



## Tax Tip #58

### Offer in Compromise Tax Liability Resolution Program

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

The Offer in Compromise Program is used to resolve tax liabilities for admissions and amusement tax, income tax, sales and use tax, employer withholding tax, or any other tax administered by the Comptroller's Office when the taxpayer is unable to pay in full and all other efforts to resolve the liability have been unsuccessful.

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.

Information about the Comptroller of Maryland's Offer in Compromise Program is available [here](#).

#### 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 have declined to pursue or exhausted all avenues of administrative appeal. 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.<sup>1</sup>
- You must be current with respect to all returns required to be filed to the Comptroller's Office.
- 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.
- 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.

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<sup>1</sup> 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, taxpayers must submit [Form MD 656](#) to:

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

### *Completing Form MD 656*

When you complete [Form MD 656](#), you should address all the reasons you believe you cannot or should not pay the full amount due. The unwillingness to pay is not sufficient. You should offer an amount you are able to pay.

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

#### **Doubt as to liability.**

You believe you don't owe the amount due. Please submit [Form MD 656](#) and a detailed explanation of the reasons why you don't believe that you owe the tax.

#### **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](#).

## Will my application be kept confidential?

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

## What are the Comptroller's procedures for Offers in Compromise?

The Comptroller's Office will review your Offer in Compromise 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.

If your offer is accepted, you must remain current with respect to future filings for three years. If you do not remain current, the full liability will become due immediately and the Comptroller will take all necessary collections action.

### *Declined Offers or Counteroffers*

If we determine that no grounds for adjustment exist, 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 grounds exists for reducing the 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.

### **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.