

### Purpose of Form

An offer in compromise is an agreement between the taxpayer and the government that settles a tax liability for payment of less than the full amount owed. Grounds for compromise may exist when there is legitimate doubt from the viewpoints of both the taxpayer and the Internal Revenue Service that an assessed tax liability is correct. You may submit Form 656-L if you believe that the tax liability you wish to compromise is incorrect.

### When Not to Use This Form

<i>If you:</i>	<i>Then:</i>
believe you do not owe any of the tax liability	see "Alternatives to Offer in Compromise (Doubt as to Liability)", below
agree that the tax liability is correct, but cannot pay the full amount now and would like to request monthly installment payments	see Form 9465, <i>Installment Agreement Request</i>
agree that the tax liability is correct, but believe you do not now, nor will ever, have sufficient funds to pay it and wish to compromise ("Doubt as to Collectibility")	see Form 656, <i>Offer in Compromise</i> , instructions for doubt as to collectibility
are currently involved in a bankruptcy proceeding	contact Centralized Insolvency at (800) 913-9358 to discuss any disagreement with our proof of claim

You cannot submit offers in compromise at the same time claiming both that you do not believe the liability is correct (doubt as to liability) and that you are unable to pay it (doubt as to collectibility).

We cannot consider an offer in compromise based on doubt as to liability if the liability you seek to compromise has been finally determined by the Tax Court, other courts or by the Commissioner's Final Closing Agreement.

### Alternatives to Offer in Compromise (Doubt as to Liability)

When you disagree with the accuracy of a tax liability, depending on the situation and the type of tax, the Service has other available remedies. These options generally are less complex than an offer in compromise.

<i>If you think your tax liability is incorrect because:</i>	<i>Then:</i>
of an audit assessment made on your tax return or because IRS created a return for you since you did not file one	see Publication 3598, <i>The Audit Reconsideration Process</i>
items were not reported properly on a Form 1040, <i>U.S. Individual Income Tax Return</i> , you filed or because of a tax adjustment the IRS made on your return	see the instructions for Form 1040X, <i>Amended U.S. Individual Income Tax Return</i>
items were not reported properly on a Form 1120, <i>U.S. Corporation Income Tax Return</i> , you filed or because of a tax adjustment the IRS made on your return	see the instructions for Form 1120X, <i>Amended U.S. Corporation Income Tax Return</i>
items were not reported properly on a tax return, other than Forms 1040 or 1120, you filed or because of a tax adjustment the IRS made on your return	see the instructions for Form 843, <i>Claim for Refund and Request for Abatement</i>
you had reasonable cause to remove or reduce penalties we charged	see Notice 746, <i>Information About Your Notice, Penalty and Interest</i>
you believe additional interest we charged you was due to IRS errors or delays	see the instructions for Form 843
you believe you should be considered an "innocent spouse" for a joint income tax liability	see Publication 971, <i>Innocent Spouse Relief</i>

**Note:** If you wish to obtain any of the publications mentioned above or have any questions about completing this form, you may call toll free at (800) 829-1040 or visit your local IRS office or our website at [www.irs.gov](http://www.irs.gov).

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## Completing Form 656-L

**Note:** Your offer may be returned if you do not follow these instructions.

**Section 1:** Enter your name and home or business street address. Show both names on a joint offer for joint liabilities. You also should include a mailing address if it is different from your street address. Also include a daytime phone number at which we can contact you if we have questions.

**Section 2:** Enter the social security number(s) (SSN) for the person(s) submitting the offer. Enter the SSN of both spouses when submitting a joint offer for a joint tax liability.

**Section 3:** Enter the employer identification number (EIN) for offers from businesses.

**Section 4:** Enter the total amount of your offer. This should reflect what you believe is the correct amount of the tax liability after credits and payments already made (if you believe you do not owe any of the tax liability do not submit this form - see "Alternatives to Offer in Compromise (Doubt as to Liability)", shown on Page 1 of the Instructions). This offer amount must be in United States dollars, more than zero and cannot include a refund we owe you or amounts you have already paid. It must be paid within 90 days of written notification to you if we accept your offer. **Do not send any money at the time you submit your offer.**

**Section 5:** Identify the tax liability and enter the tax year or period.

**Section 6:** It is important that you understand the requirements listed in this section.

**Section 7:** You must submit a detailed written statement explaining why you believe you do not owe the tax liability you want to compromise. Explain the reason(s) you believe the tax liability(ies) listed in Section 5 are incorrect in the "Explanation of Circumstances". You should also submit documentation and/or other evidence to support your doubt as to liability claim. Include your name and SSN or EIN on all attachments.

