



Department of the Treasury
Internal Revenue Service

www.irs.gov

Form 656 (Rev. 02-2007)
Catalog Number 16728N

Form 656

Offer in Compromise

IMPORTANT! THIS BOOKLET CONTAINS INFORMATION THAT YOU NEED IN ORDER TO PREPARE A COMPLETE AND ACCURATE OFFER IN COMPROMISE. PLEASE READ THESE INSTRUCTIONS CAREFULLY BEFORE ATTEMPTING TO COMPLETE THE ENCLOSED FORMS.

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Note: If you have any questions, please call our toll-free number at 1-800-829-1040. You can get forms and publications by calling toll free at 1-800-829-3676 (1-800-TAX-FORM), or by visiting your local Internal Revenue Service (IRS) office or our web site at www.irs.gov.

What is an Offer in Compromise?

An Offer in Compromise (OIC) is an agreement between the taxpayer and the government that settles a tax liability for payment of less than the full amount owed.

The IRS will generally 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 to a protracted installment agreement. The goal is to achieve collection of what is potentially collectible at the earliest possible time and at the least cost to the government.

The success of the Offer in Compromise program will be assured only if taxpayers make adequate compromise proposals consistent with their ability to pay and the Service makes prompt and reasonable decisions. Taxpayers are expected to provide reasonable documentation to verify their ability to pay. The ultimate goal is a compromise which is in the best interest of both the taxpayer and the Service. Acceptance of an adequate offer will also result in creating for the taxpayer an expectation of, and a fresh start toward, compliance with all future filing and payment requirements.

- **Doubt as to Collectibility.** This means that doubt exists that the taxpayer could ever pay the full amount of tax liability owed within the remainder of the statutory period for collection. The IRS will consider a doubt as to collectibility offer (absent special circumstances) when the taxpayer is unable to pay the taxes in full either by liquidating assets or through current installment agreement guidelines. The taxpayer **must** submit the appropriate collection information statement along with all required supporting documents.
- **Doubt as to Liability.** This means that a legitimate doubt exists that

the taxpayer owes part or all of the assessed tax liability. To submit a Doubt as to Liability OIC, the taxpayer must use Form 656-L, which can be obtained by calling the toll free number 1-800-829-1040, or by visiting their local IRS office, or our web site at www.irs.gov.

- **Effective Tax Administration (ETA).** This means that the taxpayer **does not have any doubt** that the tax is correct and there is potential to collect the full amount of the tax owed, but an exceptional circumstance exists that would allow us to consider an offer. To be eligible for compromise on this basis, a taxpayer must demonstrate that the collection of the tax would create an economic hardship or would be unfair and inequitable. For an ETA offer, a taxpayer must submit:
 1. A collection information statement with all appropriate attachments, and
 2. A written narrative explaining the taxpayer's special circumstances and why paying the tax liability in full would create an economic hardship or would be unfair and inequitable.

The taxpayer **must** also attach appropriate documentation that will support their request for an ETA offer such as proof of unusual expenses that would cause an economic hardship if the taxes were collected in full.

Note: An important factor in determining the type of offer to submit is the potential ability to pay the liability in full. If the taxpayer cannot pay their liability in full, then they should submit a Doubt as to Collectibility offer. However, if potential exists to pay their liability in full, but the collection of the tax would create an economic hardship or would be unfair or inequitable, then they should submit an Effective Tax Administration (ETA) offer.

Step One: Is Your Offer in Compromise “Processable?”



PLEASE DO NOT GO ANY FURTHER WITHOUT FIRST DETERMINING WHETHER OR NOT YOU ARE ELIGIBLE TO HAVE YOUR OFFER IN COMPROMISE PROCESSED AT THIS TIME.

In order to determine whether or not you are eligible to have your Offer in Compromise processed, please answer the three questions below:

YES NO

1. Do you currently have an open bankruptcy proceeding? You should contact your Bankruptcy Attorney if you are not certain. If you are involved in an open bankruptcy proceeding, contact your local IRS Insolvency office. If you do not know the location of your local IRS Insolvency office, then you may call 1-800-829-1040. They will be able to provide you with the local number. Any resolution of your outstanding tax liabilities generally must take place within the context of your bankruptcy proceeding. If you answered **YES** to this question, then stop here. You **are not eligible** to have your offer considered or processed at this time.

2. **Offer in Compromise Application Fee** — Your offer must include the \$150 application fee or a completed Form 656-A, *Income Certification for Offer in Compromise Application Fee and Payment*, if you are requesting an exception of the fee because of your income. Offers received without the \$150 fee or a completed Form 656-A will not be accepted for processing. Please see Step Five on Page 12 of this package for more information on the application fee and to determine if you qualify for the exception.

