
# Offer in Compromise (OIC)

An Offer in Compromise is an agreement between a taxpayer and the government to settle a tax liability by paying less than the full amount owed. The IRS may accept an offer when it is not likely that the tax liability can be collected in full and the offer amount reflects what could be collected over a reasonable period of time.

The goal of the offer in compromise is to collect what is reasonably collectible at the earliest possible time and at the least cost to the government.

There are three bases under which an offer in compromise may be accepted:

**Doubt as to Collectability** — Under this basis, there is doubt that the amount of tax owed can ever be paid back in full. In order to successfully negotiate this type of offer in compromise, the taxpayer must demonstrate through complete and thorough financial statements and supporting documentation that there are insufficient assets and income to pay the full amount of tax owed.

**Doubt as to Liability** — The IRS may also accept an offer in compromise when doubt exists that the amount of tax owed is correct. The taxpayer needs to explain why they believe that they do not owe the tax that they would like to compromise. Financial inability to pay will not be considered under this basis alone.

**Effective Tax Administration** — Under the third basis for an offer in compromise, there is no doubt that the tax owed is correct and there are sufficient assets and income to pay the entire liability.

However, the taxpayer believes that, due to exceptional circumstances, it would be unfair and inequitable to require full payment of the tax.