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Those ads for settling tax debt are mostly too good to be true

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Many of us have come across ads such as this before:

"Settle your tax debts for pennies on the dollar!"

While it should be obvious these offers are too good to be true, the Internal Revenue Service does have a program in place to forgive outstanding tax liability when a taxpayer simply cannot pay.

A taxpayer may apply for an Offer in Compromise, or OIC, by downloading Form 656 from www.irs.gov and following the instructions.

The IRS is very selective and it will not forgive debt unless it is convinced it will never recover it. In extreme hardship cases, the IRS sometimes will settle outstanding debt in exchange for an amount the taxpayer can pay. The OIC program creates revenue for the IRS from sources it is otherwise not likely to generate revenue from.

There is no formal procedure for tax forgiveness in this state but that may change. On March 10, State Rep. Kevin Green, R-Wyoming, introduced a bill that would provide OIC provisions for Michigan businesses. His office is considering extending this proposed legislation to include individual Michigan taxpayers. The bill is pending in the House.

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