

Business 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, under the program, 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. **See Section 6-219 of the State Finance and Procurement Article, Annotated Code of Maryland.**

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:

ou have incurred a delinquent tax liability that has resulted in an assessment.

ou have exhausted all other avenues of administrative appeal. You cannot make an offer in compromise if there is any issue remaining which can be appealed.

wo years must have passed since you became liable for the tax.

ou must be current with respect to all returns filed or required to be filed to the Comptroller's Office.

ou must not be currently involved in an open bankruptcy proceeding.

ou 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.

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

When you complete Form MD 656, you should address all of the reasons you believe you cannot, or should not, pay the full amount due. You should offer an amount you are able to pay. A mere unwillingness to pay will not excuse you. The Comptroller will consider the following circumstances when deciding whether or not to accept an Offer in Compromise:

Doubt as to liability. If you believe you don't owe the amount due, you must include with Form MD 656 a detailed explanation of the reason(s) you believe you do not owe the tax.

Insufficient resources. If you don't have enough assets or income to pay the full amount, you must include with Form MD 656 a complete financial statement, [Form MD 433-A](#) for individuals and/or [Form MD 433-B](#) for businesses.

Economic or other hardship. If 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, you must include with Form MD 656 a complete financial statement, Form MD 433-A and/or Form MD 433-B.

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?

All decisions under the Offer in Compromise Program are final and cannot be appealed. For this reason, you should carefully consider the facts and arguments you submit with the original offer.

You must remain current with respect to future filings for at least three years after the Offer in Compromise is accepted. If you do not, the full liability will become due immediately, and the comptroller will take all necessary action to collect.

The Comptroller's Office will review the Offer in Compromise and determine if there is sufficient reason for a reduction or abatement of the assessment.

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 if circumstances change. If we determine that grounds for adjustment exist but that the amount offered is insufficient, we may advise you to increase your offer to an acceptable amount. If we determine that your offer is acceptable, you will be notified so payment can be made.