

Individual – Doubt as to Liability

This package includes the forms required for an individual taxpayer to file an Offer in Compromise based on Doubt as to Liability.

A taxpayer **will need to provide supporting documents** as directed in the instructions.

The forms included in this package are:

- *Offer in Compromise Checklist (DOUBT AS TO LIABILITY)* (Form 5498)
- *Michigan Offer in Compromise* (Form 5181)
- *OIC Schedule 3 – Offer in Compromise Based on Doubt as to Liability* (Form 5185)

Offer in Compromise Checklist (DOUBT AS TO LIABILITY)

Failure to include ALL requested documents may result in your offer being rejected or the processing of your offer delayed. For each reason an offer in compromise is being submitted, please attach the following documents to your submission.

I do not believe I owe the tax.

- Completed *Offer in Compromise* (Form 5181).
- Initial offer payment of \$100 or 20% of the offer, **whichever is greater**.
- Completed *OIC Schedule 3 – Offer in Compromise Based on Doubt as to Liability* (Form 5185).
- An explanation of why you do not owe all or any part of the tax and any supporting documentation.
- If you would like to designate a third party representative, attach an *Authorized Representative Declaration* (Power of Attorney) (Form 151).

Mail all forms, schedules, supporting documentation, and initial offer payment of \$100 or 20% of the offer, **whichever is greater**, to:

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

You may also submit your initial offer payment online at www.michigan.gov/collectionseservice.

Failure to include ALL requested documents may result in your offer being rejected or the processing of your offer delayed.

MICHIGAN Offer in Compromise

Issued under authority of Public Act 122 of 1941 and Public Act 240 of 2014.

To submit an Offer in Compromise, the following **must be true**:

- The taxpayer must have filed required returns for all tax periods.
- The taxpayer must have been issued a final assessment by the Michigan Department of Treasury and the opportunity to contest and appeal the tax assessment must have expired.
- The taxpayer must have no open bankruptcy proceedings.

You **must** include the initial offer payment of \$100.00 or 20% of your offer, **whichever is greater**, with your Offer in Compromise or pay online at www.michigan.gov/collectionseservice.

PART 1: TAXPAYER INFORMATION				
INDIVIDUAL TAXPAYER				
Filer's First Name	M.I.	Last Name	Social Security Number	
If a Joint Offer, Spouse's First Name	M.I.	Last Name	Spouse's SSN	
Filer's Telephone Number		Spouse's Telephone Number		
Address	City		State	ZIP
Mailing Address (If Different from Above)	City		State	ZIP
BUSINESS TAXPAYER				
Business Name (if business assessments are included in the offer)				
FEIN, ME or TR Number		Telephone Number		
Address	City		State	ZIP
Mailing Address (If Different from Above)	City		State	ZIP
PART 2: REASON FOR OFFER				
<input type="checkbox"/> I have received an accepted federal offer in compromise. Complete and attach the <i>OIC Schedule 1 — Information Supporting a Request for a Michigan Offer in Compromise Based on Receipt of a Federal Offer in Compromise</i> (Form 5182), and include all documents requested in the instructions.				
<input type="checkbox"/> I am unable to pay the tax. (See instructions for more information on doubt as to collectability.) Complete and attach the <i>OIC Schedule 2A (Individuals) — Collection Information Statement for an Offer in Compromise Based on Doubt as to Collectability</i> (Form 5183) or <i>OIC Schedule 2B (Businesses) — Collection Information Statement for an Offer in Compromise Based on Doubt as to Collectability</i> (Form 5184) as applicable, and include all documents requested in the instructions.				
<input type="checkbox"/> I do not believe I owe the tax. (See instructions for more information on doubt as to liability.) Complete and attach the <i>OIC Schedule 3 — Offer in Compromise Based on Doubt as to Liability</i> (Form 5185), and include all documents requested in the instructions.				

