

Form 656

(April 2023)

Department of the Treasury
Internal Revenue Service

Offer in Compromise



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WARNING!!!

The attached Form 656 is not a stand-alone form and is intended for tax professional use only. Individuals requesting consideration of an offer must use Form 656-B, *Offer in Compromise*, which may be found under the Forms and Pubs tab on www.irs.gov. Completed financial statements and required application fee and initial payment must be included with your Form 656. Failure to include the required information will delay consideration of your offer.

Offer in Compromise

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 in Section 1 or Section 2 below.

Did you use the Pre-Qualifier tool prior to filling out this form? Locate the tool on our website at [IRS.gov/OICtools](https://www.irs.gov/OICtools) or by scanning the QR code on your smart device

☐ Yes ☐ No

Note: The use of the Pre-Qualifier tool is not mandatory before sending in your offer. However, it is recommended.

Include the \$205 application fee and initial payment (*personal check, cashier's check, or money order*) with your Form 656 unless you qualify for the Low-Income Certification. You must also include the completed Form 433-A (OIC) and/or Form 433-B (OIC) **and supporting documentation**. You should fill out either Section 1 or Section 2, but not both, depending on the tax debt you are offering to compromise.

IRS Received Date



Section 1 Individual Information (Form 1040 filers)

If you are a 1040 filer, an individual with personal liability for Excise tax, individual responsible for Trust Fund Recovery Penalty, self-employed individual, or individual personally responsible for partnership liabilities, you should fill out Section 1.

Your first name, middle initial, last name	Social Security Number (SSN), Individual Taxpayer or Identification Number (ITIN) <i>(if applicable)</i> - -
If a joint offer, spouse's first name, middle initial, last name	Social Security Number (SSN), Individual Taxpayer or Identification Number (ITIN) <i>(if applicable)</i> - -

Your home physical address (street, city, state, ZIP code, county of residence)

Your home mailing address (if different from above or post office box number)

Is this a new address	<input type="checkbox"/> Yes	<input type="checkbox"/> No
If yes, would you like us to update our records to this address	<input type="checkbox"/> Yes	<input type="checkbox"/> No
Your Employer Identification Number <i>(if applicable)</i>		

Individual Tax Periods *(If Your Offer is for Individual or Sole-Proprietor Tax Debt Only)*

- ☐ 1040 Income Tax-Year(s) _____
- ☐ Trust Fund Recovery Penalty as a responsible person of *(enter business name)* _____
for failure to pay withholding and Federal Insurance Contributions Act taxes (Social Security taxes), for period(s) ending _____
- ☐ 941 Employer's Quarterly Federal Tax Return - Quarterly period(s) _____
- ☐ 940 Employer's Annual Federal Unemployment (FUTA) Tax Return - Year(s) _____
- ☐ 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.

Warning: The IRS will not compromise any amounts of restitution assessed by the IRS. Any liability arising from restitution is excluded from this offer. Also, the IRS will not compromise any liability for which an election under IRC § 965(i) is made; such liabilities are excluded from this offer. Any offer containing a liability for which payment is being deferred under IRC § 965(h)(1) can only be processed for investigation if an acceleration of payment under section 965(h)(3) and the regulations thereunder has occurred and no portion of the liability to be compromised resulted from entering into a transfer agreement under section 965(h)(3).

Low-Income Certification (Individuals and Sole Proprietors Only)

Do you qualify for Low-Income Certification? You qualify if your adjusted gross income, as determined by your most recently filed Individual Income Tax return (Form 1040) or your household's gross monthly income from Form 433-A(OIC) x 12, is equal to or less than 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 or the application fee upon submission or during the consideration of your offer. If your business is other than a sole proprietor or the offer is being filed for a deceased individual, you cannot qualify for Low-Income Certification. The IRS will verify whether you qualify for Low-Income Certification.

Note: By checking one of the boxes below you are certifying that your adjusted gross income or your household's gross monthly income x 12 and size of your family qualify you for the Low-Income Certification.

