



Form 656-L

# Offer in Compromise (Doubt as to Liability)

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### IRS contact information

If you have questions about qualifying for an offer in compromise, please call our toll-free number at 1-800-829-1040.

### Taxpayer resources

You may also seek assistance from a professional tax assistant at a Low Income Taxpayer Clinic, if you qualify. These clinics provide help to qualified taxpayers at little or no charge. IRS Publication 4134, Low Income Taxpayer Clinic List, provides information on clinics in your area.

Publication 4134 and other IRS forms are available through the Internal Revenue Service website at [www.irs.gov](http://www.irs.gov), by phone at 1-800-TAX-FORM (1-800-829-3676), or at your local IRS office.

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## INSTRUCTIONS FOR FORM 656-L, OFFER IN COMPROMISE (DOUBT AS TO LIABILITY)

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### What you need to know

#### What is an Offer in Compromise?

An offer in compromise is an agreement between you (the taxpayer) and the Internal Revenue Service (IRS) that settles a tax debt for less than the full amount owed. The program provides eligible taxpayers with a path toward paying off their tax debt and getting a “fresh start.” The ultimate goal is a compromise that suits the best interest of both the taxpayer and the IRS.

If you have a *legitimate doubt* that you owe part or all of the tax debt, you will need to complete a Form 656-L Offer in Compromise (Doubt as to Liability). If you do not dispute the amount of the tax debt, you should not file a Form 656-L.

Submitting an offer application does not guarantee that the IRS will accept your offer. It begins a process of evaluation and verification by the IRS.

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#### What is a Doubt as to Liability offer?

Doubt as to liability exists where there is a genuine dispute as to the existence or amount of the correct tax debt under the law.

Doubt as to liability does not exist if the tax debt has been established by a final court decision or judgment concerning the existence or amount of the tax debt or if the tax debt is based on current law.

A doubt as to liability offer will only be accepted for the tax period(s) in question.

**Note:** If you do not dispute the amount of the tax debt, you should not file a Form 656-L. Doing so may result in the offer being returned with no consideration.

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#### What documentation or support is needed?

You must provide supporting documentation or evidence that will help the IRS identify the reason(s) you doubt the accuracy of the tax debt.

You **must** include a written statement explaining why the tax debt or portion of the tax debt is incorrect.

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#### How much should I offer?

The amount of your offer should be based on what you believe the correct amount of the tax debt should be, not what you owe.

You must offer more than zero (\$0). If you do not want to offer more than zero you should read the section below (see page 4), ***What alternatives do I have to sending in an Offer in Compromise (Doubt as to Liability)?***

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## IMPORTANT INFORMATION

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#### What is the difference between a Doubt as to Liability Offer and a Doubt as to Collectibility Offer?

A *doubt as to liability* offer is an offer in compromise based on a legitimate doubt that you owe any part of the tax debt. If you believe you do not owe part or all of the tax debt, you will need to complete a **Form 656-L, Offer in Compromise (Doubt as to Liability)**. No deposit or application fee is required for a doubt as to liability offer.

A *doubt as to collectibility* offer is when you agree that you owe the taxes but you cannot pay your tax debt in full. To be considered for a *doubt as to collectibility* offer you must make an appropriate offer based on what the IRS considers your true ability to pay. To request consideration under *doubt as to collectibility*, you must complete a **Form 656, Offer in Compromise**, found in Form 656-B, *Offer in Compromise Booklet*. Form 656 or 656-B is not included as part of this package. You may get a Form 656-B by calling the toll free number 1-800-829-1040, by visiting a local IRS office, or at [www.irs.gov](http://www.irs.gov).

#### **IMPORTANT NOTE**

You cannot submit an offer based on *doubt as to liability* (Form 656-L) and an offer based on *doubt as to collectibility* (Form 656 or 656-B) at the same time, claiming both that you do not believe the tax debt is correct (*doubt as to liability*) and that you are unable to pay it (*doubt as to collectibility*). It is in your best interest to resolve any disagreements about the validity of the tax debt before filing an offer based on *doubt as to collectibility*. If you send both kinds of offers at the same time, the *doubt as to collectibility* offer will be returned without further consideration.

