain periods or issues. I understand, however, that the IRS may not consider my offer if I refuse to waive the statutory period of assessment or if I provide only a limited waiver. I also understand that the statutory period for collecting my tax debt will be suspended during the time my offer is pending with the IRS, for 30 days after any rejection of my offer by the IRS, and during the time that any rejection of my offer is being considered by the Appeals Office.

I understand the IRS may file a Notice of Federal Tax Lien on my property.

o) The IRS may file a Notice of Federal Tax Lien during consideration of the offer. The IRS may file a Notice of Federal Tax Lien to protect the Government's interest on offers that will be paid over time. This tax lien will be released 30 days after the payment terms have been satisfied and the payment has been verified. If the offer is accepted, the tax lien will be released within 30 days of when the payment terms have been satisfied and the payment has been verified. The time it takes to transfer funds to the IRS from commercial institutions varies based on the form of payment. The IRS will not file a Notice of Federal Tax Lien on any individual shared responsibility debt.

Correction Agreement

p) I authorize IRS, to correct any typographical or clerical errors or make minor modifications to my/our Form 656 that I signed in connection to this offer.

I authorize the IRS to contact relevant third parties in order to process my offer.

q) By authorizing the IRS to contact third parties, I understand that I will not be notified of which third parties the IRS contacts as part of the offer application process, including tax periods that have not been assessed, as stated in §7602 (c) of the Internal Revenue Code. In addition, I authorize the IRS to request a consumer report on me from a credit bureau.

I am submitting an offer as an individual for a joint liability.

r) I understand if the liability sought to be compromised is the joint and individual liability of myself and my co-obligor(s) and I am submitting this offer to compromise my individual liability only, then if this offer is accepted, it does not release or discharge my co-obligor(s) from liability. The United States still reserves all rights of collection against the co-obligor(s).

Shared Responsibility Payment (SRP)

s) If your offer includes any shared responsibility payment (SRP) amount that you owe for not having minimum essential health coverage for you and, if applicable, your dependents per Internal Revenue Code Section 5000A - Individual shared responsibility payment, it is not subject to penalties, except applicable bad check penalty, or to lien and levy enforcement actions. However, interest will continue to accrue until you pay the total SRP balance due. We may apply your federal tax refunds to the SRP amount that you owe until it is paid in full.

IRS Use Only. I accept the waiver of the statutory period of limitations on assessment for the Internal Revenue Service, as described in Section 7(n).		
Signature of Authorized Internal Revenue Service Official	Title	Date (mm/dd/yyyy)

Section 8 Signatures

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.

Signature of Taxpayer/Corporation Name	Phone Number	Today's Date (mm/dd/yyyy)

By checking this box you are authorizing the IRS to contact you at the telephone number listed above and leave detailed messages concerning this offer on your voice mail or answering machine.

Signature of Spouse/Authorized Corporate Officer	Phone Number	Today's Date (mm/dd/yyyy)

By checking this box you are authorizing the IRS to contact you at the telephone number listed above and leave detailed messages concerning this offer on your voice mail or answering machine.

Section 9 Paid Preparer Use Only

Signature of Preparer	Phone Number	Today's Date (mm/dd/yyyy)

By checking this box you are authorizing the IRS to contact you at the telephone number listed above and leave detailed messages concerning this offer on your voice mail or answering machine.

Name of Paid Preparer	Preparer's CAF no. or PTIN

Firm's Name (or yours if self-employed), Address, and ZIP Code

If you would like to have someone represent you during the offer investigation, include a valid, signed [Form 2848](#) or [8821](#) with this application or a copy of a previously filed form. You should also include the current tax year.

Privacy Act Statement

We ask for the information on this form to carry out the internal revenue laws of the United States. Our authority to request this information is section § 7801 of the Internal Revenue Code. Our purpose for requesting the information is to determine if it is in the best interests of the IRS to accept an offer. You are not required to make an offer; however, if you choose to do so, you must provide all of the taxpayer information requested. Failure to provide all of the information may prevent us from processing your request. If you are a paid preparer and you prepared the Form 656 for the taxpayer submitting an offer, we request that you complete and sign Section 9 on Form 656, and provide identifying information. Providing this information is voluntary. This information will be used to administer and enforce the internal revenue laws of the United States and may be used to regulate practice before the Internal Revenue Service for those persons subject to Treasury Department Circular No. 230, Regulations Governing the Practice of Attorneys, Certified Public Accountants, Enrolled Agents, Enrolled Actuaries, and Appraisers before the Internal Revenue Service. Information on this form may be disclosed to the Department of Justice for civil and criminal litigation. We may also disclose this information to cities, states and the District of Columbia for use in administering their tax laws and to combat terrorism. Providing false or fraudulent information on this form may subject you to criminal prosecution and penalties.

APPLICATION CHECKLIST

Review the entire application using the Application Checklist below. Include this checklist with your application.

Forms 433-A (OIC), 433-B (OIC), and 656

- Did you complete all fields and sign all forms?
- Did you make an offer amount that is equal to the offer amount calculated on the Form 433-A (OIC) or Form 433-B (OIC)? If not, did you describe the special circumstances that are leading you to offer less than the minimum in the "Explanation of Circumstances" Section 3 of Form 656, and did you provide supporting documentation of the special circumstances?
- Have you filed all required tax returns and received a bill or notice of balance due?
- Did you select a payment option on Form 656?
- Did you sign and attach the Form 433-A (OIC), if applicable?
- Did you sign and attach the Form 433-B (OIC), if applicable?
- Did you sign and attach the Form 656?
- If you are making an offer that includes business and individual tax debts, did you prepare a separate Form 656 package (including separate financial statements, supporting documentation, application fee, and initial payment)?

Supporting documentation and additional forms

- Did you include photocopies of all required supporting documentation?
- If you want a third party to represent you during the offer process, did you include a Form 2848 or Form 8821 unless one is already on file? Does it include the current tax year?
- Did you provide a letter of testamentary or other verification of person(s) authorized to act on behalf of the estate or deceased individual?

Payment

- Did you include a check or money order made payable to the "United States Treasury" for the initial payment? (Waived if you meet Low Income Certification guidelines—see Form 656.)
- Did you include a separate check or money order made payable to the "United States Treasury" for the \$186 application fee? (Waived if you meet Low Income Certification guidelines—see Form 656.)

Mail your application package to the appropriate IRS facility

Mail the Form 656, 433-A (OIC) and/or 433-B (OIC), and related financial document(s) to the appropriate IRS processing office for your state. You may wish to send it by Certified Mail so you have a record of the date it was mailed.

If you reside in:

AK, AL, AR, AZ, CO, FL, GA, HI, ID, KY, LA, MS, NC, NM,
NV, OK, OR, TN, TX, UT, WA, WI

CA, CT, DE, IA, IL, IN, KS, MA, MD, ME, MI, MN, MO, MT,
ND, NE, NH, NJ, NY, OH, PA, RI, SC, SD, VT, VA, WY,
WV; DC, PR, or a foreign address

Mail your application to:

Memphis IRS Center COIC Unit
P.O. Box 30803, AMC
Memphis, TN 38130-0803
1-866-790-7117

Brookhaven IRS Center COIC Unit
P.O. Box 9007
Holtsville, NY 11742-9007
1-866-611-6191