- ☐ I qualify for the low-income certification because my adjusted gross income for my household's size is equal to or less than the amount shown in the table below.
- ☐ I qualify for the low-income certification because my household's size and gross monthly income x 12 is equal to or less than the income shown in the table below.

IF YOU QUALIFY FOR THE LOW-INCOME CERTIFICATION DO NOT INCLUDE ANY PAYMENTS WITH YOUR OFFER. Generally these payments will not be returned and will be applied to the tax liability in the best interest of the government.

Size of family unit	48 contiguous states, D.C., and U.S. Territories	Alaska	Hawaii
1	\$33,975	\$42,475	\$39,075
2	\$45,775	\$57,225	\$52,650
3	\$57,575	\$71,975	\$66,225
4	\$69,375	\$86,725	\$79,800
5	\$81,175	\$101,475	\$93,375
6	\$92,975	\$116,225	\$106,950
7	\$104,775	\$130,975	\$120,525
8	\$116,575	\$145,725	\$134,100
For each additional person, add	\$11,800	\$14,750	\$13,575

Section 2

Business Information (Form 1120, 1065, etc., filers)

If your business is a Corporation, Partnership, LLC, or LLP and you want to compromise those tax debts, you must complete this section. You must also include all required documentation including the Form 433-B (OIC), a \$205 application fee, and initial payment.

Business name

Business physical address (street, city, state, ZIP code)

Business mailing address (street, city, state, ZIP code)

Employer Identification Number (EIN)	Name and title of primary contact	Telephone number
-		() -

Business Tax Periods (If Your Offer is for Business Tax Debt Only)

- ☐ 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) _____
- ☐ 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 (Check only one)

☐ **Doubt as to Collectibility** - I do not have enough in assets and income to pay the full amount.

Note: If you have special circumstances which would prevent you from paying the minimum offer amount calculated on Form 433-A (OIC) due to economic hardship explain below and attach any documentation to this offer.

☐ **Effective Tax Administration** - I owe this amount and have enough in assets and income to pay this liability in full, but due to my special circumstances, requiring full payment would cause an economic hardship or be inequitable.

Select which circumstance applies below and attach additional documentation to this offer application as needed.

☐ Paying more than the amount offered would create an economic hardship. See below for my explanation. (Only individuals qualify for this consideration).

☐ The amount offered is based on my exceptional circumstances other than economic hardship. Collection of my full liability could undermine public confidence that the tax laws are being administered in a fair and equitable manner. *Example: A payroll service provider misappropriated taxes withheld from my employees.* See below for my explanation.

Section 4Payment Terms

Check only one of the payment options below to indicate how long it will take you to pay your offer in full. You must offer more than \$0. The offer amount should be in whole dollars only.

Lump Sum Cash

☐ Check here if you will pay your offer in 5 or fewer payments within 5 or fewer months from the date of acceptance:

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

Total offer amount	-	20% initial payment	=	Remaining balance
\$	-	\$	=	\$
You may pay the remaining balance in one payment after acceptance of the offer or up to five payments, but cannot exceed 5 months.				
Amount of payment	\$	payable within		Month after acceptance
Amount of payment	\$	payable within		Months after acceptance
Amount of payment	\$	payable within		Months after acceptance
Amount of payment	\$	payable within		Months after acceptance
Amount of payment	\$	payable within		Months after acceptance

Periodic Payment

☐ Check here if you will pay your offer in full in 6 to 24 months

Enter the amount of your offer \$

Note: The total months may not exceed a total of 24. For example, if you are requesting your payments extend for 24 months then your first payment is considered to be month 1 and your last payment is considered month 24. There will be 22 payments between the first and last month.

Enclose a check for the first month's payment (waived if you met the requirements for the Low-Income Certification).

The first monthly payment of \$ is included with this offer then \$ will be paid on the (pick number 1-28) day of each month thereafter for months with a final payment of \$ to be paid on the day of the month.