Have you attached the \$150 application fee or the Form 656-A, which ever is applicable, to the Form 656? If you answered **NO** to this question, Stop Here. You **are not eligible** to have your offer considered or processed at this time.

3. **Cash payment and Periodic Payment Offers** — Your offer must include your 20% payment for Lump Sum Cash payment offers, or your first installment payment of your Periodic Payment offer (Short Term or Deferred). If you are requesting an exception to the 20% down payment or your initial periodic payment because of your income level, then you must complete Form 656-A, *Certification of Offer in Compromise Application Fee and Payment*. Offers received without one of these will not be accepted for processing. Please see Step Five on Page 12 of this package for more information on the Cash Payment and Periodic Payment Offer.

Have you attached either the 20% payment for Lump Sum Cash payment offers or your first installment payment for a Periodic Payment Offer, or, the Form 656-A? If you answered **NO** to this question, Stop Here. You **are not eligible** to have your offer considered or processed at this time.

NOTE: If you currently have an approved installment agreement with IRS and are currently making installment payments to IRS, then you may stop making those installment agreement payments when you submit a Periodic Payment offer. This will allow you to make your payments required under the Periodic Payment guidelines. You do not have to make both installment agreement payments and periodic payments at the same time.

However this procedure does not apply to Lump Sum Cash Offers. If you submit a Lump Sum Cash offer and you are currently making installment agreement payments, then you must continue to make your installment agreement payments until your offer is accepted. If it is not accepted, then installment agreement payments must continue.

Step Two: What We Need to Fully Evaluate Your Offer

1. You **must** file all tax returns that you were legally required to file prior to submitting an Offer in Compromise. If you have not filed all required tax returns, you will be asked to do so before we begin to evaluate your offer.

This includes but is not limited to:

- All Income Tax, Employment Tax, and Excise Tax returns, along with all returns required to be filed by Partnerships, Limited Liability Companies, or closely held Sub-Chapter S Corporations.

If you did not file a return for a specific year prior to submitting your OIC because you were not legally required to file the return, then you **must** include a detailed explanation of your circumstances with your OIC.

If you used an employee leasing company for all or part of the time during the past three years, then please provide a detailed explanation of your circumstances with your offer by providing the exact dates you used the employee leasing company, the name and address of the leasing company, and EIN of the leasing company, and whether or not you are still using them.

2. If you are a business with employees, then you must have made all required federal tax deposits for the current quarter. If you have not made all the required deposits, you will be asked to do so before we begin to evaluate your offer. In addition, you must remain current on all filing and deposit requirements while your offer is being investigated.

3. **ESTIMATED TAX PAYMENTS MUST BE UP TO DATE FOR THE CURRENT YEAR** — We will not process your offer to completion if we determine that your estimated tax payments for the current year's income tax liability are not paid up to

date. If we determine this to be the case, you will have one opportunity to make the required payments before we return your offer.

NOTE: If you fail to comply with items 1, 2, and 3, then your offer will be returned to you and we will keep your \$150 application fee as well as any payments you made with your offer, such as the 20% payment or your first installment.

4. **COMPLETE AN ACCURATE FORM 656** — Complete all applicable items on Form 656, **which is the official compromise agreement.**

You **must** sign Form 656. If someone else prepared the offer package, then please see the instructions in Step Four, Section IX and X, found on Page 11 of this package. If your Form 656 was prepared by an authorized representative, you **must** include a completed Form 2848, *Power of Attorney and Declaration of Representative*, with your offer, unless a copy is already on file with the IRS

Detailed instructions for the completion of Form 656 are found on Pages 10 and 11 of this package.

Common errors to avoid in completing Form 656:

- The taxpayer's name is missing.
- The street address is missing or incomplete.
- The social security number (SSN) or employer identification number (EIN) is missing, incomplete, or incorrect.
- The preprinted terms and conditions listed on the Form 656 have been altered or deleted.
- An offer amount or payment term is missing.
- A required signature is missing.

5. COMPLETE AN ACCURATE COLLECTION INFORMATION STATEMENT (Form 433-A and/or Form 433-B) — You **must** provide financial information when you submit offers based on doubt as to collectibility and effective tax administration. You **must** send us current information that reflects your financial situation for the **three months** immediately prior to the date you submitted your Offer in Compromise. Collection information statements **must** show all assets and income. The offer investigator needs this information to evaluate your offer and may ask you to update it or verify certain financial information. These forms **must** be filled in completely. We may return offer packages that are incomplete. Annotate items that do not apply to you with “N/A.” **Provide all the information required to support your financial condition.** Required items of documentation are clearly indicated on the collection information statements with attachment symbols. Photo copies of these support documents are acceptable.

