



Form 656-L

# Offer in Compromise

## (Doubt as to Liability)

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### IRS contact information

If you have questions regarding qualifications for an offer in compromise, please call our toll-free number at 1-800-829-1040. You can get forms and publications by calling 1-800-TAX-FORM (1-800-829-3676), by visiting your local IRS office, or at [www.irs.gov](http://www.irs.gov).

### Taxpayer resources

The Taxpayer Advocate Service (TAS) is an independent organization within the Internal Revenue Service (IRS) that helps taxpayers and protects taxpayer rights. They help taxpayers whose problems with the IRS are causing financial difficulties, who've tried but haven't been able to resolve their problems with the IRS, or believe an IRS system or procedure isn't working as it should. And the service is free. Your local advocate's number is in your local directory and at [taxpayeradvocate.irs.gov](http://taxpayeradvocate.irs.gov). You can also call them at 1-877-777-4778. For more information about TAS and your rights under the Taxpayer Bill of Rights, go to [taxpayeradvocate.irs.gov](http://taxpayeradvocate.irs.gov). The Taxpayer Advocate Service is your voice at the IRS.

You may also be able to receive assistance from a Low Income Tax Clinic (LITC). Low Income Taxpayer Clinics (LITCs) are independent from the IRS. LITCs serve individuals whose income is below a certain level and who need to resolve a tax problem with the IRS. LITCs provide professional representation before the IRS or in court on audits, appeals, tax collection disputes, and other issues for free or for a small fee. For more information and to find an LITC near you, see the LITC page at [www.taxpayeradvocate.irs.gov/litcmap](http://www.taxpayeradvocate.irs.gov/litcmap) or IRS [Publication 4134](#), *Low Income Taxpayer Clinic List*. This Publication is also available by calling the IRS toll-free at 1-800-829-3676 or visiting 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

#### Your Rights as a Taxpayer

Each and every taxpayer has a set of fundamental rights they should be aware of when dealing with the IRS. Explore your rights and our obligations to protect them. For more information on your rights as a taxpayer, <http://www.irs.gov/Taxpayer-Bill-of-Rights>.

#### 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. 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)*.

Doubt as to liability cannot be disputed or considered if the tax debt has been established by a final court decision or judgment concerning the existence or amount of the assessed tax debt or if the assessed tax debt is based on current law.

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.

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

#### What documentation or support is needed?

You must provide a written statement explaining why the tax debt or portion of the tax debt is incorrect. In addition, you must provide supporting documentation or evidence that will help the IRS identify the reason(s) you doubt the accuracy of the tax debt.

**Note: Failing to provide a written statement will cause your offer to be returned with no further consideration.**

#### How much should I offer?

In order to qualify, you must make an offer that is \$1 or more and should be based on what you believe the correct amount of tax should be, not what you owe. If you believe you do not owe any tax, you should pursue alternative solutions listed below.

**Note: Do not include any payment(s) with the Form 656-L. No deposit or application fee is required for a doubt as to liability offer.**

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### IMPORTANT INFORMATION

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#### 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 IRS has other available remedies. If your tax debt is other than a Trust Fund Recovery Penalty (TFRP) or Personal Liability Excise Tax (PLET), you should pursue the options below first before submitting an offer.

**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	see Publication 3598, <i>The Audit Reconsideration Process</i>
IRS created a tax return for you because you did not file one	submit your correct, original tax return for processing
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, <i>Claim for Refund and Request for Abatement</i>
you have reasonable cause to remove or reduce penalties IRS charged	see Notice 746, <i>Information About Your Notice, Penalty and Interest</i>
you believe additional interest IRS charged you was due to IRS errors or delays	see the instructions for Form 843, <i>Claim For Refund and Request for Abatement</i>
you believe you were not a responsible person of a corporation and have been assessed the trust fund portion of employment taxes	you have the option to file Form 656-L or see the instructions for Form 843, <i>Claim For Refund and Request for Abatement</i>
you believe you should be considered an "innocent spouse" for a joint income tax return	see Publication 971, <i>Innocent Spouse Relief</i>
you believe you should be considered an "injured spouse" for a joint income tax return	See Form 8379, <i>Injured Spouse Allocation</i> <b>Note: A claim for injured spouse will not be considered under doubt as to liability.</b>
you dispute your worker classification	See Form SS-8, <i>Worker Classification Determination</i> <b>Note: An SS-8 dispute will not be considered under doubt as to liability.</b>

