

IRS News Release

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IRS Announces Application Fee for Offers in Compromise

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WASHINGTON — Beginning November 1, 2003, the Internal Revenue Service will charge a \$150 application fee for the processing of offers in compromise. The IRS expects that this fee will help offset the cost of providing this service, as well as reduce frivolous claims.

The law authorizes federal agencies to charge fees to defray the costs of providing certain services. Guidelines encourage such fees for benefits beyond those provided to the general public. The IRS anticipates the fee also will reduce the number of offers that are filed inappropriately — for example, solely to delay collection — enabling the agency to redirect resources to the processing of acceptable offers.

“The application fee will provide funding to recover some of the costs associated with the offer in compromise program and reduce the number of inappropriate filings,” said Dale Hart, Commissioner, Small Business/Self-Employed Division.

An offer in compromise (OIC) is an agreement between a taxpayer and the IRS that resolves the taxpayer's tax liability. Under certain circumstances, the IRS has the authority to settle federal tax liabilities by accepting less than full payment. To submit an OIC, a taxpayer must use the May 2001 version of the Form 656 “Offer in Compromise” package.

All taxpayers who file an OIC will have to pay the application fee with their submission unless the offer is based solely on doubt as to liability, or the taxpayer's total monthly income falls at or below income levels based on the Department of Health and Human Services poverty guidelines. Taxpayers who claim the poverty guideline exception must certify their eligibility using Form 656-A, “Offer in Compromise Application Fee Instructions and Certification.” Form 656-A, which will not be accepted by the IRS before November 1, will be available on the IRS Web site soon.

More information on the OIC application fee is available on the IRS Web site at www.irs.gov or by calling the IRS taxpayer assistance line at 1-800-829-1040.

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