When only one spouse has a tax liability but both have incomes, only the spouse responsible for the tax debt is required to sign the necessary collection information statements. The responsible spouse should include **only** his/her assets and liabilities on his/her collection information statements. However, the income and expenses of the entire household is required on the responsible spouse’s collection information statements. The entire household includes spouse, domestic partner, significant other, children, and others that contribute

to the household. This is necessary for the IRS to evaluate the income and expenses allocable to the liable taxpayer.

In states with community property laws, we require collection information statements from both spouses. We may also require financial information on the non-liable spouse, or cohabitant(s), for offer verification purposes, even when community property laws do not apply.

6. RESPOND PROMPTLY TO REQUESTS FOR ADDITIONAL INFORMATION — While we are evaluating your offer, we may contact you for any information that is missing or requires clarification. You must respond within the time frame given to you by IRS or, we will not give your offer any further consideration. **Your offer will be returned to you and we will keep your \$150 application fee as well as any payments you made with your offer such as the 20% payment or your first installment.**

7. WE WILL NOT CONSIDER OFFERS WHERE LIABILITIES HAVE NOT BEEN ASSESSED — You can not submit an offer that is solely for a tax year or tax period that has not been assessed. Your offer will be returned if you submit an offer that is solely for an unassessed tax year or tax period and you will forfeit your application fee and payment.

8. MAKE COPIES OF REMOVABLE FORMS AND DOCUMENTS — This is a reminder that you should make copies of all the removable forms and documents that you send to the IRS. You should keep these copies with your records.

Step Three: Determining the Amount of Your Offer

Doubt as to Collectibility

Your offer amount must equal or exceed your reasonable collection potential amount. The information provided on the collection information statements (*Form 433-A and Form 433-B*) assists us in determining the reasonable collection potential (*RCP*). The *RCP* equals the net equity of your assets plus the amount we could collect from your future income. **If our financial analysis indicates that you have the ability to fully pay the tax liability, either immediately or through an installment agreement, your offer will be rejected. Exception: special circumstances. Please see below for more information on special circumstances. You must offer an amount greater than or equal to the *RCP* amount. All offer amounts must exceed zero.**

If special circumstances cause you to offer an amount less than the *RCP*, you **must** complete Section VI, "Explanation of Circumstances," on Form 656, explaining your situation. You **must** also attach to Form 656 any supporting documents to help support your special circumstances. Special circumstances

may include factors such as advanced age, serious illness from which recovery is unlikely, or any other factors that have an impact upon your ability to pay the total *RCP* and continue to provide for the necessary living expenses for you and your family.

If you are a wage earner or self-employed individual, completion of the worksheet on Pages 8 and 9 will give you a good estimate of what an acceptable offer amount may be. You will use the information on your Form 433-A to complete the worksheet.

Effective Tax Administration (ETA)

Complete Form 433-A or Form 433-B, as appropriate, and attach to Form 656. You **must** complete Section VI, "Explanation of Circumstances," on Form 656, explaining your exceptional circumstances and why requiring payment of the tax liability in full would either create an economic hardship or would be unfair and inequitable. You **must** also attach to Form 656 any documents to help support your exceptional circumstances.

Determine Your Payment Terms

There are three payment plans you and the IRS may agree to:

- **Lump Sum Cash Offer** – This option requires the offer amount to be paid **in five** or fewer installments, upon written notice of acceptance. Twenty percent of the total amount of the offer must be paid when you submit the Form 656.

If these installments will be paid in five months or less, you should offer the realizable value of your assets plus the total amount we could collect over 48 months of payments (or the remainder of the statutory period for collection, whichever is less).

If these installments will be paid in more than five months, you should offer the realizable value of your assets plus the total amount we could collect over 60 months of payments (or the remainder of the statutory period for collection, whichever is less.)

We may file a Notice of Federal Tax Lien on tax liabilities to be compromised under Lump Sum Cash Offer.

- **Short Term Periodic Payment Offer** – This option requires the offer amount to be paid within 24 months from the date IRS received the offer. The first payment **must** be submitted with your Form 656. You **must** continue to make regular payments during your offer investigation. Failure to make regular payments during your offer investigation will cause your offer to be withdrawn.

The offer must include the realizable value of your assets plus any amount we could collect over 60 months of payments (or the remainder of the statutory period of collection, whichever is less.) If you do not have this information you may call our toll free number at 1-800-829-1040.

We may file a Notice of Federal Tax Lien on tax liabilities to be compromised under Short Term Periodic Payment Offer.

