

Offer in Compromise Program

What is the Comptroller of Maryland's Offer in Compromise Program?

The Offer in Compromise Program allows you to settle your tax debt for less than the full amount you owe. It may be a legitimate option if you can't pay your full tax liability or doing so creates a financial hardship.

The Offer in Compromise Program is not an appeal of the taxpayer's liability. Instead, the Comptroller's Office looks at the taxpayer's available resources, considers the resources in the light of the taxpayer's circumstances, and arrives at an equitable resolution of the taxpayer's liability by considering a reduction or abatement of the amount due.

When can I resolve my liability under the Offer in Compromise Program?

Before you can apply to this program, you must meet the following requirements:

- You have incurred a delinquent tax liability that has resulted in an assessment.
- You cannot make an offer in compromise if there is any issue currently under appeal.
- Two years must have passed since you became liable for the tax.¹
- You must be current with respect to all tax returns required to be filed to the Comptroller's Office. For individual income tax, you must have filed:
 - the current year tax return by the due date or extension due date; and
 - all income tax returns for the prior six tax years.
- You must not be currently involved in an open bankruptcy proceeding.
- For taxes owed by a business or the officers of the business, the business must be closed. The business is not required to be closed for two years but taxes owed by the business must be at least two years old.
- You are unlikely to be able to make payment in full any time in the foreseeable future due to your financial situation. You either are without resources or unable to apply present and/or future resources to paying the outstanding tax liability.

¹ See section 6-219 of the State Finance and Procurement Article, Annotated Code of Maryland.



How can I apply for an Offer in Compromise?

To apply for an Offer in Compromise, you must submit [Form MD 656](#) and [Form MD 433-A](#). The forms should be submitted electronically to oit@marylandtaxes.gov.

You can also submit your Offer in Compromise application and financial disclosure statement by mail. However, please be advised that the processing of your Offer in Compromise will be delayed if you submit your application by mail. The mailing address for the Offer of Compromise is:

Offer in Compromise Program
Comptroller of Maryland
301 West Preston Street, Rm. 203
Baltimore, Maryland 21201

Do I need to submit the Form MD 656 and Form MD 433-A?

Yes, you must submit both the [Form MD 656](#) and [Form MD 433-A](#) for your Offer in Compromise application to be processed and reviewed by the Comptroller's Office.

Your Form MD 656, Offer in Compromise Application, will be returned to you if you do not submit a completed [Form MD 433-A](#) with the application. The Comptroller's office will also not accept a [Form MD 433-A](#) without a Form MD 656, Offer in Compromise Application.

How do I complete Form MD 656, Offer in Compromise Application?

When you complete [Form MD 656](#), you should address all the reasons why you cannot pay the full amount due. It is not a sufficient reason if you simply don't want to pay the full amount due.

You must specify whether you are filing your Offer in Compromise application for individual income taxes or business taxes.

- If you are submitting an Offer in Compromise application for individual income taxes, you should include your Social Security Number(s) and Income Tax on line 5.
- If you are submitting an Offer in Compromise application for business taxes, please include your Social Security Number, the FEIN and/or CR number for the business, and the business tax type on line 5 on your application.

If you do not know which tax years, periods, tax types, or amounts that you owe, please contact Taxpayer Services at taxhelp@marylandtaxes.gov or (410) 260-7980.

You should offer an amount you are able to pay. Your offer may be for:

- a one-time payment tax of less than tax due;
- a payment plan up to 24 months for less than tax due; or
- zero dollars if you are unable to pay at all.

The Comptroller will consider the following circumstances when deciding whether to accept an Offer in Compromise:

Insufficient resources

You don't have enough assets or income to pay the full amount. Please submit [Form MD 656](#) and a complete financial statement [Form MD 433-A](#) for individuals who owe income taxes or individuals who have been assessed as an officer of a business.

Economic or other hardship

You have enough assets to pay the full amount but believe that because of your exceptional circumstances requiring full payment would cause an economic hardship or would be unfair and inequitable. Please submit [Form MD 656](#) and a complete financial statement [Form MD 433-A](#).

How do I complete the financial disclosure statement Form MD 433-A?

You should complete the form honestly and as accurately as possible to the best of your knowledge. You do need to complete every line on [Form MD-433-A](#).

If a question does not apply to you, please leave the item blank. For example, if you don't have any credit card debt, you should leave Section III, line item 14 blank.

If you don't know the answer to the question after making a reasonable effort, you should provide an estimate. For example, if you do not know the actual current market value of your vehicle or real property, you should use the market value found on the internet or your real property tax bill.

What documents should I include with my application?

You are not required to submit any additional documents for your Offer in Compromise application to be processed and reviewed by the Comptroller's office.

However, you should submit documents to verify your income and expenses claimed on your [Form MD 433-A](#), Collections Information Statement for Individuals. For example, you can submit one to three months of payroll statements and bank statements. If you receive a pension or Social Security Income, you should include your pension or SSI statement along with your application.