Date Offer in Compromise Payment Received	Amount of Initial Offer in Compromise Payment
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Social Security Number, FEIN, ME or TR Number

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PART 3: OFFER AND PAYMENT TERMS

Fill in the total offer amount, the initial offer payment amount included with this Offer in Compromise request, and the remaining balance below. Then select the proposed method of payment of the remaining offer balance if the Offer in Compromise is accepted.

You **MUST** include an initial offer payment of 20% of the total offer amount or \$100, **whichever is greater**. This is a nonrefundable payment that will be applied to the outstanding balance of the tax debt owed. All payments must be in U.S. dollars. Do not send cash. Do not combine with any other tax payments, as this may delay processing of your offer. (See instructions for a mailing address and other payment details.)

Calculating Initial Offer Payment and Remaining Offer Balance

1. Total Offer in Compromise amount.....	1.	\$	This is the total offer to compromise.
2. Initial Offer Payment. Enter 20% of the Total Offer in Compromise amount from Line 1 or \$100, whichever is greater	2.	\$	This nonrefundable initial offer must be included with the Offer in Compromise. (See "Initial Offer Payment Method" below.)
3. Remaining Offer Balance. Subtract line 2 from line 1.....	3.	\$	If the Offer in Compromise is accepted, the remaining offer balance must be paid in a lump sum or via installment.

Initial Offer Payment Method

- Check if the initial offer payment from line 2 is included with this Offer in Compromise.
- Check if the initial offer payment from line 2 was made online at www.michigan.gov/collectionseservice, and enter payment amount, the 14-digit confirmation number from the payment receipt, and payment date below.

Payment Amount	Confirmation Number	Date

Remaining Offer Balance Payment

- Lump sum** — Check if payment of the remaining balance will be made within 30 days of the date the Offer in Compromise is accepted.
NOTE: Failure to make the lump sum payment within 30 days of the date of acceptance of the offer may result in the Offer in Compromise being revoked and the entire compromised tax debt reinstated.
- Installment plan of 5 (or fewer) months** — Check if payment of the remaining offer balance will be made over 5 or fewer months from the date the Offer in Compromise is accepted. The payments may be in unequal amounts, but the total must be equal to the remaining offer balance calculated in line 3 above. Complete the table below detailing the amount of each payment.

Installment Details for Payment of 5 (or Fewer) Months

Amount of payment 1	\$	payable within 30 days after acceptance
Amount of payment 2	\$	payable within 60 days after acceptance
Amount of payment 3	\$	payable within 90 days after acceptance
Amount of payment 4	\$	payable within 120 days after acceptance
Amount of payment 5	\$	payable within 150 days after acceptance

Failure to make the monthly payments agreed to may result in the Offer in Compromise being revoked and the entire tax debt reinstated.

- Installment plan of 6 months or more** — Check if payment of the remaining balance will be made over a period of 6 months or more after the date the Offer in Compromise is accepted. You should pay the remaining balance in as short a time as reasonably possible, and generally not more than 24 months past the date the Offer in Compromise is accepted. Treasury may permit a payment period of greater than 24 months if circumstances support a longer period of time. The payments must be in equal amounts. Complete the table below detailing the amount of each payment, the date of each month that payment will be due, and the number of months needed to complete all payments.

Installment Details for Payment of 6 Months (or More)

Amount to be paid each month	Date of each month the payment will be due	Total number of months

Failure to make the monthly payments agreed to may result in the Offer in Compromise being revoked and the entire tax debt reinstated.

PART 4: SOURCE OF FUNDS

Indicate where you will obtain the funds to pay your offer. Be specific as to the source and the amount. For example, if borrowing from family or friends, obtaining a loan from a bank or lender, or withdrawing from or liquidating a 401(K) or IRA account, provide detailed information regarding the source and the amount.

PART 5: OFFER TERMS AND CONDITIONS

NOTE: In the following agreement, the pronoun “we” may be assumed in place of “I” when there are joint liabilities and both parties are signing this Offer in Compromise.