- **Deferred Periodic Payment Offer** – This option requires you to pay the offer amount over the remaining statutory period for collecting the tax. This offer option must include the realizable value of your assets plus the amount we could collect through monthly payments during the remaining life of the collection statute. As with the Short Term Periodic Payment above, the first payment must be submitted with your Form 656. You must make regular payments during your offer investigation. Failure to make regular payments during your offer investigation will cause your offer to be withdrawn.

NOTE: Generally the collection statute is 10 years from the date that your liability was assessed. You can call the toll free number 1-800-829-1040 for assistance in calculating the remaining time on your collection statute.

Use the worksheet on pages 8 and 9, multiply the amount from item 12, Box 0, by the number of months remaining on the collection statute. Add that amount to item 11, Box N, and use the total as the basis for your offer amount in Section IV of Form 656.

As with Short Term Periodic Payment Offers, we may file a Notice of Federal Tax Lien on tax liabilities to be compromised under Deferred Periodic Payment Offer.

Note: The worksheet on Pages 8 and 9 instructs wage earners and self-employed individuals how to figure the appropriate amount for Lump Sum Cash, Short Term Periodic Payment and Deferred Periodic Payment Offers.

Offer in Compromise Worksheet

Please see Pages 8 and 9.

Funding Your Offer

If you do not have the cash to pay your offer amount immediately, you should begin the process of exploring options to finance your offer amount. Options you may want to consider include liquidating assets, obtaining a loan from a lending institution, borrowing on your home equity through a second mortgage or reverse mortgage, or borrowing funds from family members or friends.

Step Four: Completing Form 656, Offer in Compromise

Note: If you have any questions about completing this form, you may call toll free at 1-800-829-1040 or visit your local IRS office or our website at www.irs.gov. We may return your offer if you fail to follow these instructions.

Section I:

Enter your name and home or business street address. Show **both names** on a joint offer for joint liabilities. You also should include a mailing address if it is different from your street address.

If you owe a liability —

Jointly with another person and **both of you agree** to submit an offer, send only **one** Form 656, *Offer in Compromise*, and **one** \$150 application fee (or Form 656-A, if applicable) and one payment (20% of the amount offered or first initial payment).

By yourself (such as employment taxes), and other liabilities with another person (such as income taxes), but **only you** are submitting an offer, then list **all** tax liabilities on **one** Form 656 and submit **one** \$150 application fee (or Form 656-A, if applicable) and one payment (20% of amount offered or first initial payment).

By yourself and another one jointly, and **both of you** submit an offer, then you must show **all** tax liabilities on

your Form 656 and submit **one** \$150 application fee (or Form 656-A, if applicable) and payment (20% of offer amount or first initial payment). **The other person** should show **only** the joint tax liability on their Form 656 and submit **one** \$150 application fee (or Form 656-A, if applicable) and payment (20% of amount offered or first initial payment)

Please see the matrix in Step 5, Page 12, for further instructions and examples.

Enter the social security number(s) for the person(s) submitting the offer. For example, enter the social security number of both spouses when submitting a joint offer for a joint tax liability. However, when only one spouse submits an offer, enter only that spouse's social security number

Enter the employer identification number for offers from businesses.

Show the employer identification numbers for all other businesses that you own or in which you have an ownership interest, even if they are not included in the offer.

Section II:

Identify the type of tax liability you owe and enter the tax year or period. Letters and notices from us and Notices of

Federal Tax Lien show the tax periods for trust fund recovery penalties.

Section III:

Check the appropriate box(es) describing the basis for your offer.

Doubt as to Collectibility offers require you to complete a Form 433-A, *Collection Information Statement for Wage Earners and Self-Employed Individuals*, if you are an individual taxpayer, or a Form 433-B, *Collection Information Statement for Businesses*, if you are a corporation or other business taxpayer.

Effective Tax Administration offers require you to complete a Form 433-A, *Collection Information Statement for Wage Earners and Self-Employed Individuals*, if you are an individual taxpayer, or a Form 433-B, *Collection Information Statement for Businesses*, if you are a corporation or other business taxpayer. Complete Section VI, "Explanation of Circumstances."

Note: Attach to the upper left corner of Form 656 the six (6) pages of the collection information statement(s) and all related documents before you send it to us.

