

Missouri Department of Revenue



Offer in Compromise

This book includes all of the following to guide taxpayers through the Offer in Compromise process.

- Offer in Compromise policy statement.
- Information you need to know before submitting an Offer in Compromise.
- Instructions for completing the Offer in Compromise.
- Offer in Compromise Application MO-656.
- Terms and Conditions for the Offer in Compromise.
- Offer in Compromise documentation checklist.



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What is an Offer in Compromise?

The Department is authorized to consider an Offer in Compromise under [Section 32.378, RSMo](#). An Offer in Compromise allows qualifying taxpayers an opportunity to settle unpaid tax accounts for less than the full amount that is owed. The goal of the Offer in Compromise program is to resolve a liability in a way that is in the best interest of both the State of Missouri and the taxpayer.

An offer based on doubt as to collectibility or severe economic hardship is not automatically accepted due to an immediate financial inability to pay. The Department will review the taxpayer's financial situation and will estimate how much can be collected over time if the offer is not accepted.

If taxpayers are unable to pay their taxes in full, there are other payment options, such as monthly installment agreements, that must be explored before an Offer in Compromise is submitted.

What can an Offer in Compromise do for me?

- Provide a "fresh start" towards tax compliance
- Resolve tax debt for less than the amount owed
- Remove economic burdens of state tax liens and levies

What can an Offer in Compromise not do for me?

- Delay or cancel existing collection actions. If it is determined that the offer was filed to delay collections, the offer will likely be rejected.
- Void or abate existing tax liabilities without any offer of payment or reason for a compromise.
- Release of lien, levy or other enforced collection until the offer is accepted.

What are some reasons an offer may be rejected?

- An offer of 'zero' or 'none' will not be considered for doubt as to collectibility.
- The taxpayer fails to make full financial disclosure, including all household income.
- There is evidence that assets were transferred or sold for less than the market value.
- The taxpayer submits false or misleading information.
- The taxpayer has not fully filed all tax types.
- The taxpayer has repeated noncompliance or attempts to avoid paying tax obligations.
- The offer does not include a statement supporting the reason for the offer.
- The offer includes an amount already collected.
- The tax liability sought to be compromised directly relates to a crime for which the taxpayer has plead guilty or was found guilty.

What is the criteria for submitting an offer?

1. Doubt as to liability:

- a.) Must complete Section 1 of the MO-656
- b.) Must provide a written statement explaining why the liability is not owed

2. Doubt as to Collectibility:

- a.) Must be fully filed on all required years for all tax types.
- b.) Must not have an open bankruptcy proceeding.
- c.) Must be current on all estimated tax payments if the taxpayer is required to make estimated tax payments.
- d.) Offer in Compromise payment plans must be through Electronic Funds Transfer (EFT) or credit card.
- e.) The taxpayer must submit all required information listed on the Offer in Compromise checklist.
- f.) Must complete Sections 1 through 5 of the MO-656. If self-employed or own a business; must complete Sections 1, 2, and 4 through 8.

3. Effective Tax Administration; Severe Economic Hardship:

- a.) Must be fully filed on all required tax years for all tax types.
- b.) Must not have an open bankruptcy proceeding.
- c.) Must be current on all estimated tax payments if the taxpayer is required to make estimated tax payments.
- d.) Offer in Compromise payment plans must be through Electronic Funds Transfer (EFT) or credit card.
- e.) Must complete Sections 1 through 5 of the MO-656. If self-employed or own a business; must complete Sections 1, 2, and 4 through 8.

4. Effective Tax Administration; Exceptional Circumstances:

- a.) Must complete Section 1 of the MO-656.
- b.) Must provide a written statement explaining circumstances.



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Is professional assistance required to submit an offer?

Taxpayers are welcome to seek tax assistance from a tax professional, but it is not a requirement.

How does the Offer in Compromise process work?