#### **Examples of when you should submit a *Doubt as to Liability* Offer**

Generally, you will send in a *doubt as to liability* offer when you were unable to dispute the amount of tax the IRS claims you owe during the time allowed by the Internal Revenue Code or IRS guidelines. Possible reasons for submitting a *doubt as to liability* offer in compromise include the following: the examiner made a mistake interpreting the tax law, the examiner failed to consider the evidence presented; new evidence is available to support a change to the assessment. Below are some examples of when it may be appropriate to make an offer based on *doubt as to liability*.

*Example 1:* You filed your tax return reporting stock options as valued by your employer, which created a large tax liability including Alternative Minimum Tax (AMT). You paid part of the tax debt, but could not pay the full amount owed. You later discovered that the stocks were not worth as much as you originally reported. This was due to fraudulent acts by the broker and/or your employer. You filed a claim for a refund based on the reduced value of stock options. IRS told you that the full amount of the tax debt had to be paid before they could consider your claim and denied your claim for refund.

*Example 2:* You were audited by the IRS. When this happened, you moved and did not get the notification or you suffered a disaster (such as books and records were destroyed in a fire or other natural disaster) causing you to miss the meeting with the auditor. The IRS disallowed all expenses and now you have a tax debt. You discover the problem when you try to borrow some money and find that there is a federal tax lien filed. You are able to reconstruct your books and records with the correct expenses that would significantly lower your tax debt.

*Example 3:* You are an officer of a corporation that has employees. You are not in a decision-making position nor do you have the authority to pay bills or sign checks. The business is struggling to make ends meet. In order to pay suppliers, the money that should have been paid to the IRS as a federal tax deposit was used to continue business operation. In an effort to collect the trust fund part of the employee's wages, the IRS assessed the trust fund portion of the tax against you and all the other officers of the corporation. You were not a person responsible for collecting and paying the withheld income and employment taxes. You have supporting statements and documentation to support that fact.

**What alternatives do I have to sending in an Offer in Compromise (Doubt as to Liability)?**

When you disagree with the accuracy of a tax debt, depending on the situation and the type of tax, the Service has other available remedies. Generally, the options below should be explored first before submitting an offer in compromise.

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

<b>If you think your tax liability is incorrect because:</b>	<b>Then:</b>
of an audit, or IRS created a return for you because you did not file one	see Publication 3598, The Audit Reconsideration Process
items were not reported correctly on your tax return or because IRS made an adjustment 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 tax return, other than Forms 1040 or 1120, or because IRS made an adjustment on your return	see the instructions for Form 843, Claim for Refund and Request for Abatement
you had reasonable cause to remove or reduce penalties IRS charged	see Notice 746, Information About Your Notice, Penalty and Interest
you believe additional interest IRS charged you was due to IRS errors or delays	see the instructions for Form 843, Claim For Refund and Request for Abatement
you believe you were not a responsible person of a corporation and have been assessed the trust fund portion of employment taxes	see the instructions for Form 843, Claim For Refund and Request for Abatement
you believe you should be considered an "innocent spouse" for a joint income tax return	see Publication 971, Innocent Spouse Relief

**Where do I send my application?**

You should mail the completed package to:

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

**Offer in Compromise (*Doubt as to Liability*)**

Section 1 Your Contact Information	IRS Received Date
Your First Name, Middle Initial, Last Name	
If a Joint Offer, Spouse's First Name, Middle Initial, Last Name	
Your Physical Home Address ( <i>Street, City, State, ZIP Code</i> )	
Mailing Address ( <i>if different from above or P.O. Box number</i> )	
Business Name	
Business Address ( <i>Street, City, State, ZIP Code</i> )	

Social Security Number (SSN) <i>(Your SSN)</i>	Social Security Number <i>(Spouse SSN)</i>	Employer Identification Number <i>(EIN)</i>	Employer Identification Number <i>(EIN not included in offer)</i>
- -	- -	-	-

**Section 2 To: Commissioner of Internal Revenue Service**

I/we submit this offer to compromise, based on doubt as to liability plus any interest, penalties, additions to tax, and additional amounts required by law (tax debt) for the tax type and period(s) marked below:

*[Please mark an "X" in the box for the correct description and fill-in the correct tax period(s)].*

- 1040/1120** Income Tax [List all year(s); for example 1040 2009, 1120 2010, etc.]