### **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 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 unable to reconstruct your books and records but you can provide an explanation that supports reasonable doubt justifying a reduction to a portion or all of your tax debt.

**Example 2:** 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.

**What if I agree with the tax debt but cannot afford to pay in full?**

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, do not use this form. You must complete a **Form 656, Offer in Compromise**, found in Form 656-B, *Offer in Compromise Booklet*. 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). For additional assistance use the on line Offer In Compromise Pre-Qualifier tool at [http://irs.treasury.gov/oic\\_pre\\_qualifier/](http://irs.treasury.gov/oic_pre_qualifier/).

**IMPORTANT NOTE**

You cannot submit an offer based on doubt as to liability (Form 656-L) and a separate offer based on doubt as to collectibility (Form 656) at the same time. 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 to collectibility offer will be returned without further consideration.**

**Where do I send my application?**

You should mail the completed package to:

Brookhaven Internal Revenue Service  
COIC Unit  
P.O. Box 9008  
Stop 681-D  
Holtsville, NY 11742-9008

Form **656-L**  
(January 2016)

Department of the Treasury - Internal Revenue Service

**Offer in Compromise (*Doubt as to Liability*)**OMB Number  
1545-1686**► To: Commissioner of Internal Revenue Service**

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 submit this offer to compromise the tax liabilities plus any interest, penalties, additions to tax, and additional amounts required by law for the tax type and period(s) marked below:

Section 1 Individual Information (Form 1040 filers)		IRS Received Date
Your First Name, Middle Initial, Last Name	Social Security Number (SSN) - -	
If a Joint Offer, Spouse's First Name, Middle Initial, Last Name	Social Security Number (SSN) - -	
Your Physical Home Address (Street, City, State, ZIP Code)		
Mailing Address (if different from above or Post Office Box number)		
Employer Identification Number (For self-employed individuals only) -		

**Individual Tax Periods**

- ☐ **1040** U.S. Individual Income Tax Return [List all year(s); for example 1040 2009, 1040 2010, etc.]
- ☐ **941** Employer's Quarterly Federal Tax Return [List all quarterly period(s); for example 03/31/2009, 06/30/2010, 09/30/2010, etc.]
- ☐ **940** Employer's Annual Federal Unemployment (FUTA) Tax Return [List all year(s); for example 2010, 2011, etc.]
- ☐ **Trust Fund Recovery Penalty** as a responsible person of (enter business 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.]
- ☐ **Other Federal Tax(es)** [specify type(s) and period(s)] \_\_\_\_\_

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

Business Name \_\_\_\_\_

Business Address (Street, City, State, ZIP Code) \_\_\_\_\_

Employer Identification Number (EIN) -	Name and Title of Primary Contact	Telephone Number ( ) -
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**Business Tax Periods**

- ☐ **1120** U.S. Corporate Income Tax Return [List all year(s); for example 1120 2010, 1120 2013, etc.]
- ☐ **941** Employer's Quarterly Federal Tax Return [List all quarterly period(s); for example 03/31/2009, 06/30/2010, 09/30/2010, etc.]
- ☐ **940** Employer's Annual Federal Unemployment (FUTA) Tax Return [List all year(s); for example 2010, 2011, etc.]
- ☐ **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 offer to pay \$ \_\_\_\_\_

Must be \$1 or more and payable within 90 days of the notification of acceptance, unless an alternative payment term is approved at the time the offer is accepted. **Do not send any payment with this form.**

**Section 4****Terms**

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.

