

## U.S. IRS Offer in Compromise Introduction

When taxpayers have federal taxes in arrears and cannot pay them in full, they can consider applying for an offer in compromise. This approach allows taxpayers to repay federal taxes owed in less than full taxes. This article will briefly introduce the conditions, required documents, and procedures for applying an offer in compromise.

To apply for an offer in compromise, the taxpayer should meet all the following conditions:

1. The taxpayer has submitted all tax returns required by the federal government on time.
2. The taxpayer has paid all estimated taxes required for the current tax year.
3. The taxpayer or its business cannot currently be in an open bankruptcy proceeding.
4. The IRS did not transfer the taxpayer's case to the Department of Justice. In addition, the tax debts of taxpayers cannot be issued by the court.
5. The taxpayer has received a bill containing tax debts. In addition, the offer in compromise includes at least one tax debt derived from the bill.
6. Before applying, taxpayers should resolve any open audits or innocent spouse claims issues.
7. The taxpayer's assets, equity, income, etc. confirm that it is indeed unable to pay federal taxes in full.
8. If the taxpayer is the owner of a business and the business has employees, the taxpayer must pay all required federal tax deposits for the current quarter.

When applying for an offer in compromise, taxpayers must prepare the following documents:

1. Form 656-Offer in Compromise. This is an agreement between the taxpayer and the IRS. The agreement states that taxpayers will repay federal taxes owed in less than full taxes. This agreement contains 9 parts. It mainly includes taxpayer information, reason for offer, payment terms, source of funds, offer terms, taxpayer signatures, etc.

### SHENZHEN 深圳

Rooms 1203-06, 12/F.  
Di Wang Commercial Centre  
5002 Shennan Road East  
Luohu District, Shenzhen, China  
中國深圳市羅湖區深南東路5002號  
地王商業中心12樓1203-06室  
T: +86 755 8268 4480

### SHANGHAI 上海

Room 603, 6/F., Tower B  
Guangqi Culture Plaza  
2899A Xietu Road, Xuhui District  
Shanghai, China  
中國上海市徐匯區斜土路2899甲號  
光啓文化廣場B座6樓603室  
T: +86 21 6439 4114

### BEIJING 北京

Room 303, 3/F.  
Interchina Commercial Building  
33 Dengshikou Street  
Dongcheng District, Beijing, China  
中國北京市東城區燈市口大街33號  
國中商業大廈3樓303室  
T: +86 10 6210 1890

### SINGAPORE 新加坡

138 Cecil Street, #13-02 Cecil Court  
Singapore 069538  
新加坡絲絲街138號  
絲絲閣13樓1302室  
T: +65 6438 0116

### TAIPEI 台北

Room 303, 3/F., 142 Section 4  
Chung Hsiao East Road  
Daan District, Taipei  
Taiwan 10688  
台灣台北市大安區忠孝東路四段  
142號3樓之3  
郵政編碼: 10688  
T: +886 2 2711 1324

### NEW YORK 紐約

202 Canal Street, Suite 303, 3/F.  
New York, NY 10013, USA  
美國紐約州紐約市  
堅尼路202號3樓303室  
郵政編碼: 10013  
T: +1 646 850 5888

### LONDON 倫敦

Room 319, 3/F., One Elmfield Park  
Bromley, Greater London  
BR1 1LU, UK  
英國倫敦布羅姆利  
雅茅菲爾德公園一號3樓319室  
郵政編碼: BR1 1LU  
T: +44 20 8176 3860

2. Form 433-A (OIC)- Collection Information Statement for Wage Earners and Self-Employed Individuals. When the taxpayer is an individual, a self-employed individual, an individual with a personal liability for excise tax, an individual who is personally responsible for a partnership liability, etc., need to fill out this form. The form contains 10 parts. It mainly includes personal and household information, employment information for wage earners, personal asset information, self-employed information, business asset information for self-employed, business income and expense information for self-employed, taxpayer signatures, etc.
3. Form 433-B(OIC)- Collection Information Statement for Businesses. When the taxpayer is a corporation, partnership, limited liability company, etc., need to fill out this form. The form contains 7 parts. It mainly includes business information, business asset information, business income information, business expense information, taxpayer signatures, etc.
4. Attach all required supporting documents. For specific supporting documents, please refer to the list of documents at the end of form 433-A (OIC) and form 433-B (OIC). It mainly includes a pay stub, copies of various sources of income, a profit and loss statement for the most recent 6-12 months, etc.

The application for an offer in compromise consists of the following seven steps:

1. Gather Information, such as the taxpayer's financial situation, the gross monthly income and average expenditure of the taxpayer's household.
2. If the taxpayer is an individual, it is required to fill out form 433-A (OIC) and sign it.
3. If the taxpayer is a business, form 433-B (OIC) must be filled out and signed.
4. Attach all required supporting documents.
5. Fill out the form 656-Compromise Tax Proposal Form.
6. When submitting the application, based on the payment method selected, the taxpayer must include its initial payment and an application fee of \$205. If the taxpayer meets the low-income certification standards, please do not send any money.
7. Mail all completed forms, documents, and fees to the address designated by the IRS.

When a taxpayer's application is approved by the IRS, the taxpayer needs to know or pay attention to the following matters:

1. Taxpayers must meet all the offer terms listed in Section 7 of form 656, including submitting all required tax returns, and pay estimated taxes and federal taxes on time.
2. Until the taxpayer meets all the offer terms, the federal tax lien will not be cancelled.
3. During the calendar year in which the offer in compromise is approved, any refund due will be used for the tax debt of the taxpayer.
4. By requesting a copy of the public inspection document, the public can review information on certain offer in compromise.

When a taxpayer's application is rejected by the IRS, the taxpayer can appeal the rejection within 30 days. The taxpayer should use form 13711-request for appeal of offer in compromise.

**Reference:**

<https://www.irs.gov/payments/offer-in-compromise>

[https://irs.treasury.gov/oic\\_pre\\_qualifier/faces/OIC\\_Screen1.jsp](https://irs.treasury.gov/oic_pre_qualifier/faces/OIC_Screen1.jsp)

<https://www.irs.gov/pub/irs-pdf/f656b.pdf>

<https://www.irs.gov/pub/irs-pdf/f13711.pdf>

*If you wish to obtain more information or assistance, please visit our official website at [www.kaizencpa.com](http://www.kaizencpa.com) or contact us through the following methods:*

*T: +852 2341 1444*

*M: +852 5616 4140, +86 152 1943 4614*

*WhatsApp/Line/WeChat: +852 5616 4140*

*Skype: kaizencpa*

*E: [info@kaizencpa.com](mailto:info@kaizencpa.com)*