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- 941** Employer's Quarterly Federal Tax Return [List all quarterly period(s); for example 03/31/2009, 06/30/2010, 09/30/2010, etc.]

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- 940** Employer's Annual Federal Unemployment (FUTA) Tax Return [List all year(s); for example 2010, 2011, etc.]

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- 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 [List all quarterly period(s); for example 03/31/2009, 06/30/2009, etc.]

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- Other Federal Tax(es)** [specify type(s) and period(s)] \_\_\_\_\_

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

**Section 3 Amount of the Offer**

I/we offer to pay \$ \_\_\_\_\_

**Must be more than zero (\$0)** and payable within 90 days of the notification of acceptance, unless an alternative payment term is approved at the time the offer is accepted.

**Section 4 Terms**

By submitting this offer, I/we have read, understand and agree to the following terms and conditions:

**Terms, Conditions, and Legal Agreement**

*In the following agreement, the pronoun "we" may be assumed in place of "I" when there are joint liabilities and both parties are signing this Agreement.*

I/we agree to the following conditions:

**Section 4****Terms (Continued)**

- 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.

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 the IRS will not pay interest on any amount I/we send with the offer.

**IRS will keep my/our payments and fees**

- c) The IRS will keep all payments and credits made, received, or applied to the total original tax debt before I/we send in the offer or while it is under consideration. 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 sent in.

If you currently have an approved installment agreement with IRS and are making installment payments, then you may stop making those installment agreement payments when you have been notified your offer has been assigned for consideration. If your offer is rejected or returned for any reason, your installment agreement with IRS will be reinstated with no additional fee.

If the Doubt as to Liability offer determines that you do not owe the taxes, or the IRS ultimately over-collected the compromised tax liability, the IRS will refund the over-collected amount to you, unless such refund is legally prohibited by statute.

**I/we agree to waive time limits provided by law**

- d) To have my offer considered, I/we agree to the extension of time limit provided by law to assess my tax debt (statutory period of assessment). I/we agree that the date by which the IRS must assess my/our tax debt will now be the date by which my/our debt must currently be assessed plus the period of time my/our offer is pending plus one additional year if the IRS rejects, returns, or terminates my/our offer or I/we withdraw it. [Paragraph (i) of this section defines pending and withdrawal]. I/we understand I/we have the right not to waive the statutory period of assessment or to limit the waiver to a certain length or certain periods or issues. I/we understand, however, the IRS may not consider my/our offer if I/we decline to waive the statutory period of assessment or if I/we provide only a limited waiver. I/we also understand the statutory period for collecting my/our tax debt will be suspended during the time my/our offer is pending with the IRS, for 30 days after any rejection of my/our offer by the IRS, and during the time any rejection of my/our offer is being considered by the Appeals Office.

**I/we understand I/we remain responsible for the full amount of the tax liability**

- e) The IRS cannot collect more than the full amount of the tax debt under this offer.
- f) I/we understand I/we remain responsible for the full amount of the tax debt, 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 debt from its records until I/we have met all the terms of the offer.
- g) I understand the tax I/we offer to compromise is and will remain a tax debt 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 bankruptcy proceedings will be a tax claim.
- h) Once the IRS accepts the offer in writing, I/we have no right to contest, in court or otherwise, the amount of the tax debt.

**Pending status of an offer and right to appeal**

- i) 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 of the right to protest the decision, I/we waive the right to a hearing before the Appeals Office about the offer in compromise.