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

**Terms, Conditions, and Legal Agreement**

a) The IRS will apply payments made under the terms of this offer in the best interest of the government.

b) If the IRS rejects or returns the offer or I withdraw the offer, the IRS will return any amount paid with the offer. I understand the IRS will not pay interest on any amount I send with the offer. If I agree in writing, the IRS will apply the amount paid with the offer to the amount owed. If I agree to apply the payment, the date the IRS received the offer remittance will be considered the date of payment.

**IRS will keep my payments and fees**

c) I voluntarily submit all payments made on this offer.

d) The IRS will keep all payments and credits made, received, or applied to the total original tax debt before I send in the offer or while it is under consideration, including any refunds from tax returns and/or credits from tax years prior to the year in which the offer was accepted.

e) The IRS may levy under section 6331(a) up to the time that the IRS official signs and acknowledges my offer as pending, which is accepted for processing, and the IRS may keep any proceeds arising from such a levy.

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

g) If the IRS served a continuous levy on wages, salary, or certain federal payments under sections 6331(e) or (h), then the IRS could choose to either retain or release the levy. No levy may be made during the time an offer in compromise is pending.

**I agree to the time extensions allowed by law**

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

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

i) The IRS cannot collect more than the full amount of the tax debt under this offer.

j) I understand I remain responsible for the full amount of the tax debt, unless and until the IRS accepts the offer in writing and I 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 have met all the terms of the offer.

k) I understand the tax I offer to compromise is and will remain a tax debt until I meet all the terms and conditions of this offer. If I 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.

l) Once the IRS accepts the offer in writing, I have no right to contest, in court or otherwise, the amount of the tax debt.

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

m) 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 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 an offer is rejected, no levy may be made during the 30 days of rejection. If I do not file a protest within 30 days of the date the IRS notifies me of the right to protest the decision, I waive the right to a hearing before the Appeals Office about the offer.

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

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

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

o) If I fail to meet any of the terms of this offer, the IRS may levy or sue me to collect any amount ranging from the unpaid balance of the offer to the original amount of the tax debt (less payments made) plus penalties and interest that have accrued from the time the underlying tax liability arose. The IRS will continue to add interest, as required by Section § 6601 of the Internal Revenue Code, on the amount of the IRS determines is due after default.

**Section 4****Terms (continued)**

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

p) 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 30 days after the payment terms have been satisfied and the payment has been verified. If the offer is accepted, the tax lien will be released within 30 days of when the payment terms have been satisfied and the payment has been verified. The time it takes to verify the payment varies based on the form of payment.

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

q) I understand that IRS employees may contact third parties in order to respond to this request, and I authorize the IRS to make such contacts. Further, in connection with this request, by authorizing the IRS to contact third parties, I understand that I 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.**

**Section 6****Signature(s)**

**Taxpayer Attestation: If I submit this offer on a substitute form, I affirm this form is a verbatim duplicate of the official Form 656-L, and I 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.**

	<b>Signature of Taxpayer/Corporation Name</b>	Daytime Telephone Number (     )     -	Date (mm/dd/yyyy)
	<b>Signature of Spouse/Authorized Corporate Officer</b>		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 (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 (     )     -	

**If you would like to have someone represent you during the offer investigation, 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)

**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 include supporting documentation and an explanation as to why you doubt you owe the tax?
- ☐ Did you complete all fields on the Form 656-L?
- ☐ Did you make an offer amount that is \$1 or more?

**Note: 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; however, you must offer at least \$1. If you do not want to offer \$1 or more you should pursue the recommended alternative solutions provided under "What alternatives do I have to sending in an Offer in Compromise (Doubt as to Liability)?" found on page 2.**

- ☐ 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?

**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  
Stop 681-D  
Holtsville, NY 11742-9008