When the Department receives a taxpayer's offer, it is reviewed to determine if all of the required documentation has been submitted and all criteria for submitting an offer have been met. If all documentation is not submitted, documentation is not complete, or if the MO-656 forms are not signed and dated, a letter will be sent requesting additional information. Each offer is considered on an individual basis and can be submitted for one of the following reasons:

1. Doubt as to Liability (I do not believe I owe this tax.): The taxpayer or entity must provide sufficient documentation to establish that there is substantial doubt regarding the taxpayer's liability and reasonable cause for failure to produce such documentation earlier in the collection process.
2. Doubt as to Collectibility (I agree I owe the tax, but cannot pay.): The taxpayer or entity must provide documentation that demonstrates an inability to pay the liability in full. The amount offered must be the maximum amount the taxpayer can pay, taking into consideration future earning potential and total equity in all assets.
3. Effective Tax Administration:
 - (a) Severe Economic Hardship - Collection of the full liability will result in severe economic hardship to the taxpayer. If the Offer in Compromise is based on this reason, the Offer in Compromise Application (MO-656) with the applicable sections completed must be included.
 - (b) Exceptional Circumstances - Regardless of the taxpayer's financial circumstances, exceptional circumstances exist that make collection of the full amount detrimental to voluntary compliance include, but are not limited to;
 - (i) the taxpayer failed to pay because of circumstances beyond the reasonable control of the taxpayer and not the result of negligence on the part of the taxpayer or;
 - (ii) a reasonable person would not expect the assessment based on previous policy of the Department of Revenue or information provided to the taxpayer by the Department of Revenue.

What happens when a decision is made?

When a decision is made, the taxpayer will be notified in writing. If the offer is accepted, the taxpayer must remain compliant on all Missouri tax filings and payment requirements for three years from the date the offer is accepted. If the taxpayer does not remain compliant, the negotiated amount will be retracted and the original balance due plus additional interest, less payments made, will then be owed. The Department will also offset state and federal refunds for tax periods through the tax year that the offer is accepted. An offset does not reduce the accepted Offer in Compromise amount.

Once an offer is accepted and paid according to the terms of the offer, any enforced collection activity such as liens and levies issued against the taxpayer who submitted the offer will be released. Failure to remain in compliance will result in the default of the offer and the Department will require payment of the original balance due plus additional interest, less payments made.

The law does not provide for an appeal of a rejected offer. The taxpayer must make payment arrangements to pay the debt. If this is not done, the case will be referred for further collection actions to collect the debt in full.

Where do I submit the offer?

Collections Enforcement
P.O. Box 1646
Jefferson City MO 65105-1646
Phone (573) 751-7200
Fax (573) 522-3218



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Before completing MO-656, please make sure you are eligible for the Offer in Compromise based on one of the reasons listed below.

If you require additional pages for any information you are providing, attach them as needed.

Section 1: Personal Information

Print or type your name(s), social security number(s), date of birth, dependent information, and address in the spaces provided.

A reason this offer is being submitted must be indicated by checking a box.

Doubt as to Liability

A legitimate doubt exists that the assessed liability is correct. Possible reasons to submit a doubt as to liability offer include:

1. You dispute the existence or amount of the correct tax liability.
2. Your evidence was not considered.
3. You have new evidence.

If doubt as to liability is chosen, only Sections 1 and 2 are required.

Doubt as to Collectibility

Doubt exists that you could ever pay the full amount of tax liability owed. If the offer in compromise is made for this reason, you must complete Sections 1 through 5 for an individual or if self-employed or you own a business complete Sections 1, 2 and 4 through 8.

Effective Tax Administration

(a) Severe Economic Hardship - Collection of the full liability will result in severe economic hardship to the taxpayer. If the Offer in Compromise is made for this reason, you must complete Sections 1 through 5 for an individual or if self-employed or you own a business complete Sections 1, 2 and 4 through 8.

(b) Exceptional Circumstances - Regardless of your financial circumstances, exceptional circumstances exist such that collection of the full liability will be detrimental to voluntary compliance by the taxpayer. Such exceptional circumstances include, but are not limited to:

- Instances where the failure to pay the taxes assessed is the result of circumstances beyond your reasonable control and is not the result of negligence on your part or
- Instances in which a reasonable person would not expect the assessment based on previous policy of the Department of Revenue or information provided to you by the Department of Revenue.

