



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

SMALL BUSINESS/SELF-EMPLOYED DIVISION

December 19, 2013

Control Number: SBSE-05-1213-0094
Expiration: December 19, 2014
Impacted: IRM 5.8

MEMORANDUM FOR DIRECTORS, COLLECTION AREA OPERATIONS
(SOUTHWEST, GULF STATES, AND SOUTH ATLANTIC)

DIRECTORS, CAMPUS COMPLIANCE OPERATIONS
(BROOKHAVEN AND MEMPHIS)

FROM: Dretha Barham *a/a Dretha Barham*
Director Collection Policy

SUBJECT: Increase Application Fee for Offer in Compromise

In November 2003, the Service began charging an application fee of \$150 for submission of an offer in compromise (OIC). The fee applies to certain OICs processed under Internal Revenue Code Section 7122 and does not apply to offers in settlement under the jurisdiction of the Department of Justice.

The Treasury and Office of Management and Budget (OMB) has approved an increase to the amount of the user fees imposed under section 300.3 of the Treasury Regulations for processing an OIC. The regulation to increase the application fee was established to balance the need to recover costs with the goal of encouraging offers in compromise. Effective January 1, 2014, the application fee for OICs will be \$186.

A grace period for perfection of the application fee will be granted until February 3, 2014. OICs received January 1, 2014 through February 3, 2014, and paying less than the required \$186 will be deemed processable but will require perfection. The Process Examiner (PE) should contact the taxpayer either by telephone or letter requesting the balance of the application fee. Procedures in IRM 5.8.2, *Centralized Offer in Compromise Initial Processing and Processability*, should be followed for payment processing. Procedures in IRM 5.8.2.7.1(2), *Processable Offers – Payment Processing*, will apply. If the taxpayer fails to submit the balance of the application fee, the offer may be returned without further contact. Offers received after February 3, 2014, with less than the \$186 application fee will be returned as not processable unless a payment submitted in one check as defined in IRM 5.8.2.7.1(1)

applies. If a payment for both the application fee and TIPRA payment is submitted in one check, the offer may be processable. The application fee will be posted first, and the TIPRA payment will need to be perfected.

Note: Low income taxpayers and taxpayers making offers based solely on doubt as to liability will continue to not be required to pay the fee.

An update to all impacted letters and forms on AOIC will reflect the change effective January 1, 2014. This change impacts several sections of the IRM:

5.8.1.9(2); 5.8.2.10(4) Note; 5.8.3.5(4); 5.8.4.25(7); 5.8.7.2(1); 5.8.7.2.2(2);
5.8.7.2.2.3(10); and 5.8.7.3.1(2)

If you have any questions, please contact me, or a member of your staff may contact Diane Morris, Senior Program Analyst. COIC personnel should direct any questions through the appropriate management chain.

cc: Chief, Appeals
Director, Field Collection
Director, Campus Compliance Services
Director, Filing and Payment Compliance
Assistant Division Counsel, SBSE
National Taxpayer Advocate
www.irs.gov