

## **WARNING!!!**

The attached Form 656 is intended for tax professional use only and must not be used by the individual taxpayer. 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. The Form 656-B, *Offer in Compromise*, may be found under the Forms and Pubs tab on [www.irs.gov](http://www.irs.gov).

# Offer in Compromise

Did you use the Pre-Qualifier tool located on our website at [www.irs.gov](http://www.irs.gov) prior to filling out this form?

Yes  No

**Include the Application Fee and Payment (personal check, cashier's check, or money order) with your Form 656. You must also include the completed Form 433-A (OIC) and/or 433-B (OIC) and supporting documentation.**

## Section 1 Your Information

Section 1A Individual Information (Form 1040 Filers)		IRS Received Date
Your First Name, Middle Initial, Last Name	Social Security Number (SSN) - -	
If a Joint Offer, Spouse's First Name, Middle Initial, Last Name	Social Security Number (SSN) - -	
Your Physical Home Address (Street, City, State, ZIP Code)		
Mailing Address (if different from above or Post Office Box number)		
Employer Identification Number (For self-employed individuals only) -		

## Section 1B 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), \$186 application fee, and initial payment.**

Business Name		
Business Address (Street, City, State, ZIP Code)		
Employer Identification Number (EIN) -	Name and Title of Primary Contact	Telephone Number ( ) -

**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 below:

## Section 2 Tax Periods

### Section 2A If Your Offer is for Individual Tax Debt Only Complete this Section *only* if you completed Section 1A

- 1040 Income Tax-Year(s) \_\_\_\_\_
- Trust Fund Recovery Penalty as a responsible person of (enter corporation 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.

**Section 2 (continued) Tax Periods**

**Section 2B**

**If Your Offer is for Business Tax Debt  
Complete this Section *only* if you completed Section 1B**

- 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**

- Doubt as to Collectibility** - I have insufficient assets and income to pay the full amount.
- Exceptional Circumstances (Effective Tax Administration)** - I owe this amount and have sufficient assets to pay the full amount, but due to my exceptional circumstances, requiring full payment would cause an economic hardship or would be unfair and inequitable. I am submitting a written narrative explaining my circumstances.

**Explanation of Circumstances (Add additional pages, if needed)** – The IRS understands that there are unplanned events or special circumstances, such as serious illness, where paying the full amount or the minimum offer amount might impair your ability to provide for yourself and your family. If this is the case and you can provide documentation to prove your situation, then your offer may be accepted despite your financial profile. Describe your situation below and attach appropriate documents to this offer application.

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**Section 4 Low-Income Certification (Individuals and Sole Proprietors Only)**

**Do you qualify for Low-Income Certification?** You qualify if your gross monthly household income is less than or equal to 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 during the consideration of your offer. **Businesses other than sole proprietorships do not qualify for the low income waiver.**

Check here if you qualify for Low Income Certification based on the monthly income guidelines below.

Size of family unit	48 contiguous states and D.C.	Hawaii	Alaska
1	\$2,431	\$2,796	\$3,038
2	\$3,277	\$3,769	\$4,096
3	\$4,123	\$4,742	\$5,154
4	\$4,969	\$5,715	\$6,213
5	\$5,815	\$6,688	\$7,271
6	\$6,660	\$7,660	\$8,329
7	\$7,506	\$8,633	\$9,388
8	\$8,352	\$9,606	\$10,446
For each additional person, add	\$ 846	\$ 973	\$1,058

**Section 5**

**Payment Terms**

**Check 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 in 5 or fewer months from the date of acceptance:**

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

<b>Total Offer Amount</b>	-	<b>20% Initial Payment</b>	=	<b>Remaining Balance</b>
\$	-	\$	=	\$
<p><b>You may pay the remaining balance in one payment after acceptance of the offer or up to five payments, but cannot exceed 5 months.</b></p>				
Amount of payment	\$	payable within		Month after acceptance
Amount of payment	\$	payable within		Months after acceptance
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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 amount must equal all of the proposed payments including the first and last payments.**

Enclose a check for the first month's installment.

\$ \_\_\_\_\_ is included with this offer then \$ \_\_\_\_\_ will be sent in on the \_\_\_\_\_ day of each month thereafter for a total of \_\_\_\_\_ months with a final payment of \$ \_\_\_\_\_ to be paid on the \_\_\_\_\_ day of the \_\_\_\_\_ month.

**Note: The total months may not exceed a total of 24 months, including the first payment. Your first payment is considered to be month 1; therefore, the remainder of the payments must be made within 23 months for a total of 24.**

**You must continue to make these monthly payments while the IRS is considering the offer (waived if you are an individual or sole proprietorship and met the requirements for Low Income Certification). Failure to make regular monthly payments will cause your offer to be returned with no appeal rights.**

**IRS Use Only**

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

**Section 6**

**Designation of Down Payment and Deposit**

If you want your payment to be applied to a specific tax year and a specific tax debt, please tell us the tax form \_\_\_\_\_ and

tax year/quarter \_\_\_\_\_. If you do not designate a preference, we will apply any money you send to the government's best interest. If you wish to designate any payments not included with this offer, you must designate a preference for each payment at the time the payment is made. However, you cannot designate the \$186 application fee or any payment after the IRS accepts the offer.

