



What is an Offer in Compromise?

An Offer in Compromise (OIC) is a deal where the government (IRS) agrees that you will not have to pay the full amount of taxes you owe.

Because the IRS's duty is to collect taxes, it is very strict about who can take advantage of an OIC.

An OIC may be based upon “**Doubt as to Collectibility**” or “**Doubt as to Liability**.”

Doubt as to **collectibility** means that there is very little chance that you could ever pay off the full amount of taxes owed. Before the IRS will consider an OIC based upon doubt as to collectibility, you must not be able to pay back the taxes by selling property or by an installment agreement over the next ten years.

Doubt as to **liability** means that there is doubt that the tax amount is correct. It is very rare for the IRS to grant an OIC based on doubt as to liability because there were usually other chances to argue your case.

What does it cost to file?

There is a \$150 fee to file the OIC. You may not have to pay the fee if your monthly income is at or below the federal poverty level. If you think you

If you have questions on how to fill out any IRS form, you can call the IRS for help at 1-800-829-1040.

qualify, you must apply for a fee “waiver” by submitting Form 656-A.

Other requirements:

If you have ANY of the following, you can NOT apply for an OIC:

- an open BANKRUPTCY proceeding; or
- UNFILED TAX RETURNS that you were required to file; or
- if you are a business with employees and with unfiled or late-filed federal tax deposits due for the current quarter and the two preceding quarters.

KEEP COPIES of every piece of paper you send to the IRS and any papers the IRS sends to you until the IRS confirms that your offer is accepted and that the offer is paid in full.

How do you apply for an OIC?

Step 1: Form 656-A or \$150

Determine if you have to pay the application fee. You **MUST** submit either Form 656-A or a check or money order for \$150 **WITH** your application. ***Without Form 656-A or \$150, your application will not be accepted!***

Step 2: Form 656.

Form 656 is your basic application. First, you need to supply your name and address. When giving your address, you need to tell the IRS your actual street address, even if you have a post office box. Put the post office box where it asks for your “mailing address.”

Under Item 6, check only ONE box. If your best argument is that you cannot pay the tax, check “Doubt as to Collectibility,” not “Doubt as to Liability,” even if you think you don’t owe the tax.

Fill out the entire form. Remember to sign it. If you have questions, call an attorney or the IRS help line.

Step 3: Form 433-A or 433-B

Wage earners and self-employed individuals use Form 433-A. Businesses use Form 433-B.

Fill out the Collection Information Statement carefully. Answer every question completely. The IRS checks the information provided for an OIC more carefully than it does for other agreements.

When dealing with the IRS, fill out every question completely and truthfully. If you do not answer the questions, the IRS may delay processing your application, or even deny it if too much information is missing.

Where to Submit the OIC

Delaware residents who are wage earners, retirees, or self-employed individuals without employees should mail the application to:

Brookhaven Internal Revenue Service Center
COIC Unit
PO Box 9007
Holtsville, NY 11742-9007

REMEMBER:

SIGN all forms! Make sure the information is *COMPLETE* and *CORRECT*. Be particularly sure that your name, address, and social security number are correct. *DO NOT ALTER* any of the pre-printed information on the forms, or you may have to fill them out again.

It's FREE and EASY to get IRS forms!

- (1) Stop at the local IRS office and pick them up.
- (2) Call toll free 1-800-829-3676 (1-800-TAX-FORM).
- (3) Get them from the web site: www.irs.gov.

OFFERS IN COMPROMISE:

WHEN YOU CAN'T PAY THE IRS

After Submitting the Application

The process takes time. The IRS will want more information to support your application. It will ask for documents showing your wages, bank accounts, and other assets. Try not to get impatient or frustrated. Give the IRS what it asks for, and remember to keep copies.

The Low Income Tax Clinic

Legal Services Corporation of Delaware, Inc. (LSCD) has a *free Low Income Tax Clinic* that helps low income **individuals** with tax problems. If you meet LSCD's Eligibility requirements, we will work with you and the IRS to help solve your problem. Just call one of the phone numbers on the front of this brochure for a telephone intake.

Please remember that this brochure can only provide general information. It is not intended to give you legal advice tailored to your situation. If you have questions about whether the information in this brochure applies to your situation, contact an attorney.

IRS Walk-In Offices in Delaware:

844 King St./Wilmington, DE 19801

(302) 573-6343

300 S. New St./Dover, DE 19904

(302) 678-2784

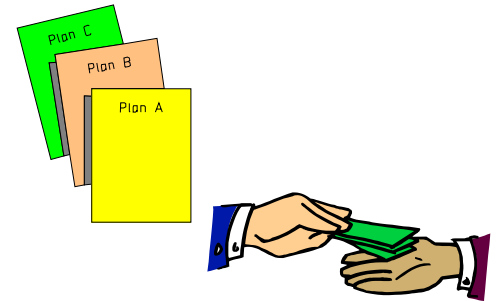
319 North DuPont Hwy./Georgetown, 19947

(302) 855-0309

IRS Taxpayer Advocate:

Wilmington: (302) 791-4502

Toll free: 1-877-777-4778



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100 West 10th Street, Suite 203

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Legal Services Corporation of Delaware, Inc.

(302) 478-8850

in New Castle County

or

(800) 773-0606

in Kent or Sussex Counties

for help with new legal problems