



Department of the Treasury  
Internal Revenue Service

[www.irs.gov](http://www.irs.gov)

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Form 656-A

# Additional Basis for Compromise

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# What You Need to Know Before Submitting an Additional Basis for Compromise

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What is an Additional Basis for Compromise?

The Internal Revenue Service has the authority, in certain situations, to compromise federal taxes for reasons other than doubt as to liability or doubt as to collectibility. When you are not eligible for an Offer in Compromise based on either doubt as to liability or collectibility (See Form 656, *Offer In Compromise*, for further explanation), you may still compromise your liability if the compromise would promote effective tax administration. This Additional Basis for Compromise considers issues of equity and economic hardship. However, we will not consider an Additional Basis for Compromise unless we determine that the compromise would not undermine compliance with the tax laws.

Before we can consider a compromise based on economic hardship or other equitable considerations, three factors must exist:

- We have assessed or will assess a tax liability against you before acceptance of the offer,
- Your net equity in your assets plus your future income must be greater than the amount you owe, and
- An exceptional circumstance exists that allows us to consider your offer, even though your assets and income are sufficient to fully pay the amount due.

Am I Eligible for Consideration Under the Additional Basis for Compromise Provisions?

Before we can consider an Additional Basis for Compromise, two conditions must exist:

**1.** We must first establish that there is no doubt as to liability and no doubt as to collectibility. In other words, we must first determine that you owe the entire tax and

you have assets and income sufficient to pay the amount due in full.

**2.** You must have an exceptional circumstance and requiring payment of the tax in full would either create an economic hardship or would be unfair and inequitable.

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Am I Eligible for Consideration Under the Additional Basis for Compromise Provisions?

*continued*

If

We decide that there *is* doubt as to the amount of the liability you owe

We decide that your assets and income do not exceed the amount of your liability

We decide that you are not eligible for compromise based on doubt as to liability or doubt as to collectibility *and* you have circumstances that allow us to consider your offer

Like all other Offers in Compromise, we can only consider an Additional Basis for Compromise if you have filed all required tax returns and you are not in bankruptcy.

**Note:** You may submit an offer if you are in bankruptcy and you provide us with documentation showing that the Bankruptcy Court has lifted the

Then

You are not eligible for consideration under the Additional Basis for Compromise and we will consider your offer under the doubt as to liability basis

You are not eligible for consideration under the Additional Basis for Compromise and we will consider your offer under the doubt as to collectibility basis

Follow the instructions under the section "What Should I Do if I Want You to Consider an Additional Basis for Compromise?"

automatic stay to allow us to research the offer.

In addition, business owners must have timely filed and paid all quarterly federal taxes for the two preceding quarters before requesting an offer. Business owners must have also timely paid all federal tax deposits due in the quarter in which they submit an offer.

What Should I Do if I Want You to Consider an Additional Basis for Compromise?

**1.** Complete and submit, in all cases, a Form 656, *Offer in Compromise*, indicating your offer amount.

**2.** Complete this Form 656-A and attach it to your Form 656.

**Note:** Complete the "Explanation of Circumstances" section on this form, stating the reason(s) why you qualify for an Additional Basis for Compromise.

In your explanation, clearly tell us why paying the liability in full would create an economic hardship or result in an unfair and inequitable situation for you.

**3.** Complete Form 433A, *Collection Information Statement for Individuals*, and attach it to your Form 656. (If applicable, complete Form 433B, *Collection Information Statement for Businesses*.)

