# Offer in Compromise — RCP Calculation Checklist

*24 months of remaining income + available asset equity. Every input the IRS uses to derive your minimum offer.*

## Contents



## 1. Total Monthly Household Income

☐ Wages, salaries, tips (3 months of pay stubs)
☐ Social Security, pensions, unemployment, disability
☐ Interest, dividends, recurring capital gains
☐ Rental income (gross, net of documented expenses)
☐ Net self-employment / business income (add back depreciation & noncash items)
☐ Partnership / S-corp distributions (K-1s)
☐ Child support or alimony received
☐ Gig / digital-platform / 1099-K income
☐ Contributions from spouse or household members
☐ Non-liable spouse income (for fair-share expense analysis)

## 2. Allowable Expenses (IRS Standards)

☐ National Standards: food, clothing, personal care, misc. (by household size)
☐ Local Standard: housing & utilities (lesser of actual or standard)
☐ Local Standard: transportation — ownership + operating (or public transit)
☐ Health-insurance premiums + out-of-pocket medical
☐ Court-ordered payments (child support, alimony paid)
☐ Necessary child / dependent care
☐ Term life-insurance premiums (reasonable)
☐ Current federal, state & local taxes (withholding + estimateds)
☐ Delinquent state / local tax payments (if allowed)
☐ Government-guaranteed student loans
☐ Employer-required retirement contributions / union dues
☐ Other necessary secured debts
☐ NOT allowed absent exceptional facts: private school, college, charity, voluntary 401(k), unsecured debt payments

## 3. Remaining Monthly Income (Box F)

☐ Box D (total income) − Box E (allowable expenses) = Box F
☐ If Box F is negative, use $0 for the future-income component
☐ Document any deviation from Local Standards with proof of necessity
☐ Reconcile bank deposits to reported income (IRS will)

## 4. Available Equity in Assets (Net Realizable)

☐ Bank accounts: total balances − current form bank allowance ($1,000 individual on 4/2026 form)
☐ Investments / brokerage / crypto / NFTs: current value − qualifying loans (no automatic 20% cut)
☐ Retirement: 80% of market value − qualifying loans (larger reduction if tax/penalty on liquidation)
☐ Real estate: (market value × 80%) − mortgage & qualifying secured debt
☐ Vehicles: (market value × 80%) − loan − vehicle allowance ($3,450 first vehicle on 4/2026 form)
☐ Life insurance: permanent policy cash value − policy loans (term = no cash value)
☐ Valuable personal property: jewelry, art, collections (apply current form deduction)
☐ Business assets: cash, A/R, inventory, equipment, ownership interests
☐ Consider income-producing-asset exclusion (non-real-estate) when liquidation would destroy ability to pay

## 5. Apply the Formulas

☐ Periodic offer (6–24 mo. payment): Available Equity + (Remaining Monthly Income × 24)
☐ Lump-sum offer (≤5 payments within 5 mo. of acceptance): Available Equity + (Remaining Monthly Income × 12)
☐ Lump-sum requires 20% with application + balance within 5 months (unless low-income cert.)
☐ Confirm you can FUND the equity component: sale, refinance, loan, larger initial payment, family contribution
☐ Divide total offer by payment months — is the monthly amount actually payable?

## 6. Recalculation & Special-Circumstances Watch-Outs

☐ Understated income or omitted household contributions
☐ Expense exceeds applicable standard without documented deviation
☐ Asset undervalued or loan not a valid secured encumbrance
☐ Income expected to increase (new job, degree, seasonal ramp)
☐ Asset transferred or dissipated within lookback window
☐ IRS believes liability can be paid in full within CSED → 12/24-mo. multipliers do not apply
☐ Special circumstances (hardship, health, equity) documented in writing for below-RCP offer
☐ Confirm the three separate '24-month' rules: income multiplier, payment window, 2-year decision period

## Form 433-A (OIC) — Box Mapping & IRS Purpose

*Every income and expense line mapped to Boxes D, E, and F, with the IRS's purpose for each amount so you can read the checklist without hovering over tooltips.*

### Box D — Total Household Income

*The IRS uses Box D as your gross monthly household income baseline. It's reconciled against tax returns and bank deposits, and the total is compared to Box E to derive disposable income.*

**Line 32** · **Gross wages (primary taxpayer)**

IRS averages 3 months of pay stubs to project future monthly wages before withholding. Overtime and bonuses count if recurring.