If exceptional circumstances is chosen, only Sections 1 and 2 are required.

Section 2: Payoff Information

Tax Type

Indicate each tax type with a balance due by checking the box. Enter social security number or business tax identification number and periods for each tax type marked. All Missouri tax debt must be included in the settlement offer.

The Offer

Enter the amount you can offer. Offer must be more than zero if the offer is based on doubt as to collectibility. Check cash offer if the amount is to be paid within 30 days after written notice of acceptance of the offer. Check short-term deferred payment offer if the amount will be paid in more than 30 days.

Indicate if you are borrowing the settlement offer. If so, provide the lender's information in the spaces provided.

If you choose doubt as to collectibility or severe economic hardship for the reason for your offer, you must include an explanation of why you are unable to pay your balance in full.

Section 3: Employment Information

Enter name of employer(s), phone number(s), address, year or months employed, occupation(s), number of allowances claimed on W-4, and how often you are paid.

If you or your spouse are self-employed or own your own business also complete sections 6-8.

Section 4: Personal Financial Information

Bank Accounts

Include IRA'S, other retirement plans, certificates of deposit, etc. Attach all pages of the most recent three months of bank statements for all accounts of each person in the household. If you owe more than \$50,000, attach the most recent six months of bank statements.

Enter the name of the institution(s), address, type of account(s), (checking, saving, IRA, etc.), date the account was opened, account number(s), and the balance of the account.

Personal Property

Include boats, automobiles, ATV's, motorcycles, recreational vehicles, airplanes, machinery, etc, not used in your business. Attach additional pages as needed.

Enter year, make, model or style, license number, lender or lien holder, current market value, current payoff, and available equity. Enter zero if equity is less than zero. Attach copies of loan statements including the current payoff.

Real Property

For each property enter description, county, parcel number, mortgage lender's name and address, current market value, loan balance, and available equity. Include name of owner as it appears on the deed, purchase price, and the date. Attach supporting documentation of the loan balance and your most recent real personal property tax receipt for each property.

Other Valuable Items

Include artwork, guns, collectibles, jewelry, and any other valuable items not previously listed. Enter item, description, and current market value.

Credit Cards and Unsecured Lines of Credit

Enter type of credit, name of creditor, record owner, balance owed, and available credit. Attach supporting documentation of balances owed.



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Life Insurance

Enter name of insurance company, agent name and telephone number, policy number, type of insurance, face amount, and loan or cash surrender value. Include copies of life insurance policies.

Securities

Include stocks, bonds, mutual funds, money market funds and 401(k), not previously listed. Enter type of security, location, record owner, quantity or denomination, and current value. Attach supporting documentation showing current value of each.

Other Financial Information

Indicate no or yes for the options in this section. If "yes" is checked provide dates, explanation, and documentation. Transferred assets may include any vehicles, equipment, and property sold, given away, donated, or repossessed in the last 12 months.

Section 5: Personal Income and Expense Analysis

Enter gross monthly income. Under other, include income contributed by others in the household. Enter monthly expenses for each category that applies. Attach proof of monthly living expenses such as receipts, utility bills, tax payments, etc. Subtract total living expenses from total monthly income to obtain total disposable income.

Stop Here!

Complete sections 6-8 only if you own a business or you are self employed. Otherwise skip to Section 9.

Section 6: Business Information

Enter business name, Missouri tax identification number, business address, telephone number, and website. Select the type of business and give a description of the business. Enter the average gross monthly income and average number of employees for the past 12 months. If you or your spouse own additional businesses, complete an additional attachment with the information for each business.

Section 7: Business Financial Information

Bank Accounts

Include certificates of deposit, etc. Attach all pages of the most recent three months bank statements for each account. If you owe more than \$50,000, attach the most recent six months of bank statements. Attach additional pages as needed.

Personal Property

Include automobiles, boats, ATV's, motorcycles, recreational vehicles, airplanes, machinery, and equipment owned by or used in your business.