By submitting this offer, I have read, understand and agree to the following terms and conditions:

- a) I voluntarily submit all payments made on this offer.
- b) Treasury will apply the amount paid with this offer to the outstanding balance of the tax debt owed. Treasury will not return or refund the amount paid with this offer whether the offer is accepted or rejected, or if I withdraw the offer. The date Treasury receives the offer remittance will be considered the date of payment.
- c) Treasury will keep all payments and credits made, received, or applied to the total original tax debt before the Offer in Compromise is received by Treasury. None of the payments or credits received by Treasury prior to the submission of the offer may be included as part of the offer amount.

If I currently have an approved installment agreement with Treasury and am making installment payments, I may stop making those installment payments when I have been notified that my offer has been received and is pending review. If my offer is rejected my installment agreement with Treasury will be reinstated with no additional fee, and I must resume the installment payments under the terms and schedule of the installment agreement.

- d) I remain responsible for the full amount of the tax debt, unless and until Treasury accepts the offer in compromise in writing and I have met all of the terms and conditions of the offer in compromise.
- e) Any compromise with Treasury is subject to continuing review by Treasury. Treasury may revoke any compromise made and may reestablish the full compromised tax debt, plus any accrued interest and penalty, without regard to any statute of limitations that otherwise may apply if any one of the following occurs:
 - Treasury determines that I concealed from Treasury any property, assets or income to induce a compromise.
 - Treasury determines that I, with the intent to mislead, withheld, destroyed, mutilated, or falsified any book, document, or record or made a false statement relating to my or another person’s estate or financial condition to induce a compromise.
 - I fail to comply with any of the terms and conditions relative to the Offer in Compromise or fail to file subsequent required returns and pay subsequent final tax liabilities within 20 days after Treasury issues a notice and demand to file or pay the tax.

If Treasury revokes an Offer in Compromise, the amount of the compromised tax debt will become due and payable, and Treasury may immediately undertake all actions authorized by law to collect the remaining balance of the tax debt.

- f) Treasury will not levy against property to collect the tax debt sought to be compromised while the offer in compromise is pending review unless Treasury determines that the offer is intended to delay collection of the tax debt or Treasury has issued a jeopardy assessment under MCL 205.26.

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PART 5: OFFER TERMS AND CONDITIONS — CONTINUED

- g) I may not request an informal conference with Treasury or contest in any tribunal or court Treasury's rejection of my offer in compromise or the amount of any accepted offer in compromise.
- h) Interest on any unpaid tax debt shall continue to accrue until paid. Interest shall be calculated at the annual rate of interest applicable to unpaid Michigan tax deficiencies, as set forth in section 23 of the Revenue Act, MCL 205.23, and in Revenue Administrative Bulletin 2013-5, and subsequent Revenue Administrative Bulletins that revise annual interest rates.
- i) Except for the availability of Treasury's independent administrative review, a rejection by Treasury of an offer in compromise is final and not subject to further challenge or appeal to any tribunal or court.
- j) Any compromise entered into with Treasury shall be placed on file with Treasury, and a written report outlining the basis for the compromise and, at a minimum, all of the following information, will be published on Treasury's Web site:
- o The amount of tax assessed;
 - o The amount of interest or assessable penalty imposed by law;
 - o The terms of the compromise and the amount actually paid in accordance with the terms of the compromise; and
 - o The grounds for the compromise.

Treasury by statute may be required to disclose my return information to members of the general public to the extent necessary to permit inspection of the accepted offer in compromise relating to the liability for the tax imposed.

PART 6: TAXPAYER CERTIFICATION

Under penalty of perjury, I declare that I have examined this offer, including accompanying forms, schedules and statements, and certify to the best of my knowledge and belief, it is true, correct and complete.