**Section 8:** 8(a) and 8(b) "Signature of Taxpayer". All persons submitting the offer must sign and date Form 656-L. Include titles of authorized corporate officers, executors, trustees, etc., where applicable.

**Section 9:** If someone other than the taxpayer prepared this *Offer in Compromise (Doubt as to Liability)*, you should insert the preparer's name and address (if known) in Section 11.

**Section 10:** Paid Preparer's Use Only. Self-explanatory. See the "Privacy Act Notice" below.

**Section 11:** If you want to allow the IRS to discuss your *Offer in Compromise (Doubt as to Liability)* with a friend, family member, or any other person, including an individual you paid to prepare this form, check the "Yes" box in Section 11, "Third Party Designee", on your Form 656-L. Also enter the designee's name and phone number. Checking the "Yes" box allows the IRS to contact another person and discuss with that person any additional information the IRS needs to process your offer. If your contact person is an attorney, CPA, or enrolled agent and you wish to have them represent you regarding this offer, a Form 2848, *Power of Attorney and Declaration of Representative*, should be completed and submitted with your offer.

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### Where to File

**Before mailing, detach Form 656-L at the perforation** 

#### Mail Form 656-L to:

Brookhaven Internal Revenue Service  
COIC Unit  
P.O. Box 9008  
Holtzville, NY 11742-9008

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### Privacy Act Notice

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 in compromise. You are not required to make an offer in compromise; 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-L for the taxpayer submitting an offer, we request that you complete and sign Section 10 on Form 656-L, 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 federal and state agencies to enforce nontax criminal laws and to combat terrorism. Providing false or fraudulent information on this form may subject you to criminal prosecution and penalties.

**Section 1 — Taxpayer's Name and Home or Business Street Address**

Name(s)	<b>Mailing Address</b> (if different from previous address) Street Address		
Street Address	City	State	Zip Code
City	State	Zip Code	Daytime Phone Number ( )

**Section 2 — Social Security Numbers**

(a) Primary	(b) Secondary
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**Section 3 — Employer Identification Number**

**Section 4** — I/We offer to pay \$ \_\_\_\_\_ (must be more than zero) within 90 days of notification of acceptance.

**Section 5 — To: Commissioner of Internal Revenue Service**

I/We (includes all types of taxpayers) submit this offer to compromise, based on doubt as to liability, the tax liabilities plus any interest, penalties, additions to tax, and additional amounts required by law (tax liability) for the tax type and period marked below: (Please mark an "X" in the box for the correct description and fill-in the correct tax period(s), adding additional periods if needed).

- 1040/1120 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) \_\_\_\_\_
- 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 \_\_\_\_\_
- Other Federal Tax(es)** (specify type(s) and period(s)) \_\_\_\_\_

**Note:** If you need more space, use another sheet entitled "Attachment to Form 656-L Dated \_\_\_\_\_".  
**Sign and date the attachment following the listing of the tax periods.**

