



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, DC 20224

SMALL BUSINESS/SELF-EMPLOYED DIVISION

April 22, 2024

Control Number: SBSE-05-0424-0003
Expiration Date: April 22, 2026
Affected IRM(s): 5.8.1, 5.8.4, 5.8.5, 5.8.7,
5.8.8, 5.8.9, and 5.19.7

MEMORANDUM FOR: Francine Stewart,
Acting Director, Specialty Collection Offer in Compromise

FROM: Rocco A. Steco, Rocco A Steco
Director, Collection Policy

Digitally signed by Rocco A.
Stecco Jr.
Date: 2024.02.23 12:01:41
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SUBJECT: Interim Guidance on Obsolescence of Form 14640, Addendum to
Form 656

Purpose: The purpose of this memorandum is to issue initial procedural guidance on the obsolescence of the Form 14640, Addendum to Form 656 (addendum). Please ensure this information is distributed to all affected employees within your organization.

Background/Source(s) of Authority: Currently, the IRS solicits a Form 14640 when taxpayers agree to amend the terms of their previously processed Form 656. The Form 14640 fields can be confusing and may result in errors in offer terms. To improve consistency and reduce errors, the Form 14640 will be discontinued. If amended terms or a change to the offer basis is required, the IRS will solicit an amended Form 656.

Procedural Change: When taxpayers are asked to amend the terms of their offer in compromise (OIC) prior to acceptance, SCOIC employees will complete an amended Form 656 and new Letter 6594, Offer in Compromise Amended Form 656 Request for each OIC, instead of utilizing Form 14640 and cover Letter 6437, Offer in Compromise Addendum Request. All references to the addendum in IRMs 5.8 and 5.19.7 will be replaced with "amended Form 656." (See attachment 1, Impacted IRM Sections.) This will also ensure that each accepted OIC contains the terms in the most current revision of Form 656.

Examples

In each of the examples below, the taxpayer originally offered \$5,000 but is agreeing to increase the terms to \$10,000.

Example 1. The taxpayer paid \$1,000 (20%) with the original offer. The offer examiner (OE) or offer specialist (OS) will solicit the amended Form 656 and additional payment

of \$1,000 with the contract. The terms will be \$10,000; \$2,000 with the offer and the remaining \$8,000 paid over the agreed number of months.

Example 2. The taxpayer qualified for the low-income waiver. The OE or OS will solicit the amended Form 656. The terms will be \$10,000, with \$0.00 paid with the offer and the remaining \$10,000 paid over the agreed number of months.

Example 3. The taxpayer qualified for the low-income waiver but since the offer submission, made voluntary payments totaling \$500. The OE or OS will solicit the amended Form 656. The terms will be \$10,000 with \$500 paid with the offer and the remaining \$9,500 paid over the agreed number of months.

Example 4. The taxpayer paid periodic payments totaling \$1,850 and agreed to make periodic payments for the increased amended offer. The terms must be completed in 24 payments and the existing payments will be considered the first payment. The terms will be \$10,000; the first monthly payment of \$1,850 is included with this offer then \$350 will be paid for 22 payments with a final payment of \$450 on the 24th month.

In most instances, additional payment will only be required when soliciting amended offers with lump sum terms. If the taxpayer does not respond to the request to increase their offer terms to an amount that can be recommended for acceptance or returns the amended Form 656 but does not enclose the required payment, proceed with rejection of the current offer terms. The taxpayer cannot amend their offer without also providing the required initial payment unless they qualify for the low-income waiver.

Note: *If the taxpayer qualifies for the low-income waiver, the first payment is due 30 calendar days after acceptance of the offer.*

Effect on Other Documents: This guidance will be incorporated into IRM 5.8.1, Overview; 5.8.4, Investigation; 5.8.5, Financial Analysis; 5.8.7, Return, Terminate, Withdraw, and Reject Processing; 5.8.8, Acceptance Processing; 5.8.9, Actions on Post-Accepted Offers and 5.19.7, Monitoring Offer In Compromise.

Effective Date: This guidance is effective as of April 22, 2024.

Contact: If you have any questions, please contact Diana Estey, Program Manager Offer-in-Compromise (OIC), or a member of your staff may contact OIC Program Analyst Julia Wescott.

Attachment: Attachment 1, Impacted IRM Sections

Distribution:

Director, Collection

Director, Collection Operations – Quality and Technical Support

Director, Headquarters Collection

Taxpayer Advocate Service
Assistant Division Counsel, SB/SE
IRS.gov

Attachment 1 - Impacted IRM Sections

References to Form 14640, Addendum to Form 656 will be replaced with “amended Form 656” or deleted from IRM sections including those listed below.

IRM Section	IRM Section Title
5.8.1.9	Liabilities to be Compromised
5.8.1.15.2	Basis for Compromise
5.8.1.15.4	Payments
5.8.4.9	Actions Based on Reasonable Collection Potential
5.8.4.15.2	Case Decisions on CDP Offers
5.8.4.24	Liabilities Other than Internal Revenue Code Title 26
5.8.5.24	Shared Expenses
5.8.7.4.2.2	Amended Offer after Failure to Make Required Periodic Payments
5.8.7.7.3	Recommending Rejection of an Offer
5.8.7.7.5(13)	Rejection Appealed
5.8.8.2	Amendment or Addendum to Form 656
5.8.8.2.1	Amending Form 656
5.8.8.2.2	Form 14640, Addendum to Form 656
5.8.8.2.2.1	Instructions for Completion of Form 14640, Addendum to Form 656
5.8.8.3	Pen and Ink Changes to Form 656
5.8.8.7	Required Actions Prior to Closing an Offer as an Acceptance
5.8.8.10	Processing the Closed Offer File

5.8.9.6.3	Processing Completed Investigations
5.19.7.2.7(1)	Amended Offer in Compromise (OIC)
5.19.7.3(8)	Initial Processing of Accepted OICs
5.19.7.3 (14)	Initial Processing of Accepted OICs