Taxpayer's Signature		Date
Signature of Taxpayer's Spouse		Date
Business Taxpayer: Authorized Signature		Date
Authorized Signer's Name (Print or Type)	Title/Position	Telephone Number

PART 7: THIRD PARTY DESIGNATED REPRESENTATIVE

- By checking this box, I authorize the Michigan Department of Treasury to discuss with and to provide a copy of any papers or correspondence relating to this Offer in Compromise to a third party designated representative identified below.

NOTE: The taxpayer is required to complete and file the *Authorized Representative Declaration (Power of Attorney)* (Form 151).

Designee's Name	Telephone Number
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OIC Schedule 3 — Offer in Compromise Based on Doubt as to Liability

Issued under authority of Public Act 122 of 1941 and Public Act 240 of 2014.

PART 1: TAXPAYER INFORMATION				
Filer's First Name	M.I.	Last Name	Social Security Number	Telephone Number
If a Joint Offer, Spouse's First Name	M.I.	Last Name	Spouse's SSN	Telephone Number
Business Name (if business assessments are included in the offer)			FEIN, ME or TR Number	Telephone Number

PART 2: EXPLANATION OF CIRCUMSTANCES
<p>Explain fully why you believe you are not liable for the assessments identified on Part 3.</p> <p>Note: You may attach additional sheets if necessary. Include your name and SSN and/or FEIN on all additional sheets and supporting documentation. You must include documentation supporting your dispute of the tax liability for it to be considered in evaluating your offer in compromise.</p>

A taxpayer requesting a Michigan Offer in Compromise based on doubt as to liability must:

- Complete this form *OIC Schedule 3 — Offer in Compromise Based on Doubt as to Liability* (Form 5185). This includes completing Part 3, Michigan Assessments Where the Taxpayer Claims there is Doubt as to Liability.
- Attach this form to the *Michigan Offer in Compromise* (Form 5181). Attach any supporting documentation as directed in the instructions.

Instructions for Form 5181

Michigan Offer in Compromise

An Offer in Compromise

An offer in compromise (offer) is an agreement between you (the taxpayer) and the Michigan Department of Treasury (Treasury) that settles a tax debt for less than the full amount owed.

Eligibility

Before submitting an offer, you must:

- have filed all tax returns that it is legally required to file;
- have been assessed for the tax liabilities included in the submitted offer in compromise;
- no longer have the opportunity to contest the assessed tax liability in informal conference; and appeals of the assessed tax liability to the Michigan Tax Tribunal or a court must have expired; and
- not be in an open bankruptcy proceeding.

If any of these circumstances do not exist, you are ineligible for consideration of an offer in compromise.

How to submit an offer

You must complete and file **Form 5181, Michigan Offer in Compromise**, and the required Schedules applicable to the grounds for submitting your offer and submit all required documents and information supporting your offer.

All offers require payment of a non-refundable initial offer payment of \$100.00 or 20% of the offer amount, whichever is greater.

Grounds for submitting an offer

Offer based on doubt as to liability. If you have a legitimate doubt that you do not owe part or all of the tax liability, complete **Form 5181, Michigan Offer in Compromise**, and **Form 5185, Schedule 3 — Doubt as to Liability in an Offer in Compromise**.

Include an explanation of why you do not owe all or any part of the tax debt and provide any supporting documentation.

Offer based on receipt of a federal offer in compromise. If you have received a federal offer in compromise from the Internal Revenue Service (IRS), complete **Form 5181, Offer in Compromise**, and **Form 5182, OIC Schedule 1 — Information supporting a Michigan offer in compromise, based on an accepted federal offer in compromise**.

Proof of acceptance of a federal offer in compromise must be included with your submission.

NOTE: Only an assessed tax liability for individual income tax, under MCL 206.1 to 206.532, or for corporate income tax, under MCL 206.601 to 206.699, is eligible for compromise on this ground.