You must continue to make these monthly payments while the IRS is considering the offer (waived if you met the requirements for Low-Income Certification). Failure to make regular monthly payments until you have received a final decision letter will cause your offer to be returned with no appeal rights. If you qualified under the Low-Income Certification and are not required to submit payments while the offer is under consideration, your first payment will be due 30 calendar days after acceptance of the offer, unless another date is agreed to in an amended offer or addendum.

IRS Use Only

☐ Attached is an addendum dated (insert date) setting forth the amended offer amount and payment terms.

Section 5

Designation of Payment and Electronic Federal Tax Payment System (EFTPS)

Designation of Payment

If you want your payment to be applied to a specific tax year and a specific tax debt, such as employment taxes or a Trust Fund Recovery Penalty, tell us the tax period/quarter _____. If you are not specific with your designation we will apply any money you send to the government's best interest. If you want to designate any future payments not included with this Form 656 while the offer is pending [see section 7(j) below] with the IRS, you must include the specific tax year and type of tax at the time each payment is made. However, you cannot designate the application fee or any payment after the IRS accepts the offer.

Note: Payments submitted with your offer cannot be designated as estimated tax payments for a current or past tax year.

Electronic Federal Tax Payment System (EFTPS)

List offer payments made through the [Electronic Federal Tax Payment System \(EFTPS\)](#) below.

Include the 15 digit Electronic Funds Transfer (EFT) Number with each payment.

Offer application fee	Date	EFT number
Offer payment	Date	EFT number

Note: Any Offer Application Fee or initial payment made via EFTPS must be made the same date your offer is mailed.

Section 6 Source of Funds, Making Your Payment, Filing Requirements, and Tax Payment Requirements

Source of Funds

Tell us where you will obtain the funds to pay your offer

Making Your Payment

Include separate checks for the payment and application fee.

Make checks payable to the “United States Treasury” and attach to the front of your Form 656, Offer in Compromise. All payments must be in U.S. dollars. **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. You may also make payments through the [Electronic Federal Tax Payment System \(EFTPS\)](#). Your offer will be returned to you if the application fee and the required payment are not included, or if your check is returned for insufficient funds.

Filing Requirements

- ☐ I have filed all required tax returns and have included a complete copy of any tax return filed within 12 weeks of this offer submission
- ☐ I was not required to file a tax return for the following years _____

Note: Do not include original tax returns with your offer. You must either electronically file your tax return or mail it to the appropriate IRS processing office before sending in your offer.

Tax Payment Requirements *(check all that apply)*

- ☐ I have made all required estimated tax payments for the current tax year
- ☐ I am not required to make any estimated tax payments for the current tax year
- ☐ I have made all required federal tax deposits for the current quarter and two preceding quarters
- ☐ I am not required to make any federal tax deposits for the current quarter and two preceding quarters

Section 7

Offer Terms

Terms, Conditions, and Legal Agreement

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

- 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 1 or Section 2 if I failed to list any of my assessed tax debt or tax debt assessed before acceptance of my offer. By submitting a joint offer, both signers grant approval to the Internal Revenue Service to disclose the existence of any separate liabilities owed.
- b) I also authorize the IRS to amend Section 1 or Section 2 by removing any tax years on which there is currently no outstanding liability. I understand that my offer will be accepted, by law, unless IRS notifies me otherwise, in writing, within 24 months of the date my offer was received by IRS. I also understand that if any tax debt that is included in the offer is in dispute in any judicial proceeding that tax debt will not be included in determining the expiration of the 24-month period.