**Section 6 — By submitting this offer, I/we have read, understand and agree to the following conditions:**

- a) I/We voluntarily submit all payments made on this offer.
- b) The IRS will apply payments made under the terms of this offer in the best interest of the government.
- c) If the IRS rejects or returns the offer or I/we withdraw the offer, the IRS will return any amount paid with the offer. If I/we agree in writing, the IRS will apply the amount paid with the offer to the amount owed. If I/we agree to apply the payment, the date the IRS received the offer remittance will be considered the date of payment. I/We understand that the IRS will not pay interest on any amount I/we submit with the offer.
- d) I/We waive and agree to the suspension of any statutory periods of limitation (time limits provided for by law) for the IRS assessment or collection of the tax liability for the periods identified in Section 5. I/We understand that I/we have the right not to waive these statutory periods or to limit the waiver to a certain length or to certain issues. I/We understand, however, that the IRS may not consider this offer if I/we refuse to waive the statutory periods for assessment or if we provide only a limited waiver. I/We understand that the statute of limitations for collection will be suspended during the period an offer is considered pending by the IRS (paragraph 6(j) defines pending). The amount of any federal tax due for the periods described in Item 5 may be assessed at any time prior to the acceptance of this offer or within one year of the rejection of this offer.
- e) The IRS will keep all payments and credits made, received or applied to the total original tax liability before submission of the offer. The IRS may keep any proceeds from a levy served prior to submission of the offer, but not received at the time the offer is submitted. If I/we have an installment agreement prior to submitting the offer, I/we must continue to make payments as agreed while this offer is pending. Installment agreement payments will not be applied against the amount offered.
- f) The IRS cannot collect more than the full amount of the tax liability under this offer.
- g) I/We understand that I/we remain responsible for the full amount of the tax liability, unless and until the IRS accepts the offer in writing and I/we have met all the terms and conditions of the offer. The IRS will not remove the original amount of the tax liability from its records until I/we have met all the terms of the offer.
- h) I/We understand that the tax I/we offer to compromise is and will remain a tax liability until I/we meet all the terms and conditions of this offer. If I/we file bankruptcy before the terms and conditions of this offer are completed, any claim the IRS files in the bankruptcy proceedings will be a tax claim.

**Section 6 — Continued**

- i) Once the IRS accepts the offer in writing, I/we have no right to contest, in court or otherwise, the amount of the tax liability.
- j) The offer is pending starting with the date an authorized IRS official signs this form. The offer remains pending until an authorized IRS official accepts, rejects, returns or acknowledges withdrawal of the offer in writing. If I/we appeal an IRS rejection decision on the offer, the IRS will continue to treat the offer as pending until the Appeals Office accepts or rejects the offer in writing. If I/we do not file a protest within 30 days of the date the IRS notifies me/us of the right to protest the decision, I/we waive the right to a hearing before the Appeals Office about the offer in compromise.
- k) If I/we fail to meet any of the terms and conditions of the offer and the offer defaults, then the IRS may: immediately file suit to collect the entire unpaid balance of the offer; immediately file suit to collect an amount equal to the original amount of the tax liability as liquidating damages, minus any payment already received under the terms of this offer; disregard the amount of the offer and apply all amounts already paid under the offer against the original amount of the tax liability; file suit or levy to collect the original amount of the tax liability, without further notice of any kind. 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. The IRS will add interest from the date the offer is defaulted until I/we completely satisfy the amount owed.
- l) The IRS may file a Notice of Federal Tax Lien to protect the Government's interest during the offer investigation. The tax lien will be released when the payment terms of the offer agreement have been satisfied.
- m) I/We understand that IRS employees may contact third parties in order to respond to this request and I/we authorize the IRS to make such contacts. Further, by authorizing the Internal Revenue Service to contact third parties, I/we understand that I/we will not receive notice, pursuant to section 7602(c) of the Internal Revenue Code, of third parties contacted in connection with this request.

**Section 7 — Explanation of Circumstances**

*Explain why you believe the tax is incorrect. You may attach additional sheets if necessary. You should also attach documentation to support your claim that the tax is incorrect. Include your name and SSN or EIN on all attachments.*

**Section 8 — Mandatory Signature(s)**

*If I/we submit this offer on a substitute form, I/we affirm that this form is a verbatim duplicate of the official Form 656-L, and I/we agree to be bound by all the terms and conditions set forth in the official Form 656-L.*

*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.*

a) Signature of Taxpayer	Date (mmddyyyy)
b) Signature of Taxpayer	Date (mmddyyyy)

**For Official Use Only**

I accept the waiver of the statutory period of limitations on assessment for the Internal Revenue Service, as described in Section 6(d).

Signature of Authorized Internal Revenue Service Official	Title	Date (mmddyyyy)
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**Section 9 —** If this application was prepared by someone other than the taxpayer, please fill in that person's name and address below.

Name	Address (if known) (Street, City, State and Zip Code)
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**Section 10**

<b>Paid Preparer's Use Only</b>	Preparer's signature <u>  </u>	Date (mmddyyyy)	Check if self-employed <input type="checkbox"/>	Preparer's CAF no. or PTIN
	Firm's name (or yours if self-employed)	EIN	Phone Number (    )	
	Address (Street, State, City and Zip Code)			

**Section 11 —** Do you want to allow another person to discuss this offer with the IRS?  No  Yes. Complete the following.

<b>Third Party Designee</b>	Designee's name <u>  </u>	Phone Number (    )
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