Enter year, make, model or style, license number, lender or lien holder, current market value, current payoff, and available equity. Enter zero if equity is less than zero. Attach copies of loan statement including current payoff.

Real Property

For each property, enter description, county, parcel number, mortgage lender's name and address, current market value, loan balance, and available equity.

Include name of owner as it appears on the deed, purchase price, and date. Attach supporting documentation of loan balance and most recent property tax receipt for each property.

Other Valuable Items

Include cash, accounts receivable, artwork, collectibles, and any other valuable items not previously listed. Enter item, description, and current market value.

Securities

Include stocks, bonds, mutual funds, money market funds and 401(k), not previously listed. Enter the type of security, location, record owner, quantity or denomination, and current value. Attach supporting documentation and additional pages as needed.

Business Credit Cards and other Lines of Credit

Enter the type of credit, name of the creditor, record owner, balance owed, and available credit. Attach supporting documentation of balances owed.

Other Financial Information

Indicate no or yes for the options in this section. If "yes" is checked provide dates, explanation, and documentation. Transferred assets include vehicles, equipment, and property sold, given away, donated, or repossessed in the last 12 months.

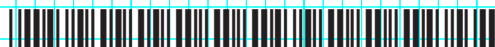
Section 8: Business Income and Expense Analysis

Choose the accounting method used and enter the dates for income and expenses. Enter gross monthly income and monthly business expenses for each category that applies. Attach proof of monthly business expenses and total monthly income.

Before submitting your offer read the terms and conditions in Section 9.

Section 9: Signatures

Signatures and dates are required for your offer to be considered. If the MO-656 is sent without signatures and dates the offer will be deemed invalid.



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Missouri Department of Revenue
Offer in Compromise Application

Department Use Only
(MM/DD/YY)Reporting Period
(MM/YY)Missouri Tax I.D.
Number

Federal Employer
I.D. Number

Section 1 - Personal Information

First Name	M.I.	Last Name	Social Security Number				Date of Birth (MM/DD/YYYY)				
Spouse First Name	M.I.	Spouse Last Name	Spouse's Social Security Number				Date of Birth (MM/DD/YYYY)				
Other Names or Aliases Used		Spouse Other Names or Aliases Used		Marital Status <input type="checkbox"/> Married <input type="checkbox"/> Unmarried (Single, Divorced, or Widowed)							
Provide information for all other persons in the household and claimed as a dependent. Attach additional pages as needed. (This information is optional if offer is based on doubt as to liability or exceptional circumstances).											
Name			Age	Relationship			Claimed as a Dependent on your Form 1040?		Contributes to Household Income?		
							<input type="checkbox"/> Yes <input type="checkbox"/> No		<input type="checkbox"/> Yes <input type="checkbox"/> No		
							<input type="checkbox"/> Yes <input type="checkbox"/> No		<input type="checkbox"/> Yes <input type="checkbox"/> No		
							<input type="checkbox"/> Yes <input type="checkbox"/> No		<input type="checkbox"/> Yes <input type="checkbox"/> No		
Your Current Street Address			City			State	Zip Code		County		
E-Mail Address					Phone Number () - - - - -			Secondary Phone Number () - - - - -			
Your Mailing Address (If Different From Above)					City			State	Zip Code		
Name of your Tax Representative (CPA, Attorney, Etc.) Attach POA Form 2827					Phone Number () - - - - -			Fax Number () - - - - -			
Tax Representative's Address					City			State	Zip Code		
I submit this offer for the reason selected below: See instructions for explanation of reasons. (select one) <input type="checkbox"/> Doubt as to Liability <input type="checkbox"/> Doubt as to Collectibility <input type="checkbox"/> Severe Economic Hardship <input type="checkbox"/> Exceptional Circumstances											

Section 2 - Payoff Information

Tax Type	Social Security Number or Business Identification Number	Tax Periods
<input type="checkbox"/> Personal Income Tax		
<input type="checkbox"/> Business Tax (Withholding, Sales, Use, Corporate)		
<input type="checkbox"/> Other (Explain)		

I offer to pay \$ _____. (Must be more than zero if offer is due to doubt as to collectibility)

Select one of the following: ☐ Cash offer Balance to be paid in: ☐ 10 day ☐ 30 days

☐ Short-term deferred payment offer (monthly payments beginning within 30 days of acceptance of the offer)

\$ _____ within 30 days

\$ _____ on the _____ day of each month starting the second month after written notice of acceptance of the offer for a total of _____ months.

