

# Michigan Department of Treasury Offer in Compromise Frequently Asked Questions

## **Menu**

[General Information](#)

[Filing Requirements](#)

[Payment Information](#)

[Acceptance of an Offer in Compromise](#)

[Independent Administrative Review](#)

## **GENERAL INFORMATION**

**Q:** What is an Offer in Compromise?

**A:** An offer in compromise is an agreement between you (the taxpayer) and the Michigan Department of Treasury that settles a tax debt for less than the full amount owed. The opportunity for an offer in compromise is limited to only the following situations:

- (a) An offer in compromise was granted by the Internal Revenue Service for federal taxes for the same tax year;
- (b) A doubt exists as to liability;
- (c) A doubt exists as to collectability.

**Q:** Are all taxpayers eligible to submit an offer in compromise?

**A:** At the time a taxpayer submits an offer in compromise to Treasury, all of the following must be true:

- The taxpayer must have been assessed for the tax liabilities specified in the proposed offer in compromise.
- All opportunities for the taxpayer to contest the assessed tax liability in informal conference and appeal the assessed tax liability to the Michigan Tax Tribunal or the Court of Claims must have expired.
- The taxpayer must have filed returns for all applicable taxes for all outstanding tax years.
- The taxpayer must have no open bankruptcy proceedings.

**Q:** Where do I submit an offer in compromise and the initial offer payment?

**A:** Mail all necessary forms, schedules and supporting documentation along with the non-refundable initial offer payment, in the form of check or money order made payable to the "Michigan Department of Treasury-Offer in Compromise," to:

Michigan Department of Treasury  
Offer in Compromise  
P O Box 30190  
Lansing MI 48909

**Q:** Can I e-file my offer in compromise?

**A:** No. At this time offers in compromise must be submitted by mail.

**Q:** What forms of payment are accepted for the initial offer payment?

**A:** At this time the initial offer payment must be made in the form of a check or money order made payable to the "Michigan Department of Treasury-Offer in Compromise." Treasury does not currently accept credit or debit cards for payment. Include your collections account number and assessment number(s) on your payment.

**Q:** Will penalty and interest continue to accrue during consideration of the offer?

**A:** Yes. Submission of an offer in compromise does not suspend interest or penalties from accruing on the outstanding liability.

**Q:** Do I get a refund of the initial offer payment if my offer in compromise is rejected?

**A:** No. The initial offer payment is non-refundable and will be applied towards any outstanding liability in the order of the oldest assessment first.

**Q:** If my offer in compromise is rejected can I reapply?

**A:** Yes. A new offer in compromise submission and a new initial offer payment of \$100.00 or 20% of the offer, whichever is greater, will be required. The new initial offer payment must be in the form of check or money order and mailed with the new offer in compromise submission.

**Q:** Will the offer in compromise initial offer payment be applied towards the offer amount?

**A:** The submission of an offer in compromise requires a payment of the greater of \$100.00 or 20% of the offer amount. This amount is non-refundable, regardless whether the offer in compromise is accepted or rejected, and will be applied towards the outstanding balance of the liability. If an offer is accepted, the remainder of the accepted offer amount after applying the initial offer payment must be paid.

**Q:** What forms of payment are accepted for the initial offer payment?

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**Q:** I have a state tax lien on my property. Will this be released when I submit my offer in compromise?

**A:** No, the tax lien will remain pending Treasury's review of your offer in compromise submission. If your offer is denied, the tax lien will not be released until the tax debt is paid in full. If your offer is accepted, the tax lien will not be released until the compromised tax amount is paid in full.

**Q:** Can I appeal if Treasury rejects my offer in compromise submission?

**A:** No, you may not appeal a rejection of an offer in compromise to any tribunal or court. However, you may request an Independent Administrative Review by filing Form 5186, Request for Independent Administrative Review of Rejected Offer in Compromise, with Treasury's Office of Legal Affairs no later than 30 calendar days after the date of Treasury's rejection letter.

**Q:** Will Treasury stop collections action once I submit my offer in compromise?

**A:** Collection action will stop once your submission becomes pending and throughout the review process. Your submission becomes pending when Treasury receives the required Form 5181, along with required schedules and documentation, and the required initial payment of \$100 or 20% of the offer, whichever is greater. Treasury will notify you in writing when your submission is received.