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

- c) I voluntarily submit the payments made on this offer and understand that they will not be returned even if I withdraw the offer or the IRS rejects or returns the offer. Unless I designate how to apply each required payment in Section 5, the IRS will apply my payment in the best interest of the government, choosing which tax years and tax debts to pay off. The IRS will also keep my application fee unless the offer is not accepted for processing.
- d) I understand that if I checked the Low-Income Certification in Section 1, then no payments are required. If I qualify for the Low-Income Certification and voluntarily submit payments, all money will be applied to my tax debt and will not be returned to me.
- e) Treas. Reg. section 301.7122(e)(5) states, in part, that acceptance of an offer in compromise will conclusively settle the liability for the tax periods specified in the offer. To enforce the regulation as a contract term, I agree that I cannot file an amended return for the tax years listed on Form 656 after the offer is accepted. Further, I agree that I will not file an amended return for the tax years listed on Form 656 after I have submitted my offer and while my offer remains pending [see section 7(j) below] with the Service. The filing of the amended return could be considered grounds for termination. In addition, any refunds related to an amended return filed for a tax year which has an

ending date prior to offer acceptance will be offset to the tax liability. If I receive a refund prior to offer acceptance, or based on an amended return for any tax periods extending to the date my offer is accepted, I will return the refund within 30 days of receiving the refund. The IRS will keep any refund, including interest, that I might be due for tax returns filed through the date the IRS accepts my offer. Systemic offset of overpayments will continue in accordance with IRC 6402(a) prior to the offer acceptance date. I understand that my tax refund may be offset to the tax liability while the offer is pending, but that assistance could be available for taxpayers (other than businesses) facing an economic hardship.

- f) I understand that the amount I am offering may not include part or all of an expected or current tax refund, money already paid, funds attached by any collection action, or anticipated benefits from a capital or net operating loss.
- g) The IRS will keep any monies it has collected prior to this offer. Under section 6331(k), the IRS may levy on my property and rights to property up to the time that the IRS official signs and acknowledges my offer as pending. The IRS may keep any proceeds arising from such a levy. No levy will be issued on individual shared responsibility payments. However, if the IRS served a continuous levy on wages,

salary, or certain federal payments under sections 6331(e) or (h), then the IRS could choose to either retain or release the levy.

- h) The IRS will keep any payments that I make related to this offer. I agree that any funds submitted with this offer will be treated as a payment. I also agree that any funds submitted with periodic payments made after the submission of this offer and prior to the acceptance, rejection, or return of this offer will be treated as payments.
- i) If my offer is accepted and my final payment is more than the agreed amount, the IRS will not return the difference, but will apply the entire payment to my tax debt.

Pending status of an offer and right to appeal

- j) 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, or returns my offer, or I withdraw my offer. An offer is also considered pending 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. 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.
- k) I waive the right to an Appeals hearing if I do not request a hearing in writing within 30 days of the date the IRS notifies me of the decision to reject the offer.

Section 7 (Continued)

Offer Terms

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.

- l) As both an express condition and as a contractual promise, I will strictly comply with all provisions of the internal revenue laws, including requirements to timely file tax returns and timely pay taxes for the five year period beginning with the date of acceptance of this offer and ending through the fifth year. I agree to promptly pay any liabilities assessed after acceptance of this offer for tax years ending prior to acceptance of this offer that were not otherwise identified in Section 1 or Section 2 of this agreement. I also understand that during the five year period I cannot request an installment agreement for unpaid taxes incurred before or after the accepted offer. I understand that I cannot request an offer for a tax liability during the five year period. 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. An accepted offer will not be defaulted solely due to the assessment of an individual shared responsibility payment.
- m) I agree that I will remain liable for the full amount of the tax liability, accrued penalties and interest, until I have met all of the terms and conditions of this offer. Penalties and interest will continue to accrue until all payment terms of the offer have been

met. If I file for bankruptcy before the terms and conditions of the offer are met, I agree that the IRS may file a claim for the full amount of the tax liability, accrued penalties and interest, and that any claim the IRS files in the bankruptcy proceeding will be a tax claim.

