

**IRS TAX TIP 2001-62**  
**OFFER IN COMPROMISE MAY HELP WITH TAX BILLS**

WASHINGTON -- If you cannot pay your tax debt in full or you dispute what is owed, you may be able to resolve the tax matter with the IRS Offer in Compromise program. Offer in Compromise allows you to propose settling tax debts for the maximum amount that you can afford to pay, even if it is less than the amount you owe. The program allows the IRS to negotiate a settlement with you if you are unable to pay your entire tax bill.

This program makes it easier for you to apply for help when facing dire financial circumstances, and it allows the IRS to be flexible when considering your offer to settle a tax bill.

To qualify, your settlement offer must reflect the maximum amount you can pay over and above your basic living expenses. The amount of an offer should equal or exceed your equity in assets, ability to make installment payments from future income, amounts the IRS can collect from third parties on your behalf and funds that are available to you but not subject to IRS collection actions.

The IRS cautions that this program is designed only for taxpayers entangled in very severe circumstances. It's not designed to be a program for everyone with financial problems, and it shouldn't be viewed as an invitation to avoid paying taxes. An offer cannot be considered if you are involved in an open bankruptcy proceeding or if you have not filed all of your federal tax returns.

If you are having problems with your tax bills, the IRS wants to work with you to make this process as painless as possible.

To submit an offer, complete Form 656, "Offer in Compromise." Detailed instructions are provided with the form.

Additional information about an Offer in Compromise can be found on Form 656 and in Publication 594, "Understanding the Collection Process." The form and publication are available at the IRS Web site at [www.irs.gov](http://www.irs.gov) under the "Forms & Pubs" and "Tax Info For You" sections, or may be ordered by calling 1-800-829-3676.