

Whether an offer gets accepted is arithmetic, not negotiation.

You owe \$184,600 from three years of a coffee bar that closed in 2023. The question is not what you can afford to pay. It is what the IRS calculates it could collect — Reasonable Collection Potential — and if that number comes out below the debt, the offer is viable. If it comes out above, no amount of explaining will move it. Here is the number, and here is every line that built it.

ILLUSTRATIVE SAMPLE · NOT A CLIENT FILE

PART ONE – NET REALIZABLE EQUITY IN ASSETS

What they can reach

ASSET	FMV	QSV 80%	OWED	EXEMPT	COUNTS
Checking and savings Cash is taken at face. IRM 5.8.5.7(1) reduces an individual's by \$1,000.	4,200	—	—	1,000	3,200
2019 Toyota Highlander QSV, less the loan, less the vehicle exemption.	19,000	15,200	8,400	3,450	3,350
Home, jointly held QSV is below the mortgage. Negative equity is carried at zero, not as a credit.	415,000	332,000	368,000	—	0
401(k), former employer IRM 5.8.5.10(4): cash value less the tax and the early withdrawal penalty.	38,000	—	—	12,160	25,840
Whole life cash value Cash surrender value, not the death benefit.	2,100	—	—	—	2,100
Household goods The exemption exceeds QSV, so nothing is reachable here.	9,000	7,200	—	11,390	0
Net realizable equity					34,490

PART TWO – FUTURE REMAINING INCOME

What is left each month

	AMOUNT
Gross monthly income W-2, operations manager	7,850

National Standards — food, clothing, household (3) allowed in full, no receipts required	1,740
Housing and utilities — Miami-Dade, 3 people Local Standard, capped	2,620
Vehicle ownership — one vehicle Local Standard	588
Vehicle operating — South region Local Standard	295
Health insurance actual	410
Out-of-pocket health care (3 × \$83) National Standard	249
Federal income tax and FICA withheld actual	1,585
Term life insurance actual	64
Allowable living expenses	7,551
Remaining monthly income	299

PART THREE – THE TWO WAYS TO PAY, AND WHAT EACH COSTS

Same debt, different answer

LUMP SUM • ×12

\$38,078

\$34,490 of assets plus 299×12 . 20% down (\$7,616) with the application, balance in five payments of about \$6,092.

PERIODIC • ×24

\$41,666

Same assets, but the multiplier doubles. About \$1,736 a month for 24 months — \$3,588 more in total for the easier monthly number.

THE ANSWER

You qualify. The offer is \$38,078, and it is almost entirely your 401(k).

RCP of \$38,078 against a liability of \$184,600 means roughly \$146,522 would not be collected. That is a real outcome and it is worth pursuing. But understand what is funding it: \$25,840 of the \$38,078 — 68% of the whole offer — is the retirement account, valued after tax and the early withdrawal penalty.

Nothing here is payable out of \$299 a month. Either route means liquidating that 401(k), which is exactly what the calculation already assumed you could do. The offer is not pennies on the dollar. It is your retirement, in exchange for closing the file.

FOUR THINGS THAT DECIDE THIS AS MUCH AS THE ARITHMETIC DOES

Before you file

1 Money already spent

The IRS reviews assets disposed of before the offer and may add them back. We could not state a general look-back window from a source, so we do not: what IS published is that voluntary retirement contributions made within three years of the offer may be added back (IRM 5.8.5.10), and that Form 433-A(OIC) requires disclosure of any transfer over \$10,000 for less than full value in the past ten years.

2 Your refund

Form 656 Section 7(e): the IRS keeps any refund, including interest, due for tax assessed before it accepts the offer. It is not credited against the offer.

3 Five years of perfect compliance

Form 656 Section 7(l) requires timely filing and timely payment for five years from acceptance. Miss one, and the original debt comes back less payments made, with penalties and interest from the start.

4 It costs money to ask

A \$205 application fee and the 20% down payment go in with the application and are not refunded if the offer is rejected. Individuals meeting the low-income certification pay neither.

If the number had come out the other way — RCP above the debt — the honest advice is not to file the offer at all. It is an installment agreement, and the work shifts to the expense schedule, where the Local Standards are a cap and most people are claiming less than they are allowed.

Every figure on this page is illustrative. National and Local Standards, exemption amounts and the fee change at least annually. In a live engagement each line carries its source and the year it applies to.

SOURCES READ 18 OCT 2026 — QSV at 80% of FMV: IRM 5.8.5.4.1(3) · \$1,000 cash reduction, individuals: IRM 5.8.5.7(1) · retirement valued less tax and early withdrawal penalty: IRM 5.8.5.10(4) · ×12 and ×24 multipliers: Form 433-A(OIC) Rev. 4-2026, Section 8 · \$205 fee, 20% down, low-income certification: Form 656-B Rev. 4-2026 · refund offset: Form 656 Section 7(e) · five-year compliance: Form 656 Section 7(l)

Palacio, Palacio & Zimmerman, LLC · Assessment — not a filed offer