Section IV:	Enter the total amount of your offer (see Page 5, Step Three, “Determining the Amount of Your Offer”). Your offer amount cannot include a refund we owe you or amounts you have already paid.	Check the appropriate payment box (<i>Lump Sum Cash Offer, Short Term Periodic Payment Offer, or Deferred Periodic Payment Offer</i> – see Page 6, “Determine Your Payment Terms”) and describe your payment plan in the spaces provided.
Section V:	It is important that you understand the requirements listed in this section. Pay particular attention to Items (d), (f)	and (g), as they address the future compliance provision and refunds.
Section VI:	Explain your reason(s) for submitting your offer in the “Explanation of Circumstances.” You may attach	additional sheets if necessary. Include your name and SSN or EIN on all attachments.
Section VII:	Explain where you will get the funds to pay the amount you are offering.	
Section VIII:	All persons submitting the offer must sign and date Form 656. Include titles of authorized corporate officers,	executors, trustees, Powers of Attorney, etc., where applicable.
Section IX:	If someone other than the taxpayer prepared this Offer in Compromise, the	taxpayer should insert the name and address of the preparer (<i>if known</i>) in Section IX.
Section X:	Paid Preparer Use Only.	Please see the “Privacy Act Notice” in Form 656.
Section XI:	If you want to allow the IRS to discuss your Offer in Compromise with a friend, family member, or any other person, including an individual you paid to prepare this form, check the “Yes” box in Section XI, “Third Party Designee,” on your Form 656. Also enter the designee’s name and phone number. Checking the “Yes” box allows the IRS to contact another person and discuss with that person any additional information the IRS needs to process your offer.	This additional information may include information about tax liabilities you failed to list in Section II on your Form 656 or returns you have failed to file. If your contact person is an attorney, CPA, or enrolled agent and you wish to have them represent you regarding this offer, a Form 2848, <i>Power of Attorney and Declaration of Representative</i> , should be completed and submitted with your offer.

Note: Staple in the upper left corner the four (4) pages of Form 656 before you send it to us.

Step Five: Offer in Compromise Application Fee and Payments

	One person is liable	Two people are liable for one joint liability	Two people have joint liabilities but want to file separate offers	Two people have joint liabilities and one has joint and separate liabilities	Corporation is proposing an offer	Partnership is proposing an offer	Individual and Corporate or Partnership liabilities
Number of Forms 656 required	1	1	2 Each will show the joint liabilities	2 One with the joint and the 2nd with the joint and separate liabilities	1	1	2
Number of fees to be sent with the Form 656*	1 - \$150 fee	1 - \$150	2 - \$150	2 - \$150	1 - \$150	1 - \$150	2 - \$150
Lump Sum Cash Offer amount to be sent with the Form 656	20% of the amount offered	20% of the amount offered	20% for each offered amount	20% for each offered amount	20% of the amount offered	20% of the amount offered	20% for each offered amount
Amount to be sent with the Short Term or Deferred Periodic Payment Offer	First payment amount shown in Section IV of the Form 656	First payment amount shown in Section IV of the Form 656	First payment for each offer that is shown in Section IV of the Form 656	First payment for each offer that is shown in Section IV of the Form 656	First payment amount shown in Section IV of the Form 656	First payment amount shown in Section IV of the Form 656	First payment for each offer that is shown in Section IV of the Form 656

A. The application fee and payment are due on all offers at the time you submit your offer. Please staple **both** the application fee **and** payment to the front of your Form 656. Any offer submitted without the application and payment will be returned to you without further consideration.

* **EXCEPTION:** If you certify that your total monthly household income is at or below levels based on the IRS OIC Low Income Guidelines, then you may be exempt from the application fee and the payment (20% of the amount offered or the initial payment) as described above. The exception for taxpayers with incomes below these levels only apply to individuals. It does not apply to other entities such as corporations, partnerships, and LLC.'s.

To determine if you qualify for the exemption, please complete the attached Offer in Compromise Application Fee and Payment Worksheet. If you do qualify, then you must complete and sign form 656A.

B. **Do not send cash.** Please make all checks or money orders payable to the "United States Treasury".

C. The application fee can only be returned to you if the IRS determines that your offer is not processable. If your offer is determined to be not processable (see Page 2 for the 3 processable requirements), then IRS will return your application fee.

However if your offer is determined to be not processable and you have made either the 20% initial payment for Lump Sum Cash offer, or the first initial installment for the Short Term Periodic Payment Offer or Deferred Periodic Payment Offer, these payments will not be refunded to you. They will be applied to your outstanding tax liability and your offer will be returned to you as not processable.

- D. If your offer is determined to be processable and later in the investigation, the offer is returned, rejected, or withdrawn, the application fee and payments will be applied to your outstanding tax liability.
- E. If you have any additional questions about your Offer in Compromise, application fee or payments, please call toll free at 1-800-829-1040, visit our web site at www.irs.gov or visit your nearest IRS office. You will find the exact address in your local phone book under U.S. Government.

