

Offer in Compromise — Pre-Qualification Checklist

SAMPLE TEMPLATE — NOT PROFESSIONAL TAX REPRESENTATION. Verify all facts for your situation. Consider consulting a CPA, Enrolled Agent, or tax attorney for large balances. Use of this template does not create a professional-client relationship with TaxKiln.

Before spending the time and the \$205 application fee on a Form 656 Offer in Compromise, work through this checklist. The IRS OIC Pre-Qualifier (irs.gov/oic) is the official tool; this worksheet mirrors its logic so you can self-screen first.

1. Eligibility gates

- All required tax returns are filed.
- All required estimated tax payments for the current year are made.
- If a business with employees: all required federal tax deposits for the current and prior 2 quarters are made.
- You are not in an open bankruptcy proceeding.
- You have a valid extension for the current year's return (if not yet filed).

2. Reasonable Collection Potential (RCP) — the math

The IRS will generally not accept an offer below your RCP. RCP has two parts:

A. NET REALIZABLE EQUITY IN ASSETS

Cash and bank accounts	\$ _____
Investments (80% of market value)	\$ _____
Real estate (80% FMV minus loans)	\$ _____
Vehicles (80% FMV minus loans, -\$3,450)	\$ _____
Retirement (80% of cash value, post-tax)	\$ _____
Other assets	\$ _____

TOTAL NET REALIZABLE EQUITY:	\$ _____

B. FUTURE MONTHLY INCOME (after allowable expenses)

Monthly gross income	\$ _____
Less: IRS allowable living expenses	\$ (_____)

Monthly disposable income (MDI):	\$ _____
 If paying lump sum (within 5 months):	 MDI x 12

If paying periodic (6-24 months):

MDI x 24

C. MINIMUM OFFER = A + B = \$ _____

3. IRS allowable living expense standards

- Food, clothing & misc — national standard by household size.
- Housing & utilities — local standard, county-level.
- Transportation — operating cost (regional) + ownership cost (national).
- Out-of-pocket health care — national standard by age.
- Look these up at [irs.gov/businesses/small-businesses-self-employed/collection-financial-standards](https://www.irs.gov/businesses/small-businesses-self-employed/collection-financial-standards).

4. Honest self-check before filing

- Is your minimum offer realistically affordable to you?
- Can you stay compliant for 5 years after acceptance? (Default = full balance reinstated.)
- Have you considered Currently Not Collectible (CNC) status instead?
- Have you considered an installment agreement instead?
- Have you talked to a Low Income Taxpayer Clinic (LITC) — free representation?