



Form 656-L

# Offer in Compromise

## (Doubt as to Liability)

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### CONTENTS

■ What you need to know .....	2
■ Important information .....	2
■ Form 656-L .....	5

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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