If you have insufficient resources or are experience an economic hardship due to medical reasons, you should include documents to verify your medical conditions. Please note that your application and supporting documents are confidential.

What if I don't believe that I owe the tax due?

If you do not believe that you owe the tax liability, you should file an appeal. Under Maryland law, you must have received a notice of tax assessment to file an appeal. Information on the appeal process is available on the [Hearings & Appeals webpage](#).

Do I qualify for the Offer in Compromise program if I have not filed all income tax returns?

You must be current with respect to all income tax returns required under Maryland law to qualify for the Offer in Compromise program. For individual income tax, you must have filed:

- the current year tax return by the due date or extension due date; and
- all income tax returns for the prior six tax years.

If you did not file a required income tax return within the time period above, you will have to file the missing income tax return and wait for the two-year time period required under Maryland law to qualify for the Offer in Compromise program.

If you did not file a required income tax return, the Comptroller's office may have filed an estimated income tax return on your behalf. To qualify for the Offer in Compromise program, you are not required to file an income tax return for that tax year if the Comptroller has filed an estimated income tax return on your behalf. The estimated income tax assessment will be evaluated as part of your Offer in Compromise application.

I owe business taxes. How do I fill out the application and financial disclosure statement?

You cannot file an Offer in Compromise application for unpaid business taxes if your business is still open. However, you can file an application if your business is closed.

Under Maryland law, you can be assessed personally for the unpaid sales and use tax, withholding tax, and admissions and amusement taxes owed by a business, even if the business is closed. If you are a responsible officer of a business and are personally liable for the unpaid taxes of the business, you can file an offer in compromise application to settle your personal liability for the unpaid business taxes.

You should specify in your Offer in Compromise application whether the application is for the business, your personal liability as an officer, or several persons if more than one officer has been assessed by the Comptroller's office. A financial disclosure statement, [Form MD 433-A](#), must be completed for each officer.

A financial disclosure statement does not need to be completed for the business because the business has been closed. It is presumed that a closed business does not have assets or income.

What if I owe individual income taxes and business taxes?

If you owe both individual income taxes and business taxes, you should fill out two separate Form 656 Offer in Compromise applications. You should make two separate offers for your individual and business tax liabilities based on the amount of those liabilities and your ability to pay. You can use the same [Form MD 433-A](#) for both applications, but you should attach the [Form MD 433-A](#) to both applications if submitting by mail.

What are the Comptroller's procedures for Offer in Compromise applications?

The Comptroller's Office will review your Offer in Compromise application and financial disclosure statement and determine if there is sufficient reason to reduce or abate the tax, interest, and penalties assessed against you. You will be notified of the Comptroller's decision in writing.

Accepted Offers

The Comptroller's office will notify you in the writing if your offer is accepted. If your liability will be abated, you don't need to take any further actions. If your offer is accepted and payment is necessary, you will be provided with payment instructions. For individuals, payments should be made online at [Maryland Taxes Online Services](#).

Declined Offers or Counteroffers

If we determine that you do not meet the requirements for the Offer in Compromise program or that you have the financial ability to pay the liability, then you will be notified that your offer has been declined. The Comptroller's Office will consider another Offer in Compromise in the future if your facts and circumstances change.

If we determine that you do not have the ability to pay the full amount of tax, interest and penalty assessed against you, but the amount of your offer is insufficient, we will notify of an acceptable amount to resolve your liability.

If you receive notice of a decision that you are unable to afford, you may contact the Comptroller's office at ouc@marylandtaxes.gov to submit a counteroffer for review.

There is a hold on my driver's license. Will the Comptroller's office release the hold if I file an Offer in Compromise application?

The Comptroller's office will not automatically release an MVA hold or a hold on your professional license upon receipt of an Offer in Compromise application. Your Offer in Compromise application will be reviewed by the Comptroller's Office.

If you do not qualify for the Offer in Compromise program or your application is denied, you will receive a denial letter from the Comptroller's office and the hold will not be released.

A hold will be released by the Comptroller's office if your Offer in Compromise application is accepted, and payment is made.

- If you offered a one-time payment, the hold will be released when the full payment is received by the Comptroller's office.
- In the case of a payment plan, the hold will be released when your first payment is received by the Comptroller's office.
- If you offered zero dollars because you do not have an ability to pay at all, a hold will be released if your offer is accepted, and a decision letter is issued by the Comptroller's office.

Will my application be kept confidential?

Yes. All materials and statements submitted under the Offer in Compromise Program will remain confidential.

Can I appeal the Comptroller's decision on my Offer in Compromise application?

No. All decisions under the Offer in Compromise Program are final and cannot be appealed. You should make best efforts to demonstrate why your offer should be accepted in your application.

What happens if I incur additional tax debt after my Offer in Compromise application is accepted?

If you fail to timely file and timely pay any tax obligations that become due within the three years after acceptance of your offer, your offer may be defaulted. If the Comptroller's office defaults your offer, you will be liable for the original tax debt, less payments made, and all accrued interest and penalties.

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