**Q:** Can a business participate in the offer in compromise?

**A:** Yes, a business is eligible to submit an offer in compromise request.

**Q:** Will I receive formal notification of the acceptance or rejection of an offer in compromise?

**A:** Yes. An offer in compromise is not accepted or rejected until Treasury sends you and any third party representative you have designated a letter accepting or rejecting the offer in compromise.

**Q:** Are all offers in compromise reviewed?

**A:** Yes, all offers are reviewed and Treasury will notify you in writing of its decision to accept or reject your offer.

**Q:** What taxes qualify for an offer in compromise based on Doubt as to Collectability?

**A:** All taxes administered under the Revenue Act.

**Q:** What taxes qualify for an offer in compromise based on Doubt as to Liability?

**A:** All taxes administered under the Revenue Act.

## **FILING REQUIREMENTS**

**Q:** What is the definition of “total household resources”?

**A:** Total household resources include all income (taxable and nontaxable) received by all adult household members during the year, including income that might be exempt from federal adjusted gross income. Net losses from business activity may not be used to reduce total household resources.

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**Q:** Can I e-file my offer in compromise?

**A:** No. At this time offers in compromise must be submitted by mail.

**Q:** Can I file missing tax returns at the same time as my offer in compromise?

**A:** No, you must have filed all required tax returns prior to submitting an offer in compromise. Once those missing tax returns have been filed with the Michigan Department of Treasury, mail your completed offer in compromise forms, schedules and documentation with payment of the offer in compromise initial offer payment to:

Michigan Department of Treasury  
Offer in Compromise  
PO Box 30190  
Lansing MI 48909

Any unfiled tax returns must be filed for the offer in compromise to be considered by Treasury. An offer in compromise will be rejected if any tax returns remain unfiled.

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**A:** Mail all necessary forms, schedules and supporting documentation along with the non-refundable initial offer payment, in the form of check or money order made payable to the “Michigan Department of Treasury-Offer in Compromise,” to:

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**Q:** Where do I find my assessment information?

**A:** You may request updated assessment information by contacting the phone number on the last correspondence received for your account. If your account is a currently assigned to the Office of Collections, please visit the e-service web site <http://www.michigan.gov/collectionseservice> to obtain updated assessment information.

**Q:** If I forget to list an assessment will it be compromised?

**A:** No. Only assessments listed on the offer in compromise will be considered.

**Q:** Will penalty and interest continue to accrue during consideration of the offer?

**A:** Yes. Submission of an offer in compromise does not suspend interest or penalties from accruing on the outstanding liability.

**Q:** Do I get a refund of the initial offer payment if my offer in compromise is rejected?

**A:** No. The initial offer payment is non-refundable and will be applied towards any outstanding liability in the order of the oldest assessment first.

**Q:** If my offer in compromise is rejected can I reapply?

**A:** Yes. A new offer in compromise submission and a new initial offer payment of \$100.00 or 20% of the offer, whichever is greater, will be required. The new initial offer payment must be in the form of check or money order and mailed with the new offer in compromise submission.

**Q:** If my offer in compromise is accepted and the accepted offer is in the form of a periodic payment or installment plan, can I make my installment payments electronically?

**A:** Yes, once your offer in compromise is accepted you may choose to make your payment using the Electronic Funds Transfer (EFT) online payments process. Treasury does not currently accept credit cards for payment. For more information about the online payments process, visit our Web site at [www.michigan.gov/collectionseservice](http://www.michigan.gov/collectionseservice).

**Q:** I made an error on my offer in compromise submission and my offer was rejected. Can I resubmit my offer?

**A:** Yes. A new offer in compromise submission and a new initial offer payment of \$100.00 or 20% of the offer, whichever is greater, will be required. The new initial offer payment must be in the form of check or money order and mailed with the new offer in compromise submission.

**Q:** What happens if my offer in compromise is submitted using the wrong forms?

**A:** A submission that is incomplete or does not contain the correct information will be rejected. You should carefully review the instructions for offer in compromise in order to ensure that you properly prepare and submit the correct information on the correct forms.