- n) Once the IRS accepts my offer in writing, I have no right to challenge the tax debt(s) in court or by filing a refund claim or refund suit for any liability or period listed in Section 1 or Section 2, even if the IRS defaults or rescinds the offer.
- o) If I fail to meet any of the terms of this offer, the IRS may revoke the certificate of release of federal tax lien and file a new notice of federal tax lien; levy or sue me to collect any amount ranging from one or more missed payments to the original amount of the tax debt (less payments made) plus penalties and interest that have accrued from the time the underlying tax liability arose. The IRS will continue to add interest, as required by section 6601 of the Internal Revenue Code, on the amount the IRS determines is due after default. I agree that if I provide false information or documents in conjunction with this offer or conceal my assets or my ability to pay, then the IRS may reopen my offer and exercise its discretion in the further treatment of the OIC, including a termination of the offer

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

contract. If the IRS terminates my offer contract, I will be liable for the full amount of the tax liability, accrued penalties and interest.

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

- p) 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 (j) 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 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.

q) The IRS may file a Notice of Federal Tax Lien during consideration of the offer or for offers that will be paid over time. If the offer is accepted, the tax lien(s) for the periods and taxes listed in Section 1 will be released within 35 days after the final payment has been received and verified. The time it takes to transfer funds to the IRS from commercial institutions varies based on the form of payment. If I have not finished paying my offer amount, then the IRS may be entitled to any proceeds from the sale of my property. The IRS will not file a Notice of Federal Tax Lien on any individual shared responsibility debt.

Correction Agreement

r) I authorize the IRS, to correct any typographical or clerical errors or make minor modifications to my Form 656 that I signed in connection to this offer.

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

s) By authorizing the IRS to contact third parties, I understand that I will not be notified of which third parties the IRS contacts as part of the offer application process, including tax periods that have not been assessed, as stated in §7602 (c) of the Internal Revenue Code. In addition, I authorize the IRS to request a consumer report on me from a credit bureau.

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

t) I understand if the liability sought to be compromised is the joint and individual liability of myself and my coobligor(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).

I understand the IRS Shared Responsibility Payment (SRP).

u) If your offer includes any shared responsibility payment (SRP) amount that you owe for not having minimum essential health coverage for you and, if applicable, your dependents per Internal Revenue Code Section 5000A - Individual shared responsibility payment, it is not subject to penalties (except applicable bad check penalty) or to lien and levy enforcement actions. However, interest will continue to accrue until you pay the total SRP balance due. We may apply your federal tax refunds to the SRP amount that you owe until it is paid in full.

I understand the IRS is required to make certain information public.

v) The IRS is required to make certain information, such as taxpayer name, city/state/zip, liability amount, and offer terms, available for public inspection and review for one year after the date of offer acceptance.

Section 8 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.

Signature of Taxpayer/Corporation Name	Phone number	Today's date <i>(mm/dd/yyyy)</i>
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☐ By checking this box you are authorizing the IRS to contact you at the telephone number listed above and leave detailed messages concerning this offer on your voice mail or answering machine.

Signature of Spouse/Authorized Corporate Officer	Phone number	Today's date <i>(mm/dd/yyyy)</i>
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☐ By checking this box you are authorizing the IRS to contact you at the telephone number listed above and leave detailed messages concerning this offer on your voice mail or answering machine.

Section 9 Paid Preparer Use Only

Signature of Preparer	Phone number	Today's date <i>(mm/dd/yyyy)</i>
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☐ By checking this box you are authorizing the IRS to contact you at the telephone number listed above and leave detailed messages concerning this offer on your voice mail or answering machine.

Name of Paid Preparer	Preparer's CAF no. or PTIN
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Firm's name (or yours if self-employed), address, and ZIP code

If you would like to have someone represent you during the offer investigation, attach a valid, signed Form 2848 with this application or a copy of a previously filed form. Form 2848 allows for representation and receipt of confidential information. You should also include the current tax year on the form, in the list of applicable years or periods.

Form 8821 allows a third party to receive confidential information but they cannot represent you before the IRS in a Collection matter. If you would like a third party to receive confidential information on your behalf attach a copy if previously filed and include the current tax year on the form.

IRS Use Only. I accept the waiver of the statutory period of limitations on assessment for the Internal Revenue Service, as described in Section 7(p).		
Signature of Authorized Internal Revenue Service Official	Title	Date (mm/dd/yyyy)

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 9 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.