Step Six: Where You Need to Send Your Offer

Where to File

IF YOU RESIDE IN

Alaska, Alabama, Arizona, California, Colorado, Hawaii, Idaho, Kentucky, Louisiana, Mississippi, Montana, Nevada, New Mexico, Oregon, Tennessee, Texas, Utah, Washington, Wisconsin or Wyoming,

AND

You are a wage earner, retiree, or a self-employed individual without employees,

THEN MAIL

Form 656 and attachments to:

Memphis Internal Revenue Service
Center COIC Unit
PO Box 30803, AMC
Memphis, TN 38130-0803

AND

You are **OTHER** than a wage earner, retiree, or a self-employed individual without employees,

THEN MAIL

Form 656 and attachments to:

Memphis Internal Revenue Service
Center COIC Unit
PO Box 30804, AMC
Memphis, TN 38130-0804

IF YOU RESIDE IN

Arkansas, Connecticut, Delaware, District of Columbia, Florida, Georgia, Illinois, Indiana, Iowa, Kansas, Maine, Maryland, Massachusetts, Michigan, Minnesota, Missouri, Nebraska, New Hampshire, New Jersey, New York, North Carolina, North Dakota, Ohio, Oklahoma, Pennsylvania, Puerto Rico, Rhode Island, South Carolina, South Dakota, Vermont, Virginia, West Virginia or have a foreign address,

AND

You are a wage earner, retiree, or a self-employed individual without employees,

THEN MAIL

Form 656 and attachments to:

Brookhaven Internal Revenue Service
Center COIC Unit
PO Box 9007
Holtsville, NY 11742-9007

AND

You are **OTHER** than a wage earner, retiree, or a self-employed individual without employees,

THEN MAIL

Form 656 and attachments to:

Brookhaven Internal Revenue Service
Center COIC Unit
PO Box 9008
Holtsville, NY 11742-9008

Step Seven: What to Expect After the IRS Receives Your Offer

How We Consider Your Offer	An offer examiner will evaluate your offer and may request additional documentation from you to verify financial or other information you provide. The examiner will then make a recommendation to accept or reject the offer. The examiner may also	return your offer if you do not provide the requested information. The examiner may decide that a larger offer amount is necessary to justify acceptance. You will have the opportunity to amend your offer.
Additional Agreements	When you submit certain offers, we may also request that you sign an additional agreement requiring you to:	<ul style="list-style-type: none">■ Pay a percentage of your future earnings.■ Waive certain present or future tax benefits.
Withholding Collection Activities	There are certain circumstances where we will withhold collection activities while we consider your offer. We will not act to collect the tax liability: <ul style="list-style-type: none">■ While we investigate and evaluate your offer.■ For 30 days after we reject an offer.	<ul style="list-style-type: none">■ While you appeal an offer rejection. <p>The above do not apply if we find any indication that you submitted your offer to delay collection or cause a delay which will jeopardize our ability to collect the tax.</p> <ul style="list-style-type: none">■ However, a Notice of Federal Tax Lien may be filed at any time while your offer is being considered
Periodic Payments Requirements	If you choose one of the Periodic Payment options, then you are required to continue to make payments while your offer is being investigated. The removable Form 656-PPV is to be used to make these periodic payments. The instructions to complete Form 656-PPV are contained on the form as well as the proper address to mail your payments to. It is important to note that	the address where you send your periodic payments is different from the address where you submit your offer form. Be sure you send your periodic payment and Form 656-PPV to the address listed on the Form 656-PPV, as it applies to where you originally filed your offer.

NOTE: Step Seven continues on Page 16.

If We Accept Your Offer

If we accept your offer, we will notify you by mail. When you receive your acceptance letter, you must:

- Promptly pay any unpaid amounts that become due under the terms of the offer agreement. You must comply with the payment terms specified in the agreement in a timely manner or your offer and agreement will be in default.
- Comply with all the terms and conditions of the offer, along with those of any additional agreement.
- Promptly notify us of any change of address until you meet the conditions of your offer. Your acceptance letter will indicate the IRS office to contact if your address changes. Your notification allows us to contact you immediately regarding the status of your offer.

We will release all Notices of Federal Tax Lien when you satisfy the payment terms of the offered amount. For an immediate release of a lien, you can submit certified funds with a request letter to the address on the acceptance letter.

Once your offer is accepted, not filing returns or paying taxes when due could result in the default of an accepted offer (see Section V (d) of Form 656 for the

future compliance provision). If you default your agreement, we will reinstate the unpaid amount of the original tax liability, file a Notice of Federal Tax Lien on any tax liability without a filed notice, and resume collection activities. The future compliance provision applies to all offers based on **Doubt as to Collectibility and Effective Tax Administration offers.**

We will not default your offer agreement when you have filed a joint offer with your spouse or ex-spouse as long as you have kept or are keeping all the terms of the agreement, even if your spouse or ex-spouse violates the future compliance provision.