**I/we understand if IRS fails to make a decision in 24-months my/our offer will be accepted**

- j) I/we understand under Internal Revenue Code (IRC) § 7122(f), my/our offer will be accepted, by law, unless IRS notifies me/us otherwise, in writing, within 24 months of the date my offer was initially received.

**I/we understand what will happen if I/we fail to meet the terms of my/our offer (e.g. default)**

- k) If I/we fail to meet any of the terms and conditions of the offer and the offer defaults, then the IRS may do the following:
- 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 debt 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 debt;
  - file suit or levy to collect the original amount of the tax debt, without further notice of any kind.

**Section 4 Terms (Continued)**

The IRS will continue to add interest as provided in IRC Section § 6601 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.

I/we understand the IRS may file a Notice of Federal Tax Lien on my/our property

l) The IRS may file a Notice of Federal Tax Lien to protect the Government's interest during the offer investigation. If the offer is accepted, the tax lien will be released when the terms of the offer agreement are satisfied.

I/we authorize the IRS to contact relevant third parties in order to process my/our offer

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, in connection with this request, by authorizing the IRS to contact third parties, I/we understand that I/we will not receive notice of third parties contacted as is otherwise required by IRC § 7602(c).

**Section 5 Explanation of Circumstances**

**THIS SECTION MUST BE COMPLETED.**

Explain why you believe the tax is incorrect. **Note:** You may attach additional sheets if necessary. Please include your name and SSN and/or EIN on all additional sheets or supporting documentation.

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**Section 6 Mandatory Signature(s)**

**Taxpayer Attestation:** If I/we submit this offer on a substitute form, I/we affirm 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/we declare that I/we have examined this offer, including accompanying schedules and statements, and to the best of my/our knowledge and belief, it is true, correct and complete.

Signature of Taxpayer	Daytime Telephone Number	Date (mm/dd/yyyy)
	(        )	
Signature of Taxpayer	Date (mm/dd/yyyy)	

**Section 7 Application Prepared by Someone Other than the Taxpayer**

If this application was prepared by someone other than you (the taxpayer), please fill in that person's name and address below.

Name

Address (if known) (Street, City, State, ZIP code)	Daytime Telephone Number
	(        )

**Section 8 Paid Preparer Use Only**

Signature of Preparer

Name of Preparer	Date (mm/dd/yyyy)	Preparer's CAF no. or PTIN
Firm's Name, Address, and ZIP Code	Daytime Telephone Number	
		(        )

**Include a valid, signed Form 2848 or 8821 with this application or a copy of a previously filed form.**

**Section 9****Third Party Designee**

Do you want to allow another person to discuss this offer with the IRS?  Yes. Complete the information below.  No

Designee's Name	Telephone Number (        )
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**Include a valid, signed Form 2848 or 8821 with this application or a copy of a previously filed form.**

**IRS Use Only**

I accept the waiver of the statutory period of limitations on assessment for the Internal Revenue Service, as described in Section 5 (d).

Signature of Authorized IRS Official	Title	Date (mm/dd/yyyy)
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**Privacy Act Statement**

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 contained in 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. You are not required to make an offer; however, if you choose to do so, you must provide all of the 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 8 on the 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 combat terrorism. Providing false or fraudulent information on this form may subject you to criminal prosecution and penalties.

**Application Checklist**

- Did you complete all fields and sign the Form 656-L?
- Did you make an offer amount that is greater than zero (\$0)?
- If you want to allow the IRS to discuss your offer with another person did you complete the "Third-Party Designee" section on the Form 656-L?
- If someone other than you completed the Form 656-L, did that person sign it?
- Did you sign and include the Form 656-L?
- If you want a third party to represent you during the offer process, did you include a Form 2848 or Form 8821 unless one is already on file?
- Did you include supporting documentation and an explanation as to why you doubt you owe the tax?

**Note: There is no application fee or deposit required for a Doubt as to Liability offer.**

**Mail your package to:**

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