

# Offer in Compromise

**Attach Application Fee and Payment (check or money order) here.**

**IRS Received Date**

## Section 1 Your Contact Information

Your First Name, Middle Initial, Last Name

If a Joint Offer, Spouse's First Name, Middle Initial, Last Name

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

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

Business Name

Your Business Address (Street, City, State, ZIP Code)

Social Security Number (SSN)  
(Primary)

(Secondary)

Employer Identification Number  
(EIN)

(EIN not included in offer)

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## Section 2

## Tax Periods

**To: Commissioner of Internal Revenue Service**

**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 below:

1040 Income Tax-Year(s) \_\_\_\_\_

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) \_\_\_\_\_

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

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 have insufficient assets and income to pay the full amount.

**Exceptional Circumstances (Effective Tax Administration)** - I owe this amount and have sufficient 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.

**Section 3 Reason for Offer (Continued)**

**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.

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**Section 4 Low Income Certification (Individuals 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.

Check here if you qualify for Low-Income Certification based on the monthly income guidelines below.

Size of family unit	48 contiguous states and D.C.	Hawaii	Alaska
1	\$2,256	\$2,596	\$2,819
2	\$3,035	\$3,492	\$3,794
3	\$3,815	\$4,388	\$4,769
4	\$4,594	\$5,283	\$5,744
5	\$5,373	\$6,179	\$6,719
6	\$6,152	\$7,075	\$7,694
7	\$6,931	\$7,971	\$8,669
8	\$7,710	\$8,867	\$9,644
For each additional person, add	\$ 779	\$ 896	\$ 975

**Section 5 Payment Terms**

Enter the amount of your offer \$ \_\_\_\_\_

Check one of the payment options below to indicate how long it will take you to pay your offer in full:

**Payment Option 1**

Check here if you will pay your offer in five or fewer payments:

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

20% of the offer amount is \$ \_\_\_\_\_ leaving a balance of \$ \_\_\_\_\_ to be paid as follows after the acceptance of your offer:

Amount of payment 1 \$ \_\_\_\_\_ date \_\_\_\_\_

Amount of payment 2 \$ \_\_\_\_\_ date \_\_\_\_\_

Amount of payment 3 \$ \_\_\_\_\_ date \_\_\_\_\_

Amount of payment 4 \$ \_\_\_\_\_ date \_\_\_\_\_

Amount of payment 5 \$ \_\_\_\_\_ date \_\_\_\_\_

**Payment Option 2**

Check here if you will pay your offer in full in more than five months and pay in monthly installments

Enclose a check for one month's installment (waived if you are an individual and met the requirements for Low-Income certification)

\$ \_\_\_\_\_ is being submitted with the Form 656 and then \$ \_\_\_\_\_ on the \_\_\_\_\_ (day) of each month thereafter for a total of \_\_\_\_\_ months. Total payments must equal the total Offer Amount.

**You must continue to make these monthly payments while the IRS is considering the offer. Failure to make regular monthly payments will cause your offer to be returned.**

**Section 6****Designation of Down Payment and Deposit (Optional)**

If you want your payment to be applied to a specific tax year and a specific tax debt, please tell us the tax form \_\_\_\_\_ and Tax Year/Quarter \_\_\_\_\_. If you do not designate a preference, we will apply any money you send in to the governments best interest.

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

I am making a deposit of \$ \_\_\_\_\_ with this offer.

**Section 7****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.

**Include separate checks for the payment and application fee.**

Make payable to the "United States Treasury" and attach to the front of your Form 656, Offer in Compromise. **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. Your offer will be returned to you if the application fee and the required payments are not properly remitted, or if your check is returned for insufficient funds.

**Section 8****Offer Terms**

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

**Terms, Conditions, and Legal Agreement**

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 2 on page 1 in the event I failed to list any of my assessed tax debt.

**IRS will keep my payments, fees, and some refunds.**

b) I voluntarily submit the payments made on this offer and **understand that they are not refundable even if I withdraw the offer or the IRS rejects or returns the offer.** Unless I designated how to apply the required payment (page 3 of this application), the IRS will apply my payment in the best interest of the government, choosing which tax years and tax liabilities 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 as soon as possible.

d) The IRS will keep any monies it has collected prior to this offer and any payments that I make relating to this offer that I did not designate as a deposit. Only amounts that exceed the mandatory payments can be treated as a deposit. Such a deposit will be refundable if the offer is rejected or returned by the IRS or is withdrawn. I understand that the IRS will not pay interest on any deposit. The IRS may seize ("levy") my assets up to the time that the IRS official signs and accepts my offer as pending.

**Pending status of an offer and right to appeal**

e) 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 terminates my offer or I withdraw my offer. 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.

f) I waive the right to an Appeals hearing if I do not request a hearing 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.**

g) I will file tax returns and pay required taxes for the five year period beginning with the date of acceptance of this offer, or until my offer is paid in full, whichever is longer. 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.

h) The IRS will not remove the original amount of my tax debt from its records until I have met all 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 are fully met, any claim the IRS files in the bankruptcy proceedings will be a tax claim.

i) Once the IRS accepts my offer in writing, I have no right to contest, in court or otherwise, the amount of the tax debt.

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

j) If I fail to meet any of the terms of this offer, the IRS may levy or sue me to collect any amount ranging from the unpaid balance of the offer to the original amount of the tax debt without further notice of any kind. The IRS will continue to add interest, as Section 6601 of the Internal Revenue Code requires, on the amount the IRS determines is due after default. The IRS will add interest from the date I default until I completely satisfy the amount owed.

**I agree to waive time limits provided by law.**

k) 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 (e) 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

**Section 8 - (Continued)**

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.**

l) The IRS may file a Notice of Federal Tax Lien during the offer investigation. Generally, the IRS files 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 when the payment terms of the accepted offer have been satisfied.

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

m) By authorizing the IRS to contact third parties including credit bureaus, I understand that I will not be notified of which third parties the IRS contacts as part of the offer application process, as stated in section 7602(c) of the Internal Revenue Code.

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

n) 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).

**Section 9****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.**

<b>Signature of Taxpayer</b>	Date (mm/dd/yyyy)
<b>Signature of Taxpayer</b>	Date (mm/dd/yyyy)

**Section 10****Paid Preparer Use Only**

Signature of Preparer

Name of Paid Preparer	Date (mm/dd/yyyy)	Preparer's CAF no. or PTIN
Firm's Name, Address, and ZIP Code		

**Include a valid, signed Form 2848 or 8821 with this application, if one is not on file.**

**Section 11****Third Party Designee**

Do you want to allow another person to discuss this offer with the IRS?  Yes  No

**If yes**, provide designee's name

Telephone Number  
(       )

**IRS Use Only**

I accept the waiver of the statutory period of limitations on assessment for the Internal Revenue Service, as described in Section 8 (k).

Signature of Authorized Internal Revenue Service Official	Title	Date (mm/dd/yyyy)
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**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 10 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.