The offer agreement requires you to forego certain refunds, and to return those refunds to us if they are issued to you by mistake. These conditions are also listed on Form 656, Sections V (f) and (g). For example, if your offer was accepted by the IRS in the tax year 2006, the IRS would keep the refund due to you with respect to the tax year 2006, which you would normally receive in calendar year 2007 (*because the due date for filing the tax year 2006 is April 15, 2007*).

If We Reject Your Offer

We will notify you by mail if we reject your offer. In our letter, we will explain our reason for the rejection. We will also keep your \$150 application fee and payments. If your offer is rejected, you have the right to:

- Appeal our decision to the Office of Appeals within thirty days from the date of our letter. The letter will include detailed instructions on how to appeal the rejection.
-

Step Eight: Offer in Compromise Summary Checklist

Below is a checklist of items that you should review and complete prior to submitting your Form 656, *Offer in Compromise*. This checklist is solely for your benefit, so do not submit with your offer.

- Did you answer YES to question one on Page 2? If you did, then please do not submit Form 656 because you are not eligible to have your offer considered at this time.
- Did you answer NO to questions two or three on Page 2? If you did, then please do not submit Form 656 because you are not eligible to have your offer considered at this time.
- Have you properly completed Form 656, *Offer in Compromise*, by following the instructions on Pages 10 and 11?
- The preprinted terms and conditions listed on Form 656 have not been altered or deleted.
- Are you using the most current versions of Form 656, Form 433-A, and Form 433-B as instructed on Page 4?
- You included your name (*or names, if joint*).
- You included your social security number (*SSN*) (*both SSNs are required if filing a joint offer*) and/or employer identification number (*EIN*) and it is accurate.
- You included an offer amount (*the amount must be greater than zero*) or payment term.
- You signed the Form 656. If this is a joint Form 656, both spouses must sign Form 656.
- You included complete financial information (*Form 433-A or Form 433-B, or both*) and all attachments as instructed on Page 4.
- You either attached the application fee in the designated area on the Form 656 or attached the Form 656-A certification, whichever is applicable.** If you attached Form 656-A, then you **must** complete the Offer in Compromise (*OIC*) Application Fee and Payment Worksheet and attach it to your offer.
- You have attached to Form 656 either the 20% payment for the Lump Sum Cash offer, or the first installment payment for either the Short Term Periodic Payment or Deferred Periodic Payment, OR attached Form 656-A certification, whichever is applicable. If you attached Form 656-A, then you must complete the OIC Application Fee and Payment Worksheet.
- You signed or initialed in all required places on Form 433-A and/or Form 433-B.
- Your offer amount is greater than or equal to the reasonable collection potential (*RCP*) as described on Page 5 and calculated on Page 9, unless your offer is based on Effective Tax Administration.
- If applicable, are Sections IX and XI, on Form 656 completed?
- If applicable, is Section X on Form 656 completed and **signed**?
- Have you properly identified where to mail your Form 656 from the instructions on Page 14?

If you have any questions, please call our toll-free number at 1-800-829-1040. You can get forms and publications by calling toll free at 1-800-829-3676 (1-800-TAX-FORM), or by visiting your local Internal Revenue Service (IRS) office or our website at www.irs.gov.

Important Information Regarding the Offer in Compromise

Statute of Limitations for Assessment and Collection is Suspended — The statute of limitations for assessment and collection of a tax debt is suspended while an OIC is “pending,” or being reviewed. The Offer in Compromise is pending starting with the date an authorized IRS employee determines the Form 656 *Offer in Compromise*, can be processed and signs the Form 656. The OIC remains pending until an authorized IRS employee accepts, rejects, returns, or acknowledges withdrawal of the offer in writing. If a taxpayer appeals an OIC that was rejected, the IRS will continue to treat the OIC as pending until the Appeals Office accepts or rejects the OIC in writing.

Taxpayers Must File and Pay Taxes — In order to avoid defaulting an OIC once it is accepted by the IRS, taxpayers must remain in compliance in the filing and payment of all required taxes for a period of five years, or until the offered amount is paid in full, whichever is longer. Failure to comply with these conditions will result in the default of the OIC and the reinstatement of the tax liability.

Federal Tax Liens Are Not Released — If there is a Notice of Federal Tax Lien on record prior to the OIC being submitted, the lien is not released until the terms of the offer in compromise are satisfied, or until the liability is paid, whichever comes first.

The IRS generally files a Notice of Federal Tax Lien to protect the Government’s interest on all payment offers. This tax lien will be released when the payment terms of the offer agreement have been satisfied.