Offer based on doubt to collectability – individual or sole proprietor. If you are unable to pay the tax debt in full, complete **Form 5181, Offer in Compromise**, and **Form 5183, Schedule 2a (Individuals) – Collection Information Statement for an Offer in Compromise**, and provide all requested documents and information. This will be used to evaluate whether your offer is appropriate for compromise based on your assets, liabilities, income, expenses, and future earning potential.

Offer based on doubt to collectability – business. If your business is unable to pay the tax debt in full, complete **Form 5181, Offer in Compromise**, and **Form 5184, Schedule 2b (Business) — Collection Information Statement for an Offer in Compromise**, and provided all requested documents and information. This will be used to evaluate whether your offer is appropriate for compromise based on your business assets, liabilities, income, expenses, and future earnings potential.

NOTE: A business is defined as a corporation, partnership, limited liability company, limited liability partnership or any business entity that is operated as other than a sole-proprietorship.

NOTE: If your offer is based on more than one ground (e.g., doubt as to liability and doubt as to collectability) the applicable Schedules and required documents for both forms must be submitted with the offer.

Joint and separate tax liability. If you have joint liability with your spouse and one of you also has separate liability, you and your spouse will need to send in one Form 5181 with the required Schedules for the joint liability, and a second Form 5181, with the required Schedules, for the separate liability.

Individual and business liability. If you have both individual and business liability that you wish to compromise, you will need to send in one Form 5181, with the required Schedules, for the individual liability, and a second Form 5181, with the required Schedules, for the business liability.

Offer Evaluation

Treasury may accept or reject your offer, or determine an amount that Treasury would consider an acceptable offer in compromise if submitted.

Submitting an offer does not ensure that the Treasury will accept it.

Accepting an offer. If your offer is accepted, Treasury will notify you and any designated representative you identify by mail.

Default on an accepted offer. If you default on the terms of an accepted offer, your compromise may be revoked and you will be responsible for payment of the full amount of your assessed tax debt, including any additional interest and penalty accruals from the date of the original assessment.

Rejecting an offer. If your offer is rejected, Treasury will notify you and any designated representative you identify by mail. You may request that a rejected offer be reviewed by an independent administrative reviewer within Treasury by submitting **Form 5186, Offer in Compromise Request for Independent Administrative Review of Rejection**, within 30 days after the rejection.

Mail your request for an independent administrative review to:

Michigan Department of Treasury
Office of Legal Affairs
PO Box 30716
Lansing MI 48909

Rejected offer may not be appealed. A rejected offer in compromise and any affirmance of a rejection as a result of an independent administrative review are final and not subject to further challenge or appeal to any tribunal or court.

NOTE: The initial offer payment paid with the submission of an offer is not refundable regardless of whether the offer is accepted or rejected, and will be applied towards the tax debt.

Paying For Your Offer

You must select a payment option and include the initial offer payment of \$100 or 20% of your offer, whichever is greater, with your offer. The amount of your offer Treasury may consider appropriate will depend on the total amount of the offer and which of the following payment options you choose:

Lump Sum Payment: This option requires that the remaining balance of the offer after applying the initial offer payment is paid in full within 30 days after an offer is accepted.

Periodic Payment: This option requires that the remaining balance of the offer after applying the initial offer payment is paid within five months of the date the offer is accepted, in accordance with the accepted offer terms.

Installment Plan: This option requires that the remaining balance of the offer after applying the initial offer payment is paid within six to 24 months of the date the offer is accepted, in accordance with the accepted offer terms.

NOTE: If you are planning to use your retirement savings from an IRA or 401(k) plan, you may have future tax liabilities owed as a result.

NOTE: Lump sum payments and periodic payment plans of five months or less will not be subject to a recorded state tax lien, provided that a state lien was not already in place on the subject property.

Installment plans of six to 24 months, however, will be subject to a recorded state tax lien on any real and personal property.

NOTE: Any receipt of funds by Treasury, before your offer is submitted or any offset to which Treasury is entitled, cannot be considered as part of, or payment towards, any part of an offer, including the initial offer payment of \$100 or 20% of the offer, whichever is greater.