If you are paying **more than** the required payment when you submit your offer and want any part of that payment treated as a deposit, check the box below and insert the amount. Deposits will be refunded if the offer is rejected, returned, or withdrawn, unless you request it to be applied to your tax debt.

My payment of \$ \_\_\_\_\_ includes the \$186 application fee and \$ \_\_\_\_\_ for my initial offer payment. I am requesting the additional payment of \$ \_\_\_\_\_ be held as a deposit.

**CAUTION: Do NOT designate the amounts sent in with your offer to cover the down payment and application fee as "deposits." Doing so will result in the return of your offer.**

## Section 7 Source of Funds, Making Your Payment, and Filing Requirements

### Source of Funds

Tell us where you will obtain the funds to pay your offer. You may consider borrowing from friends and/or family, taking out a loan, or selling assets.

### 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. Your offer will be returned to you if the application fee and the required payment is not included, or if your check is returned for insufficient funds.

### Filing Requirements

- I certify that I have filed all required tax returns.
- I certify that I was not required to file a tax return for the following years:

## Section 8 Offer Terms

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

#### Terms, Conditions, and Legal Agreement

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 2 on page 1 in the event I failed to list any of my assessed tax debt, or tax debt assessed before acceptance of my offer. I also authorize the IRS to amend Section 2 on page 1 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 it/they will not be included in determining the expiration of the 24-month period.

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

b) I voluntarily submit the payments made on this offer and understand that they are not refundable 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 6 page 3, 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.

c) The IRS will keep any refund, including interest, that I might be due for tax periods extending through the calendar year in which the IRS accepts my offer. I cannot designate that the refund be applied to estimated tax payments for the following year or the accepted offer amount. If I receive a refund after I submit this offer for any tax period extending through the calendar year in which the IRS accepts my offer, I will return the refund within 30 days of notification.

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.

d) The IRS will keep any monies it has collected prior to this offer. The IRS may levy my assets up to the time that the IRS official signs and acknowledges my offer as pending, which is accepted for processing and the IRS may keep any proceeds arising from such a levy. No levy will be issued on individual shared responsibility payments.

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 unless I checked the box to treat an overpayment as a deposit. Only amounts that exceed the mandatory payments can be treated as a deposit. 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, unless I identify an overpayment as a deposit on the check submitted with the corresponding periodic payment. A deposit will be refundable if the offer is rejected, returned, or withdrawn. I understand that the IRS will not pay interest on any deposit.

#### Pending status of an offer and right to appeal

e) 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, returns, 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.

f) 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 8 (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.**

g) I will 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, including any extensions to file and pay. I also 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 2 of this agreement. 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.

h) 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. Penalty 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.

i) 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 2, even if I default the terms of the accepted offer.

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

j) If I fail to meet any of the terms of this offer, the IRS may levy or sue me to collect any amount ranging from the unpaid balance of the offer 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 Section 6601 of the Internal Revenue Code requires, on the amount the IRS determines is due after default.

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

k) 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 (e) 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.**

l) The IRS may file a Notice of Federal Tax Lien during the offer investigation. The IRS may file a Notice of Federal Tax Lien to protect the Government's interest on offers that will be paid over time. This tax lien will be released when the payment terms of the accepted offer have been satisfied. The IRS will not file a Notice of Federal Tax Lien on any individual shared responsibility debt.

**Correction Agreement**

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

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

n) 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 section 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**



o) I understand if the liability sought to be compromised is the joint and individual liability of myself and my co-obligor(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).

**Shared Responsibility Payment (SRP)**

p) 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 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.

**Section 9****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.**

 <b>Signature of Taxpayer/Corporation Name</b>	Phone Number	Date (mm/dd/yyyy)
 <b>Signature of Taxpayer/Authorized Corporate Officer</b>	Phone Number	Date (mm/dd/yyyy)

**Section 10 Paid Preparer Use Only**

Signature of Preparer	Phone Number	Date (mm/dd/yyyy)
Name of Paid Preparer	Preparer's CAF no. or PTIN	
Firm's Name (or yours if self-employed), Address, and ZIP Code		

*Include a valid, signed Form 2848 or 8821 with this application, if one is not on file.*

**Section 11 Third Party Designee**

Do you want to allow another person to discuss this offer with the IRS? <input type="checkbox"/> Yes <input type="checkbox"/> No	Telephone Number (     )     -
If yes, provide designee's name	

**IRS Use Only.** I accept the waiver of the statutory period of limitations on assessment for the Internal Revenue Service, as described in Section 8 (k).

Signature of Authorized Internal Revenue Service Official	Title	Date (mm/dd/yyyy)
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**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 10 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.