Effect of the Offer on the Taxpayer’s Refund — The IRS will keep any refund, including interest due to the taxpayer because of overpayment of any tax or other liability, for tax periods extending through the calendar year that the IRS accepts the offer. The taxpayer may not designate an overpayment ordinarily subject to refund, to which the IRS is entitled, to be applied to estimated tax payments for the following year.

Effect of the Offer on Levies — The IRS will keep all payments and credits made, received or applied to the total original

tax liability before submission of this offer. The IRS may keep any proceeds from a levy served prior to submission of the offer, but not received at the time the offer is submitted. If a levy has been served prior to submission of the offer, or if a levy was served after the offer was filed, then immediately contact the IRS person or function whose name and phone number appear on the levy as the contact person.

Public Inspection Files for Accepted Offer in Compromise Files — The law requires IRS to make certain information from accepted Offers in Compromise available for public inspection and review. These public inspection files are located in designated IRS Area Offices. It is important to know that certain information regarding your accepted Offer in Compromise will be publicly known.

Taxpayer Advocate Services — The Taxpayer Advocate Service (TAS) is an independent organization within the IRS whose employees assist taxpayers who are experiencing harm, who are seeking help in resolving tax problems that have not been resolved through normal channels, or who believe that an IRS system or procedure is not working as it should. If you believe you are eligible for TAS assistance, you can reach TAS by calling toll free 1-877-777-4778, or TTY/TTD 1-800-829-4059.

Low Income Taxpayer Clinic (LITC) — Low Income Taxpayer Clinics are independent organizations that provide low income taxpayers with representation in Federal tax controversies with the IRS for free or for a nominal charge. The clinics also provide tax education and outreach for taxpayers with limited English proficiency or who speak English as a second language. IRS Publication 4134, Low Income Taxpayer Clinic List, provides information on clinics in your area and is available through the IRS website at HYPERLINK “<http://www.irs.gov>” www.irs.gov, by phone at 1-800-TAX-FORM (1-800-829-3676), or at your local IRS office.

Penalties and Interest — Penalties and interest will continue to accrue on your unpaid balance of assessment(s) while your offer is being considered.

Terms and Definitions

An understanding of the following terms and conditions will help you to prepare offers based upon **doubt as to collectibility or effective tax administration**.

Current Value — The amount you could reasonably expect from the sale of an asset today. Provide an accurate valuation of each asset. Determine value from realtors, used car dealers, publications, furniture dealers, or other experts on specific types of assets. Please include a copy of any written estimate with your Collection Information Statement.

Expenses Not Generally Allowed — We typically do not allow you to claim tuition for private schools, public or private college expenses, charitable contributions, voluntary retirement contributions, payments on unsecured debts such as credit card bills, cable television charges and other similar expenses as necessary living expenses. However, we may allow these expenses when you can prove that they are necessary for the health and welfare of you or your family or for the production of income.

Future Income — We generally determine the amount we could collect from your future income by subtracting necessary living expenses from your monthly income over a set number of months. For a lump sum cash offer paid in five months or less, you must offer what you could pay in monthly payments over forty-eight months (*or the remainder of the ten-year statutory period for collection, whichever is less*). For a Lump Sum Cash Offer paid in more than five months or a Short Term Periodic Payment Offer, you must offer what you could pay in monthly payments over 60 months (*or the remainder of the statutory period for collection, whichever is less*). For a deferred periodic payment offer, you must offer what you could pay in monthly payments during the remaining time we could legally receive payments.

Necessary Expenses — Necessary expenses are the allowable payments you make to support you and your family's health and welfare and/or the production of income. This expense does not apply to businesses. See our web site at www.irs.gov for an explanation of National Standard Expenses and the amounts that are allowed. We derive these amounts from the Bureau of Labor Statistics Consumer Expenditure Survey. We also use information from the Bureau of the Census to determine local expenses for housing, utilities, and transportation.

NOTE:

If the IRS determines that the facts and circumstances of your situation indicate that using the scheduled allowance of necessary expenses is inadequate, we will allow you an adequate means for providing basic living expenses. However you must provide documentation that using national and local expense standards leaves you an inadequate means of providing for basic living expenses.

Quick Sale Value (QSV) — The amount you could reasonably expect from the sale of an asset if you sold it quickly, typically in ninety days or less. This amount generally is less than current value, but may be equal to current value, based on local circumstances.

Realizable Value — The quick sale value amount minus what you owe to a secured creditor. The creditor must have priority over a filed Notice of Federal Tax Lien before we allow a subtraction from the asset's value.

Reasonable Collection Potential (RCP) — The total realizable value of your assets plus your future income. The total is generally your minimum offer amount.