Will you borrow the settlement offer amount? ☐ Yes ☐ No

If yes, provide the lender's name, address, phone; list all collateral, if any, pledged to secure the loan.

Lender Information			
Name	Phone Number (____)____-____	Is lender a member of your household or immediate family? <input type="checkbox"/> Yes <input type="checkbox"/> No	
Mailing Address	City	State	Zip Code
Collateral			



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Section 3 - Employment Information

Section 4 - Personal Financial Information

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Property 1

Property 2

Other Valuable Items: Include items such as artwork, guns, collectibles, jewelry. Attach additional pages as needed.

Personal credit cards and unsecured lines of credit.

Total unsecured credit balance amount
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Life Insurance: Attach additional pages as needed. Attach supporting documentation.

Total value of all life insurance policies.....

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Complete sections 6 through 8 only if you own a business or are self-employed.

Section 6 - Business Information

Business Name	Missouri Tax Identification Number	Average Gross Monthly Income	Total Employees
Business Address	Business Telephone Number () - - - - -	Business Website	
City	State	Zip	Do you or your spouse have any other business interests? <input type="checkbox"/> Yes <input type="checkbox"/> No If Yes, complete additional attachment for each business interest.
Type of Business (Select One) <input type="checkbox"/> Sole Ownership <input type="checkbox"/> Partnership <input type="checkbox"/> LLC <input type="checkbox"/> Corporation <input type="checkbox"/> Other			
Description of Business			

Section 7 - Business Financial Information

Bank Accounts: Include certificates of deposit, etc. Attach all pages of the most recent three months bank statements for all accounts. Attach additional pages as needed. If you owe more than \$50,000, six months bank statements are required							
Name of Institution	Address	Type	Date Opened	Account Number	Balance		
Total of all bank accounts with positive balance							
Personal Property: Include automobiles, boats, ATV's, motorcycles, recreational vehicles, airplanes, machinery, etc., not used in your business. Attach additional pages as needed. Attach supporting documentation of payoff.							
Year	Make	Model	License Number	Lender or Lienholder	Current Market Value	Current Payoff	Available Equity (cannot be less than 0)
Total equity of all personal property							
Real Property: For each property, include copies of deed, homeowner's or renter's insurance policy with riders, supporting documentation of loan balance, and most recent property tax statement. Attach additional pages as needed.							
Property 1							
Physical Address and Description (Single Family Home, Multi-Family Home, Bare Lot, Acreage, etc.)				County	Parcel Number		
Mortgage Lender's Name and Address				Current Market Value	Loan Value Balance	Available Equity	
Name(s) of Owners on Deed				Purchase Price	Purchase Date (MM/DD/YYYY)		
					-- / -- / --		
Property 2							
Physical Address and Description (Single Family Home, Multi-Family Home, Bare Lot, Acreage, etc.)				County	Parcel Number		
Mortgage Lender's Name and Address				Current Market Value	Loan Value Balance	Available Equity	
Name(s) of Owners on Deed				Purchase Price	Purchase Date (MM/DD/YYYY)		
					-- / -- / --		



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Section 7 - Business Financial Information

Other Valuable Items: Include cash, accounts receivable, artwork, collectibles, business equipment, and any other valuable items.
Attach additional pages as needed. Attach supporting documentation.

Type	Location	Record Owner	Quantity or Denomination	Current Value
Total value of all valuable items				

Securities: Include stocks, bonds, mutual funds, money market funds, 401(k), etc. Attach additional pages as needed.
Attach supporting documentation for the most recent three months.

Type	Location	Record Owner	Quantity or Denomination	Current Value
Total value of all securities				

Business credit cards and unsecured lines of credit.

