



The Newsroom

Check Carefully Before Applying for Offers in Compromise

IR-2004-17, Feb. 3, 2004

WASHINGTON — The Internal Revenue Service today issued a consumer alert advising taxpayers to beware of promoters' claims that tax debts can be settled for "pennies on the dollar" through the Offer in Compromise Program.

Some promoters are inappropriately advising indebted taxpayers to file an Offer in Compromise (OIC) application with the IRS. This bad advice costs taxpayers money and time. An Offer in Compromise is an agreement between a taxpayer and the IRS that resolves the taxpayer's tax debt. The IRS has the authority to settle, or "compromise," federal tax liabilities by accepting less than full payment under certain circumstances.

"This program serves an important purpose for a select group of taxpayers. But we are increasingly concerned about unscrupulous promoters charging excessive fees to taxpayers who have no chance of meeting the program's requirements," said IRS Commissioner Mark W. Everson. "We urge taxpayers not to be duped by high-priced promises."

The OIC may be considered only after other payment options have been exhausted. If taxpayers are unable to pay their taxes in full, there are other payment options, such as monthly installment agreements, that must be explored before an OIC can be submitted.

The IRS.gov Web site contains complete information on the collection process and payment options. Publication 594, The IRS Collection Process, also provides helpful information on the options available to taxpayers. Taxpayers also should review Form 656, Offer in Compromise, or Form 9465, Installment Agreement Request, to determine if they qualify for either payment program. Form 656 provides detailed instructions for submitting an offer and includes all of the necessary financial forms.

Some taxpayers 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.

All publications and forms are available at IRS.gov or taxpayers may order copies by calling 1-800-829-3676. All publications and forms are available free. Taxpayers may feel they need the assistance of a qualified tax professional to prepare and submit an OIC. Taxpayers may contact local or state tax professional associations for enrolled agents, CPAs or attorneys to locate someone in their geographic area that has the education and experience to assist them.