



Department of the Treasury
Internal Revenue Service

www.irs.gov

Form 656-A (Rev. 8-2003)
Catalog Number 28300X

Form 656-A

Offer in Compromise Application Fee Instructions and Certification

Use these instructions together with Form 656, *Offer in Compromise*.

This Offer in Compromise Application Fee package includes:

- Information you need to know about the application fee before submitting an offer in compromise,
- A worksheet that can be used to determine if you qualify for an exception to the application fee, and
- One copy of Form 656-A, *Income Certification for Offer in Compromise Application Fee*.

Note: You can get forms and publications by calling 1-800-829-1040 or 1-800-829-FORM, or by visiting your local Internal Revenue Service (IRS) office or our website at www.irs.gov.

What You Need to Know About the Application Fee Before Submitting an Offer In Compromise

What is an Offer In Compromise Application Fee?

When you submit an Offer In Compromise (OIC), the Internal Revenue Service expends resources evaluating your individual financial condition. The OIC application fee allows the Internal Revenue Service to recover a portion of the cost of processing your OIC.

How much is the fee?

The application fee is \$150, payable by check or money order.

When is the fee due?

The application fee of \$150 is due at the time you submit your OIC for consideration.

Do all OICs require this fee?

You must remit the application fee along with your Form 656, *Offer in Compromise*, unless:

- (1) Your OIC is based solely on doubt as to liability (see Form 656, *Offer in Compromise*, page 1) or
- (2) You certify that your total monthly income is at or below levels based on the poverty guidelines established by the U.S. Department of Health and Human Services (See *Offer In Compromise Application Fee Worksheet*).

The exception for taxpayers with incomes below these levels only applies to individuals; it does not apply to other entities such as corporations or partnerships.

How do I determine if I qualify for the exception?

To determine if you qualify for the exception, please complete the attached *Offer In Compromise Application Fee Worksheet*.

Is the application fee ever refunded?

If the Internal Revenue Service accepts your OIC based on effective tax administration or special circumstances (see Form 656, *Offer in Compromise*, pages 1 and 3, respectively), the fee will be applied against the amount of the offer, or refunded to you if you request.

What happens if I do not submit the application fee with my OIC Form 656?

Except for the two situations described above under "Do all OICs require this fee?" any OIC submitted without the fee will be returned to you without further consideration.

Where do I call if I have additional questions about OICs and the application fee?

If you have additional questions about an OIC or about the application fee, please call 1-800-829-1040.

Offer In Compromise Application Fee Worksheet

If your OIC is based solely on doubt as to liability, do not submit the fee. Otherwise, please complete the following checklist to determine if you qualify to have your OIC considered at this time.

- | | YES | NO |
|--|--------------------------|--------------------------|
| 1. Are you currently in bankruptcy? | <input type="checkbox"/> | <input type="checkbox"/> |
| 2. Do you have any unfiled federal tax returns for which you are liable?
(You must file all federal tax returns for which you met the filing requirement prior to submitting your OIC.) | <input type="checkbox"/> | <input type="checkbox"/> |
| 3. If you are a business with employees, have you failed to make any required federal tax deposit for the current quarter and the two immediately preceding quarters? | <input type="checkbox"/> | <input type="checkbox"/> |
| 4. Did you use an outdated Form 656, <i>Offer In Compromise</i> , or outdated Form 433-A/B, Collection Information Statement, to complete your OIC?
(You must use Forms 656 and 433-A or 433-B, revision May 2001.) | <input type="checkbox"/> | <input type="checkbox"/> |

If you answered YES to any of the questions above, STOP HERE. You are not eligible to have your OIC considered at this time.

The application fee does not apply to individuals whose income falls at or below levels based on poverty guidelines established by the U.S. Department of Health and Human Services (HHS) under authority of section 673(2) of the Omnibus Reconciliation Act of 1981 (95 Stat. 357, 511). The exception for taxpayers with incomes below these levels only applies to individuals; it does not apply to other entities such as corporations or partnerships.

If you are an individual, follow the steps below to determine if you must remit the application fee along with your Form 656, Offer in Compromise.

1. **Family Unit Size** _____. Enter the total number of dependents (including yourself and your spouse) listed in Section 1 of Form 433-A, *Collection Information Statement for Wage Earners and Self-Employed Individuals*.
2. **Total Income** _____. Enter the amount of your total monthly income from Section 9, Line 34 of the Form 433-A, *Collection Information Statement for Wage Earners and Self-Employed Individuals*.
3. Compare the information you entered in items 1 and 2, above, to the monthly Application Fee Income Exception Levels table below. Find the "Family Unit Size" equal to the number you entered in item 1. Next, find the column which represents where you reside (48 Contiguous States, DC ..., Hawaii or Alaska). Compare the "Total Income" you entered in item 2 to the number in the row and column that corresponds to your family unit size and residence. *For example, if you reside in one of the 48 contiguous states, and your family unit size from item 1 above is 4, and your total monthly income from item 2 above is \$1500, then you are exempt from the fee because your income is less than the \$1,667 guideline amount.*

2003-2005 Application Fee Income Exception Levels

Family Unit Size	48 Contiguous States, DC, US Possessions, Residents of Foreign Countries	Hawaii	Alaska
1	\$833	\$917	\$1,000
2	\$1,083	\$1,250	\$1,333
3	\$1,333	\$1,583	\$1,667
4	\$1,667	\$1,833	\$2,000
5	\$1,917	\$2,167	\$2,333
6	\$2,167	\$2,500	\$2,667
7	\$2,417	\$2,833	\$3,000
8	\$2,667	\$3,083	\$3,333
For each additional person, add	\$333	\$333	\$417

SOURCE: Based on 2002 HHS Poverty Guidelines, Federal Register, Vol. 67, No. 31, February 14, 2002, pp. 6931-6933, increased to account for 5% inflation through 2005, rounded up to the nearest \$1,000.

4. If the total income you entered in item 2 is **more** than the amount shown for your family unit size and residence in the monthly Application Fee Income Exception Levels table above, **you must send the \$150 application fee with each OIC you submit.**

Your check or money order should be made payable to the "**United States Treasury**" and attached to the front of your Form 656, *Offer In Compromise*. **Do Not Send Cash.** Send a separate application fee with each OIC; do not combine it with any other tax payments as this may delay processing of your OIC. Your OIC will be returned to you without further consideration if the application fee is not properly remitted, or if your check is returned for insufficient funds.

5. If the total income you entered in item 2 is **equal to or less than** the amount shown for your family unit size and residence in the table above, do not send the application fee. Sign and date Form 656-A, *Income Certification for Offer in Compromise Application Fee*, on the next page. Attach the certification and this worksheet to the front of your Form 656.

Form 656-A

**Income Certification for
Offer in Compromise Application Fee**

If you are not required to submit the fee based on your income level, you must complete this form and attach both it and the worksheet to the front of your Form 656.

(You should make a copy of this certification and worksheet for your records.)

Your name

SSN or EIN

Spouse's name

SSN or EIN

Signature Certification

I certify under penalty of perjury that I am not required to submit an offer in compromise application fee based on my family unit size and income.

Your signature

Date

Spouse's signature (if submitting a joint offer)

Date

NOTE: If the Internal Revenue Service determines that you were required to pay a fee, your offer in compromise will be returned without further consideration.



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