

# IRS Government news & views



*Revised Form Incorporates New Rules for . . .*

## Offer in Compromise

The IRS has revised Form 656, *Offer in Compromise* (OIC). The new form retains the taxpayer burden reduction for rates while adding significant changes as a result of the *Tax Increase, Penalties and Reconciliation Act of 2005* (TIPRA). These changes include:

- New payment terms and submission rules;
- Processability checklist, redefined as a result of TIPRA, which assists taxpayers in determining upfront if they are eligible for an offer before investing any preparation time;
- A new matrix to assist in determining the number of Forms 656, \$150 application fees, and TIPRA payments to submit to the IRS, depending on the number of individuals submitting the offer and the types of liabilities being compromised;
- A checklist that helps reduce the chance that the application will be returned by the IRS for omissions, as well as a reminder of the necessary documents to include with the application prior to its submission to IRS;
- Revised Section V that better defines the terms of the offer;
- OIC application fee and payment worksheet to determine eligibility for claiming exception to the payment of the \$150 application fee and TIPRA payments;
- Form 656-A, *Required Income Certification for OIC Application Fee and Payment*; and
- Form 656-PPV, *Offer in Compromise Periodic Payment Voucher*.

### Procedural Changes

The February 2007 revision no longer contains a category block for doubt as to liability offers. A taxpayer wishing to file a doubt as to liability offer will need to complete Form 656-L (Revised January 2006) when claiming that all or part of the assessed tax liability is incorrect. Forms 656-L must reflect the amount that the taxpayer believes is the correct amount of the tax liability after credits and payments. This amount must be more than zero and cannot include a refund that is owed to the taxpayer, nor can it include amounts that have already been paid. A taxpayer must also attach a detailed written statement explaining why the taxpayer believes the tax is incorrect, and include any documentation or evidence to support the claim.



Form 656-L contains information that explains when use of the form is inappropriate. It also provides the taxpayer with other collection remedies that are less complex than an offer in compromise. Form 656-L, along with the taxpayer's written statement and any supporting documents, should be mailed to: Brookhaven Internal Revenue Service, CCIC Unit, PO. Box 9088, Holtsville, NY 11742-9008.

Doubt as to liability offers cannot be filed concurrently to request consideration under a different basis. In the 2004 version of the Form 656, a taxpayer had an option to submit a doubt as to liability offer either separately or in combination with a doubt as to collectibility or effective tax administration offer. This is no longer an option. A taxpayer is now required to file a Form 656-L when he or she believes that the tax liability is incorrect. Form 656 should be filed only when there is doubt as to collectibility that the tax liability could ever be paid in full, or under the basis of Effective Tax Administration (ETA).

TIPRA created new rules and major changes to the OIC program. These changes affect all offers received by the IRS on, or after, July 16, 2006. The legislation amended §7122 by adding a new subsection (c) "Rules for Submission of Offers in Compromise." Form 656 now contains information concerning these rules as they relate to doubt about the collectibility and ETA offers, as well as the new criteria being used to determine whether these offers are assigned for investigation or returned back to the taxpayer as not processable.