



How to Complete IRS Form 656 Offer in Compromise

Form 656, Offer in Compromise, is used to apply for an Offer in Compromise with the IRS. Please note: Submitting an application for an Offer in Compromise does not guarantee the IRS will accept your offer.

Get Form 656: <https://www.irs.gov/pub/irs-pdf/f656b.pdf>*

Mark “yes” or “no” under the question regarding the IRS Pre-Qualifier Tool. This is above Section 1 of the form.

Section 1: Individual Information (Form 1040 filers)

Fill in the following with your current information:

- First Name, Middle Initial, Last Name, and Social Security Number for you and your spouse if it’s a joint offer
- Physical Address and Mailing Address if you get mail at another address.
- EIN if you are a sole proprietor with an EIN.

Individual Tax Periods

- Mark the correct box for the correct tax type addressed in your offer.
- List the tax years individually: 2010, 2011, 2012, 2013, 2014, 2015 not 2010-2015.

Low-Income Certification

- Check your family size and where you live. If your income is equal to or less than the amount shown, then you can check the box.
- Checking this box means you will not be required to pay the application fee nor make any payments while the offer is in review with the IRS for acceptance.

** This download includes Form 433-A (OIC) and Form 433-B (OIC), which are also required when applying for your Offer in Compromise.*

Section 2: Business Information (Form 1120, 1065, etc., filers)

Fill in the following with your current information:

- Business Name and Address
- Employer Identification Number
- Name and Title of Primary Contact
- Telephone Number

Business Tax Periods

- Mark the correct box for the correct tax type addressed in your offer.
- List the tax years individually: 2010, 2011, 2012, 2013, 2014, 2015 not 2010-2015.

Section 3: Reason for Offer

- Check the correct box for the reason for your offer. Doubt as to Collectibility is the most common option.
- Fill out the Explanation of Circumstances, or attach a letter explaining why you feel the amount you are offering is the most you can afford to pay as well as why it is in the IRS’ best interest to accept the amount offered.



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Section 4: Payment Terms

There are 2 payment options for an OIC:

1. Lump Sum Cash offer. You pay 20% of the total offered amount when submitting the offer and then don't pay anything further until acceptance. Once accepted, you have 5 months to pay the remaining balance on the account.
2. Periodic Payment offer. You pay equal monthly installments while the offer is in review and after acceptance over 24 months.

Section 5: Designation of Payment and Deposit

You can designate where you want your payment applied to. This is helpful in the event your offer is rejected; then you can have the payments credited to a specific period or year. The IRS will not issue refunds for any amount paid toward a rejected offer.

Section 6: Source of Funds, Making Your Payment, Filing Requirements, and Tax Payment Requirements

- Source of Funds: This is where you are getting the money you use to pay your offer, such as borrowing from friends of family or taking a loan from a retirement account.
- Check one of the boxes under Filing Requirements.
- Check all boxes that apply (at least one must be checked) under Tax Payment Requirements.

Section 7: Offer Terms/Section 8: Signatures

Make sure you read and fully understand the terms and conditions of submitting your offer. Then sign and date the application under the penalty of perjury under Section 8: Signatures.

Section 9: Paid Preparer Use Only

If you hired someone to prepare this form for you, make sure they fill out Section 9.



NEED HELP COMPLETING THIS FORM?
Contact us today to schedule a consultation

Call [\(720\) 319-8954](tel:(720)319-8954) or visit us at trueresolveta.com