

# A CORE VALUE of THEIRS - Compromises

U.S. Code › Title 26 › Subtitle F › Chapter 74 › § 7122

## 26 U.S. Code § 7122 - Compromises

### (a) Authorization

The Secretary may compromise any civil or criminal case arising under the internal revenue laws prior to reference to the Department of Justice for prosecution or defense; and the Attorney General or his delegate may compromise any such case after reference to the Department of Justice for prosecution or defense.

### (b) Record

Whenever a compromise is made by the Secretary in any case, there shall be placed on file in the office of the Secretary the opinion of the General Counsel for the Department of the Treasury or his delegate, with his reasons therefor, with a statement of—

(1) The amount of tax assessed,

(2) The amount of interest, additional amount, addition to the tax, or assessable penalty, imposed by law on the person against whom the tax is assessed, and

(3) The amount actually paid in accordance with the terms of the compromise.

Notwithstanding the foregoing provisions of this subsection, no such opinion shall be required with respect to the compromise of any civil case in which the unpaid amount of tax assessed (including any interest, additional amount, addition to the tax, or assessable penalty) is less than \$50,000. However, such compromise shall be subject to continuing quality review by the Secretary.

### (c) Rules for submission of offers-in-compromise

#### (1) Partial payment required with submission

##### (A) Lump-sum offers

(i) In general The submission of any lump-sum offer-in-compromise shall be accompanied by the payment of 20 percent of the amount of such offer.

(ii) Lump-sum offer-in-compromise For purposes of this section, the term “lump-sum offer-in-compromise” means any offer of payments made in 5 or fewer installments.

##### (B) Periodic payment offers

(i) In general The submission of any periodic payment offer-in-compromise shall be accompanied by the payment of the amount of the first proposed installment.

(ii) Failure to make installment during pendency of offer Any failure to make an installment (other than the first installment) due under such offer-in-compromise during the period such offer is being evaluated by the Secretary may be treated by the Secretary as a withdrawal of such offer-in-compromise.

#### (2) Rules of application

##### (A) Use of payment

The application of any payment made under this subsection to the assessed tax or other amounts imposed under this title with respect to such tax may be specified by the taxpayer.

##### (B) Application of user fee

In the case of any assessed tax or other amounts imposed under this title with respect to such tax which is the subject of an offer-in-compromise to which this subsection applies, such tax or other amounts shall be reduced by any user fee imposed under this title with respect to such offer-in-compromise.

##### (C) Waiver authority

The Secretary may issue regulations waiving any payment required under paragraph (1) in a manner consistent with the practices established in accordance with the requirements under subsection (d)(3).

#### (d) Standards for evaluation of offers

##### (1) In general

The Secretary shall prescribe guidelines for officers and employees of the Internal Revenue Service to determine whether an offer-in-compromise is adequate and should be accepted to resolve a dispute.

##### (2) Allowances for basic living expenses

###### (A) In general

In prescribing guidelines under paragraph (1), the Secretary shall develop and publish schedules of national and local allowances designed to provide that taxpayers entering into a compromise have an adequate means to provide for basic living expenses.

**(B) Use of schedules**

The guidelines shall provide that officers and employees of the Internal Revenue Service shall determine, on the basis of the facts and circumstances of each taxpayer, whether the use of the schedules published under subparagraph (A) is appropriate and shall not use the schedules to the extent such use would result in the taxpayer not having adequate means to provide for basic living expenses.

**(3) Special rules relating to treatment of offers**

The guidelines under paragraph (1) shall provide that—

(A) an officer or employee of the Internal Revenue Service shall not reject an offer-in-compromise from a low-income taxpayer solely on the basis of the amount of the offer,

(B) in the case of an offer-in-compromise which relates only to issues of liability of the taxpayer—

(i) such offer shall not be rejected solely because the Secretary is unable to locate the taxpayer's return or return information for verification of such liability; and

(ii) the taxpayer shall not be required to provide a financial statement, and

(C) any offer-in-compromise which does not meet the requirements of subparagraph (A)(i) or (B)(i), as the case may be, of subsection (c)(1) may be returned to the taxpayer as unprocessable.