**Q:** Will the State accept a personal check for the initial offer payment?

**A:** Yes. You may submit a personal check or a money order made payable to the "Michigan Department of Treasury-Offer in Compromise" along with the complete submission to:

Michigan Department of Treasury  
Offer in Compromise  
P O Box 30190  
Lansing MI 48909

## **PAYMENT INFORMATION**

**Q:** If my offer in compromise is accepted, can I have my payments automatically deducted from my bank account?

**A:** No, not at this time. Once your offer in compromise is accepted, you must access the e-Service site each time you want to make your payment using the Electronic Funds Transfer (EFT) online payments process.

**Q:** Will the offer in compromise initial offer payment be applied towards the offer amount?

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**Q:** If my offer in compromise is accepted, are there different ways that I can pay for the compromised amount?

**A:** You may make an offer in compromise based on a lump sum payment, a periodic payment to be paid within 5 months, or an installment plan to be paid within 6 and generally not more than 24 months. The terms of the payment may affect the amount of the offer considered acceptable.

**Q:** Do I get a refund of the initial offer payment if my offer in compromise is rejected?

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## ACCEPTANCE OF AN OFFER IN COMPROMISE

**Q:** If my offer in compromise is accepted, are there different ways that I can pay for the compromised amount?

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**Q:** What happens if I have received an accepted offer in compromise but I do not file my tax return or pay my taxes next year?

**A:** Any offer made under the Offer-in-Compromise program is subject to continuing review and monitoring by Treasury. By statute (MCL 205.23a(3)(b)), Treasury may revoke an accepted offer in compromise if the taxpayer does not file subsequent required returns or pay subsequent final tax liabilities.

**Q.** Will the offsets of my income tax refund stop once my offer in compromise is accepted?

**A:** No. Income tax refunds are eligible for offset after an accepted offer in compromise until the offer has been paid in full.

**Q:** Will the offsets of my State of Michigan vendor payments stop once my offer in compromise is accepted?

**A:** Yes. Once your offer in compromise is accepted and your installment agreement is approved, all offsets of vendor payments will stop.

## **REQUEST FOR INDEPENDENT ADMINISTRATIVE REVIEW OF REJECTED OFFER IN COMPROMISE**

**Q:** What is the purpose of form 5186 entitled, “Request for Independent Administrative Review of Rejected Offer in Compromise?”

**A:** Independent Administrative Reviews are processed by Treasury’s Office of Legal Affairs. Staff inspects your original offer in compromise application and exclusively decides if Treasury personnel made any mistakes when rejecting your offer. On form 5186, you can only state why you believe that the rejection was the result of fraud, adoption of a wrong principle, or error interpreting the law by Treasury personnel.

**Q:** When I apply for an Independent Administrative Review, do I resubmit my application and new payment?

**A:** No, only complete form 5186, Request for Independent Administrative Review of Rejected Offer in Compromise along with a copy of the rejection letter that you received from Treasury personnel.

**Q:** When I apply for an Independent Administrative Review, can I include corrections to amend my original application?

**A:** No. The only items considered during the Independent Administrative Review are the same items that you submitted with your original offer in compromise application. This includes the amount of money you included with your original offer.

**Q:** What documentation is considered during an Independent Administrative Review?

**A:** The Office of Legal Affairs will only inspect form 5186, a copy of the rejection that you received from Treasury personnel, and documents and the payment that are already on file that you submitted with your original offer in compromise application. Anything new will not be considered when it is sent with form 5186 requesting the Independent Administrative Review.

**Q:** My original offer application was rejected because I did not include the minimum \$100 or 20% of my offer (whichever is the greater amount). Can I submit a request for an Independent Administrative Review and include the correct payment amount?

**A:** No. If you send any money when requesting an Independent Administrative Review, that amount is posted toward the outstanding balance of your tax liability. It does not amend your original offer in compromise application. However, after receiving a rejection from Treasury personnel, you may submit a new Michigan Offer in Compromise with form 5181.

**Q:** Can I send in a new application with form 5181 even after my original offer in compromise is rejected by Treasury personnel?

**A:** Yes. You can send in a new form 5181, "Michigan Offer in Compromise." This would be processed by Treasury personnel as a new application. Documents and payments submitted previously will not apply to the new application.