

## Sample article for organizations to use to reach customers (514 word count)

*Customize and post the following article on your websites and/or use in other communication vehicles to assist your customers in satisfying their tax filing responsibilities.*

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### Self-Help Series

This is the second in a series of Self-Help articles to assist you with meeting and satisfying your tax liabilities. Rather than allowing tax issues to burden you, take your life into your own hands and consider alternatives to helping yourself. Presented in this article is information on Offers in Compromise.

### Owe the IRS, but can't pay? An Offer in Compromise may be the answer.

If you are unable to pay your tax liability in a lump sum or through an installment agreement and you have exhausted your search for other payment arrangements, you may be a candidate for an Offer in Compromise.

#### What is an Offer in Compromise?

An OIC is an agreement between a taxpayer and the IRS that settles the taxpayer's tax liabilities for less than the full amount owed. The IRS has the authority to settle, or "compromise," federal tax liabilities by accepting less than full payment under certain circumstances. Absent special circumstances, an offer will not be accepted if the IRS believes the liability can be paid in full as a lump sum or through an installment agreement.

In most cases, the IRS will not accept an OIC unless the amount offered by the taxpayer is equal to or greater than the reasonable collection potential (RCP). The RCP is how the IRS measures the taxpayer's ability to pay and includes the value that can be obtained from assets such as real property, automobiles, bank accounts and other property. The RCP also includes anticipated future income, less the amounts allowed for basic living expenses.

You should beware of promoters' claims that tax debts can be settled through the OIC program for "pennies on the dollar." Some promoters are inappropriately advising indebted taxpayers to file an OIC application with the IRS. This bad advice costs you money and time.

#### Do I Qualify for an Offer in Compromise?

Not all taxpayers qualify for an OIC. Absent special circumstances, if you have the ability to fully pay your tax liability in a lump sum or via an installment agreement, an OIC will not be accepted.

In order for your OIC to be considered, you must meet the following requirements:

You...

- are not a debtor in an open bankruptcy proceeding.
- must pay \$150 application fee with your offer.\*
- must submit one of the following payments with the offer:
  - Option 1: 20 percent payment of the offer amount
  - Option 2: the first monthly payment

\*You may be exempt from the \$150 OIC fee depending on income or whether the OIC is based solely on doubt as to tax liability. Taxpayers who claim the poverty guideline exception must certify their eligibility using Form 656-A, Income Certification for Offer in Compromise Application Fee. The poverty guideline exception applies only to individuals.

#### How do I File an Offer in Compromise?

The [Form 656-B, Offer in Compromise Booklet](#) contains information about filing an OIC and all forms necessary to file an one.

When submitting an OIC, you must use the most current version of [Form 656, Offer in Compromise](#), or [Form 656-L, Offer in Compromise \(Doubt as to Liability\)](#), depending on the basis of the OIC.

The objective of the OIC program is to accept an OIC when it is in the best interest of both you and the government and promotes voluntary compliance with all future payment and filing requirements.

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**NOTE TO EDITOR:** Below are [www.irs.gov](http://www.irs.gov) links for related topics on Offer in Compromise.

- [Definition of an Offer in Compromise, three types of OIC and payment options](#)
- [Publication 594 – The IRS Collection Process - steps the IRS may take to collect your balance due account](#)
- [Publication 556 \(5/2008\), Examination of Returns, Appeal Rights, and Claims for Refund](#)
- [Form 656 Offer in Compromise Application](#)
- [Form 656 B - Offer in Compromise Booklet – what you need to know, paying for an OIC, how to apply and more](#)
- [Form 656 L – Doubt As to Liability - if you believe that the tax liability you wish to compromise is incorrect.](#)