**(e) Administrative review**

The Secretary shall establish procedures—

(1) for an independent administrative review of any rejection of a proposed offer-in-compromise or installment agreement made by a taxpayer under this section or section 6159 before such rejection is communicated to the taxpayer; and

(2) which allow a taxpayer to appeal any rejection of such offer or agreement to the Internal Revenue Service Office of Appeals.

**(f) 1 Deemed acceptance of offer not rejected within certain period**

Any offer-in-compromise submitted under this section shall be deemed to be accepted by the Secretary if such offer is not rejected by the Secretary before the date which is 24 months after the date of the submission of such offer. For purposes of the preceding sentence, any period during which any tax liability which is the subject of such offer-in-compromise is in dispute in any judicial proceeding shall not be taken into account in determining the expiration of the 24-month period.

**(f) 1 Frivolous submissions, etc.**

Notwithstanding any other provision of this section, if the Secretary determines that any portion of an application for an offer-in-compromise or installment agreement submitted under this section or section 6159 meets the requirement of clause (i) or (ii) of section 6702 (b)(2)(A), then the Secretary may treat such portion as if it were never submitted and such portion shall not be subject to any further administrative or judicial review.

**Source**

(Aug. 16, 1954, ch. 736, 68A Stat. 849; Pub. L. 94-455, title XIX, § 1906(b)(13)(A), Oct. 4, 1976, 90 Stat. 1834; Pub. L. 104-168, title V, § 503(a), July 30, 1996, 110 Stat. 1461; Pub. L. 105-206, title III, § 3462(a), (c)(1), July 22, 1998, 112 Stat. 764, 766; Pub. L. 109-222, title V, § 509(a), (b), May 17, 2006, 120 Stat. 362, 363; Pub. L. 109-432, div. A, title IV, § 407(d), Dec. 20, 2006, 120 Stat. 2962.)

**Amendments**

2006—Subsec. (c). Pub. L. 109-222, § 509(a), added subsec. (c). Former subsec. (c) redesignated (d).

Subsec. (d). Pub. L. 109-222, § 509(a), redesignated subsec. (c) as (d). Former subsec. (d) redesignated (e).

Subsec. (d)(3)(C). Pub. L. 109-222, § 509(b)(1), added subpar. (C).

Subsec. (e). Pub. L. 109-222, § 509(a), redesignated subsec. (d) as (e).

Subsec. (f). Pub. L. 109-432 added subsec. (f) relating to frivolous submissions.

Pub. L. 109-222, § 509(b)(2), added subsec. (f) relating to deemed acceptance of offer not rejected within certain period.

1998—Subsec. (c). Pub. L. 105-206, § 3462(a), added subsec. (c).

Subsec. (d). Pub. L. 105-206, § 3462(c)(1), added subsec. (d).

1996—Subsec. (b). [Pub. L. 104–168](#) substituted “\$50,000. However, such compromise shall be subject to continuing quality review by the Secretary.” for “\$500.”

1976—Subsecs. (a), (b). [Pub. L. 94–455](#) struck out “or his delegate” after “Secretary”.

### **Effective Date of 2006 Amendment**

Amendment by [Pub. L. 109–432](#) applicable to submissions made and issues raised after the date on which the Secretary first prescribes a list under section [6702 \(c\)](#) of this title, see section [407\(f\)](#) of [Pub. L. 109–432](#), set out as a note under section [6320](#) of this title.

Amendment by [Pub. L. 109–222](#) applicable to offers-in-compromise submitted on and after the date which is 60 days after May 17, 2006, see section [509\(d\)](#) of [Pub. L. 109–222](#), set out as a note under section [6159](#) of this title.

### **Effective Date of 1998 Amendment**

Amendment by [Pub. L. 105–206](#) applicable to proposed offers-in-compromise and installment agreements submitted after July 22, 1998, see section [3462\(e\)\(1\)](#) of [Pub. L. 105–206](#), set out as a note under section [6331](#) of this title.

### **Effective Date of 1996 Amendment**

[Pub. L. 104–168](#), title V, § 503(b), July 30, 1996, [110 Stat. 1461](#), provided that: “The amendment made by this section [amending this section] shall take effect on the date of the enactment of this Act [July 30, 1996].”

