

IRS News Release

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Check Carefully Before Applying for Offers in Compromise

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WASHINGTON — The Internal Revenue Service today issued a consumer alert advising taxpayers to beware of promoters' claims that tax debts can be settled for "pennies on the dollar" through the Offer in Compromise Program.

Such promoters make money by inappropriately advising indebted taxpayers to file an application for an offer in compromise with the IRS, promising unrealistic results, even when the taxpayers do not meet the requirements of the program. This bad advice costs taxpayers money and time.

Taxpayers may refer promoters who are using the program inappropriately to the IRS's Office of Professional Responsibility for civil sanctions by sending their complaint to: Office of Professional Responsibility (SE:OPR), Internal Revenue Service, 1111 Constitution Avenue N.W., Washington, DC 20224.

An offer in compromise is an agreement between a taxpayer and the IRS that resolves the taxpayer's tax debt. The IRS has the authority to settle, or "compromise," federal tax liabilities by accepting less than full payment under certain circumstances.

"This program serves an important purpose. But we do warn taxpayers to watch out for unscrupulous promoters charging excessive fees to taxpayers who have no chance of meeting the program's requirements," said IRS Commissioner Mark W. Everson. "Taxpayers should not be duped by high-priced promises."

Although there are some tax practitioners who promote dubious schemes, most practitioners give quality service to their clients. Taxpayers who need a qualified tax professional to prepare and submit their offer in compromise application form may contact state or local tax professional associations to find enrolled agents, CPAs or attorneys in their geographic area with the education and experience to assist them.

The application package, IRS Form 656, Offer in Compromise, was recently redesigned with new instructions, worksheet and checklist to make it easier for taxpayers to determine if they are eligible for the program and to accurately prepare the necessary forms. The July 2004 revision of the application form also contains a new paid preparer signature block. Taxpayers may wish to reconsider using preparers who hesitate to identify themselves on the form.

An offer in compromise may be considered only after other payment options have been exhausted. If taxpayers are unable to pay their taxes in full, there are other payment options, such as monthly installment agreements, that must be explored before an offer in compromise can be submitted.

The IRS Web site at www.irs.gov contains information on the collection process and payment options. Additional information is available in IRS Publication 594, The IRS Collection Process, and Form 9465, Installment Agreement Request. These documents provide complete information on all options available and help taxpayers determine if they qualify for a payment program.

Taxpayers who are unable to pay their taxes in full and who have explored the various options should use the checklist in the Form 656 package to determine if they are eligible for an offer in compromise.

Some taxpayers may be exempt from the \$150 application fee depending on income or whether the offer in compromise is based solely on doubt as to tax liability. Taxpayers who claim the income exception must certify their eligibility by completing Form 656-A, Income Certification for Offer in Compromise Application Fee. This certification should be attached to Form 656 in lieu of the \$150 fee at the time of submission. The Form 656 package contains a worksheet designed to assist taxpayers in determining whether they qualify for the income exception. The income exception applies only to individuals.

The publications and forms are available at www.irs.gov or by calling 1-800-829-3676 to order copies. All publications and forms are free.