Other Important Facts

Penalties and interest on the tax debt will continue to accrue during the offer evaluation process.

The law requires Treasury to make certain information from accepted offers available for public inspection and review, including the following:

- the amount of tax assessed a taxpayer;
- the amount of interest or penalty imposed on the assessed taxpayer;
- the terms of the accepted compromise and the amount actually paid in accordance with the terms of the compromise;
- the grounds for the compromise; and
- any information regarding a taxpayer's return necessary to permit public inspection of the accepted compromise.

Where to Send Your Offer

Make your check payable to "State of Michigan — Offer In Compromise" and write your collections account number and assessment number(s) on the front of your check. Mail your payment, forms, initial offer payment and all applicable documents to:

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

Instructions for Form 5185

Schedule 3 — Offer in Compromise Based on Doubt as to Liability Instructions

Who May Submit an Offer in Compromise Based on a Doubt as to Liability

You may submit an offer in compromise where you doubt your liability for the tax debt such that there is a genuine issue of dispute as to the existence or an amount of tax liability under law.

Doubt as to liability exists for the tax debt where, based on a review of evidence provided by you and available to Treasury, Treasury determines that you would have prevailed in a contested case if you had appealed the assessment.

Which Form to File

You must submit a completed **Form 5181**, *Offer in Compromise*, along with **Form 5185**, *Schedule 3 — Offer in Compromise Based on Doubt as to Liability*, with your offer in compromise.

Submitting an Offer in Compromise Based on Doubt as to Liability

You must include with the submission all documentation and information that you wish for Treasury to consider in reviewing the offer in compromise.

Part 2: Explanation of Circumstances. In this section you must explain fully why you believe you are not liable for the tax assessments identified in Part 4 of the this Schedule. Your explanation and supporting documents must demonstrate by clear and convincing evidence that you would have prevailed in a contested case. In other words, you must demonstrate that it is substantially more likely than not that you are not liable for all or a portion of the tax liability.

NOTE: Doubt as to liability does not exist where the liability for the tax has been established by a final decision or judgment of the Michigan Tax Tribunal or a court concerning the existence or amount of the tax liability.

Part 3: Michigan Assessments Where the Taxpayer Claims there is Doubt as to the Liability. List each outstanding tax assessment to be considered in the Offer in Compromise where you claim doubt as to liability.

Assessments for other tax periods for which tax liability is not in doubt should not be included in the offer in compromise.

NOTE: You must provide all evidence of your claim as to doubt as to liability with your original submission. You may not have the opportunity to supplement this submission with additional supporting evidence.

Completing Michigan Forms

Michigan Offer in Compromise Forms are available in a format that allows you to fill them out on your computer, print them out, and mail them to the Department of Treasury. In some cases, the forms cannot be saved.

- **Print or type the information in the spaces provided.**
- **Stay within the lines** when entering information in boxes.
- **Answer all questions fully and accurately.** State that an item is not applicable with “N/A.” If the answer is none, write “none.”
- **Enclose any additional explanations on a separate sheet.** Write your collections account number at the top of each sheet of paper.
- **Use black or blue ink.** Do not use pencil, red ink, or felt tip pens. Do not highlight information.
- **If a form is multiple pages**, all pages must be filed.

NOTE: Remember to make additional copies of the completed forms for your records.

When You Have Finished

Assemble your forms and attachments and staple in the upper-left corner. Do not staple your check for the initial offer payment to your forms.

Important Reminder: If you do not include all the required attachments with your offer, your offer may be rejected or consideration of the offer delayed. Do not send the originals of your documents as attachments.

Where to Mail Your Offer

Mail your offer, initial offer payment and all applicable schedules and attachments to:

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

Make your check payable to “**State of Michigan — Offer In Compromise**” and write your collections account number or assessment number(s) on the front of your check.