### **Preparation of Statement Relating to Offers-in-Compromise**

[Pub. L. 105–206](#), title III, § 3462(d), July 22, 1998, [112 Stat. 766](#), provided that: “The Secretary of the Treasury shall prepare a statement which sets forth in simple, nontechnical terms the rights of a taxpayer and the obligations of the Internal Revenue Service relating to offers-in-compromise. Such statement shall—

“(1) advise taxpayers who have entered into a compromise of the advantages of promptly notifying the Internal Revenue Service of any change of address or marital status;

“(2) provide notice to taxpayers that in the case of a compromise terminated due to the actions of one spouse or former spouse, the Internal Revenue Service will, upon application, reinstate such compromise with the spouse or former spouse who remains in compliance with such compromise; and

“(3) provide notice to the taxpayer that the taxpayer may appeal the rejection of an offer-in-compromise to the Internal Revenue Service Office of Appeals.”

### **Written determinations for this section**

These documents, sometimes referred to as "Private Letter Rulings", are taken from the [IRS Written Determinations page](#); the IRS also publishes a [fuller explanation](#) of what they are and what they mean. The collection is updated (at our end) daily. It appears that the IRS updates their listing every Friday.

Note that the IRS often titles documents in a very plain-vanilla, duplicative way. **Do not assume that identically-titled documents are the same, or that a later document supersedes another with the same title.** That is unlikely to be the case.

**Release dates appear exactly as we get them from the IRS.** Some are clearly wrong, but we have made no attempt to correct them, as we have no way guess correctly in all cases, and do not wish to add to the confusion.

We truncate results at 20000 items. After that, you're on your own.

- [Offers in Compromises](#) : 2014-05-23
- [Offers in Compromises](#) : 2013-01-11
- [Offers in Compromises](#) : 2011-03-25
- [Offers in Compromises](#) : 2010-12-30
- [Offers in Compromises](#) : 2010-12-30
- [Offers in Compromises](#) : 2010-06-18

- [Compromises; Valuation of Assets](#) : 2010-05-28
- [Accepted Offers-in-Compromise](#) : 2010-04-23
- [Offers in Compromises](#) : 2010-04-23
- [Collateral Agreement](#) : 2009-10-30
- [Levy and Distraint](#) : 2009-05-29
- [Offers in Compromises](#) : 2009-05-29
- [Authority to Release Levy](#) : 2009-05-29
- [Policy](#) : 2009-03-20
- [Property Subject v. Not Subject to Enforcement](#) : 2009-03-06
- [Property Exempt From Levy](#) : 2009-03-06
- [Offers in Compromises](#) : 2009-03-06
- [Jurisdiction](#) : 2009-02-27
- [Offers in Compromises](#) : 2009-02-27
- [Offers in Compromises](#) : 2009-02-13
- [Compromises](#) : 2002-11-29
- [Release of Lien or Discharge of Property](#) : 2002-11-29
- [Interest on Overpayments \(Interest v. No Interest\)](#) : 2001-08-17
- [Deposit of Collections](#) : 2001-08-17
- [Compromises](#) : 2001-08-17
- [Authority to Make Credits or Refunds](#) : 2001-08-17
- [Breach](#) : 2001-07-27
- [Innocent Spouse Relief](#) : 2001-05-18
- [Binding Effect](#) : 2001-05-18
- [Abatements](#) : 2001-03-09
- [Compromises](#) : 2001-03-09

This is a list of parts within the [Code of Federal Regulations](#) for which this US Code section provides rulemaking authority.

This list is taken from the [Parallel Table of Authorities and Rules](#) provided by [GPO \[Government Printing Office\]](#).

It is not guaranteed to be accurate or up-to-date, though we do refresh the database weekly. More limitations on accuracy are described at the GPO site.

- [27 CFR - Alcohol, Tobacco Products and Firearms](#)
- [27 CFR Part 70 - PROCEDURE AND ADMINISTRATION](#)

<https://www.law.cornell.edu/uscode/text/26/7122>

LOOK... the CFR are under Title [27](#) U.S. Code  
**\*Note Not\***  
 under Title [26](#) U.S. Code



The taxpayer - that's someone who works for the federal government but doesn't have to take the civil service examination.

(Ronald Reagan)