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Department of the Treasury  
**Internal Revenue Service**

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

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## **Updated Information for Publication 594 (Rev. 1-2006)**

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### **Installment Agreement**

Beginning Jan. 1, 2007, the Internal Revenue Service implemented revised user fees for installment agreements.

The user fee for entering into a non-direct debit installment agreement has increased from \$43 to \$105, and the fee for direct debit installment agreements has increased from \$43 to \$52.

Taxpayers with income at or below established levels, based on the Department of Health and Human Services poverty guidelines, can apply and be qualified to pay a reduced user fee of \$43 for establishing new agreements, including direct debit installment agreements. Information about requesting the reduced user fee will be included in installment agreement acceptance letters sent to individuals.

The fee for restructuring or reinstating a defaulted agreement has increased from \$24 to \$45, regardless of income level.

Installment agreements generally require equal monthly payments that will result in full payment of the tax owed within the time left in the 10-year period during which the IRS can collect the tax. If a taxpayer cannot pay his or her tax in full by the end of the collection period but can pay some of the tax, he or she may qualify for a partial payment installment agreement. Go to [www.irs.gov](http://www.irs.gov) for more information about partial payment installment agreements.

## Offer in Compromise

Beginning July 16, 2006, taxpayers submitting offers in compromise (OICs) must make partial payments of the amount they offer in order for the IRS to consider the OIC. The amount of the partial payment depends on whether a taxpayer submits a lump-sum OIC (*one payable in 5 or fewer installments*) or a periodic payment OIC (*one payable in 6 or more installments*).

Taxpayers who submit lump-sum OICs must include with Form 656, Offer in Compromise, a payment of 20 percent of the offer amount. The payment is nonrefundable and will not be returned if the OIC is not processable, is later withdrawn by the taxpayer, or is rejected by the IRS.

Taxpayers who submit periodic-payment OICs must include the first proposed installment with their Form 656 and must pay additional installments when they become due while the offer is being evaluated by the IRS. The installment payments are nonrefundable and will not be returned if the OIC is not processable, is later withdrawn by the taxpayer, or is rejected by the IRS.

These lump-sum or installment payments are not required if the OIC is based solely on doubt as to liability or the taxpayer submitting the OIC has income at or below established levels, based on the Department of Health and Human Services poverty guidelines.

The OIC application fee of \$150 is not required if the OIC is based solely on doubt as to liability or the taxpayer submitting the OIC has income at or below established levels, based on the Department of Health and Human Services poverty guidelines.

If the IRS cannot make a determination on an OIC within 24 months, the OIC will be deemed accepted. If a liability included in the OIC is disputed in any court proceeding, that time period will not be taken into account in calculating the 24 month period.