Type	Name of Creditor	Record Owner	Balance Owed	Available Credit
Total unsecured credit balance amount				

Other Financial Information. If you check "yes", provide dates, an explanation, and documentation. Attach additional pages as needed.

Court proceedings (litigation, probate, etc.)	<input type="checkbox"/> No	<input type="checkbox"/> Yes
Anticipated increase in income	<input type="checkbox"/> No	<input type="checkbox"/> Yes
Bankruptcies or receiverships	<input type="checkbox"/> No	<input type="checkbox"/> Yes
Transfer of assets in last 12 months	<input type="checkbox"/> No	<input type="checkbox"/> Yes
Beneficiary to trust, estate, profit sharing, etc.	<input type="checkbox"/> No	<input type="checkbox"/> Yes
Taxes owed to the IRS (provide proof).	<input type="checkbox"/> No	<input type="checkbox"/> Yes
Taxes owed to other states, counties, districts, agencies, etc.	<input type="checkbox"/> No	<input type="checkbox"/> Yes
Other debt (explain)	<input type="checkbox"/> No	<input type="checkbox"/> Yes

Section 8 - Business Income and Expense Analysis

Accounting Method Used ☐ Cash ☐ Accrual
Income and expenses during the period (MM/DD/YYYY) ____/____/____ to ____/____/____

Total Monthly Business Income		Total Monthly Business Expense	
Source	Gross Monthly	Expense Items	Actual Monthly
Gross Receipts from Sales and Services		Materials Purchased	
Gross Rental Income		Inventory Purchased	
Interest Income		Gross Wages & Salaries	
Dividends		Rent	
Cash		Supplies	
Other Income (specify below)		Utilities and Telephone	
		Vehicle Gasoline and Oil	
		Repairs & Maintenance	
		Insurance	
		Current Taxes	
		Other Expenses (specify)	
Total Income		Total Expenses	



- In addition the Department may:

- I agree to be bound by all the terms and conditions set forth in this offer. 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. I also declare under penalties of perjury that I employ no illegal or unauthorized aliens as defined under federal law and that I am not eligible for any tax exemption, credit, or abatement if I employ such aliens.

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On behalf of the Missouri Department of Revenue, I accept the offer to pay for the reasons listed in Section 2.

Form MO-656 (Revised 12-2014)

Offer in Compromise Checklist

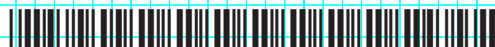
For all Offers

- ☐ Form MO-656 Offer in Compromise (enclosed)
- ☐ Third Party Affirmation – Power of Attorney Form 2827 (If Applicable)
- ☐ Supporting Documentation

For Offers of Doubt as to Collectibility and Economic Hardship

- ☐ Proof of gross earnings, pension, social security, and other income, including statements showing deductions for the past three months
- ☐ Copies of bank statements for all checking and savings accounts, personal and business, for the most recent three months (If balance owed is \$50,000 or more include most recent six months of bank statements)
- ☐ Copies of federal income tax return for the two most recent years
- ☐ Copies of expenses including rent, insurance, and property taxes for the most recent three months
- ☐ Copies of statements for all mortgages of real estate you own or have interest in
- ☐ Copies of statements showing the value of your interest in all retirement accounts, pensions, and profit sharing plans for the most recent three months
- ☐ A list of all stocks, bonds, and other securities you own, along with the current market value for each
- ☐ A statement from the insurance company for each life insurance policy showing the current cash loan value, accumulated dividends and interest, date, and amount of policy, and the amount if there is a loan or cash surrender value
- ☐ A statement from lending institutions and other creditors that clearly indicates current balances owed, and payment schedules on all notes payable and revolving accounts
- ☐ Copies of any judgments or legal decrees (excluding bankruptcies) for the most recent two years
- ☐ A list of all accounts receivable, showing the payer, amount due, age, and status of each business account
- ☐ Copies of medical bills showing a balance still owed not covered by insurance and documentation from the insurance company indicating the items not covered
- ☐ List of all business equipment and other business assets, including current market value of each item

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