

IRS News Release

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IRS Reminds Taxpayers of Application Fee for Offers in Compromise

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WASHINGTON — Starting Nov. 1, 2003, the Internal Revenue Service will begin charging, with some exceptions, a \$150 application fee to process offers in compromise. An offer in compromise (OIC) allows taxpayers to settle their tax liabilities for less than the full amount.

The fee will help offset the cost of providing this service, as well as reduce the number of offers that are filed inappropriately, for example, only to delay collection.

Taxpayers will be exempt from the fee if their monthly income falls at or below levels based on the Department of Health and Human Services poverty guidelines or if they file offers based solely on doubt as to liability. The poverty guideline exception applies only to individuals. Taxpayers who claim the poverty guideline exception must certify their eligibility using Form 656-A, "Offer in Compromise Application Fee Instructions and Certification."

To submit an OIC, taxpayers must use the May 2001 version of Form 656, "Offer in Compromise." Those requesting an OIC must have filed all required federal tax returns and not be a debtor in a bankruptcy case. If in business, they must also have filed and paid any required employment tax returns on time for the two quarters prior to filing the OIC and be current with deposits for the quarter in which the offer in compromise was submitted.

Those who file an OIC postmarked on or after Nov. 1, 2003, and do not meet one of the exceptions, must submit the application fee using a check or money order made payable to the United States Treasury. Cash payments will not be accepted.

Go to IRS.gov for more information on the OIC application fee, as well as Forms 656 and 656-A. IRS forms can also be ordered by calling the toll free hotline at 1-800-829-3676.