**Line 33** · **Gross wages (spouse / non-liable spouse share)**

Household wages of a non-liable spouse are included so the IRS can compute a fair-share allocation of shared expenses in Section 5.

**Line 34** · **Interest and dividends**

Recurring investment income treated as available to pay the liability over the offer multiplier period.

**Line 35** · **Net rental income**

Gross rents minus documented operating expenses (not depreciation). IRS wants leases + Schedule E to verify.

**Line 36** · **Distributions (K-1, partnership, S-corp)**

Cash actually distributed to you — not phantom pass-through income taxed on your 1040.

**Line 37** · **Net self-employment / business income (from Section 6)**

Business net profit after allowable business expenses. Depreciation and other non-cash items are added back.

**Line 38** · **Child support received**

Counted as income to the receiving parent; the paying parent deducts on Line 50.

**Line 39** · **Alimony received**

Counted as income to the recipient regardless of federal tax treatment of the underlying decree.

**Line 40** · **Social Security, pension, retirement, unemployment, disability**

All recurring benefit payments in the household, gross of any voluntary tax withholding.

**Line 41** · **Other income: gig / 1099-K, household contributions, recurring gains**

Catch-all for gig apps, contributions from household members, recurring capital gains — anything not captured above.

**Box D** · **Total Household Income (sum of lines 32–41)**

Total monthly cash the IRS believes flows into the household. Reconciled against bank deposits during review.

### Box E — Total Household Expenses

*Box E is the IRS-allowable cost of living: the sum of national and local Collection Financial Standards plus a limited set of documented actual expenses. Amounts above the standard are disallowed absent proof of necessity.*

**Line 43** · **Food, clothing & miscellaneous (National Standard by household size)**

IRS National Standard — a set dollar allowance by family size. You get the standard regardless of actual spending.

**Line 44** · **Housing & utilities (Local Standard — lesser of actual or standard)**

IRS caps housing + utilities at the county Local Standard unless you document why a higher amount is necessary.

**Line 45** · **Vehicle ownership costs (Local Standard)**

Loan or lease payment allowed up to the national ownership cap per vehicle (max 2 vehicles in a household).

**Line 46** · **Vehicle operating costs (Local Standard by region)**

Regional standard for gas, insurance, maintenance, registration — actual costs above the standard are not allowed.

**Line 47** · **Public transportation (if no vehicle claimed)**

Flat national allowance if you don't claim vehicle ownership/operating costs.

**Line 48** · **Health-insurance premiums**

Actual monthly premiums (medical, dental, vision) for the taxpayer and dependents.

**Line 49** · **Out-of-pocket medical (National Standard)**

IRS National Standard for out-of-pocket medical costs, higher for taxpayers 65+. Actual documented costs above the standard may be allowed.

**Line 50** · **Court-ordered payments (child support / alimony paid)**

Deductible only if pursuant to a court order and actually being paid; IRS will request the decree.

**Line 51** · **Child / dependent care**

Necessary daycare, after-school, or adult dependent care that enables the taxpayer to work.

**Line 52** · **Term life-insurance premiums**

Only term policies are allowed. Whole-life premiums are disallowed because the policy has cash value.

**Line 53** · **Current taxes (federal, state, local withholding + estimateds)**

Actual withholding and estimated tax payments — ensures the offer doesn't force you into non-compliance going forward.

**Line 54** · **Secured debts (government-guaranteed student loans, necessary secured debt)**

Minimum required payments on federally guaranteed student loans and necessary secured debts (e.g., a work tool loan).

**Line 55** · **Delinquent state / local tax payments (if allowed)**

Only allowed when the state tax is owed on the same periods and IRS allocates a pro-rata share; documentation required.

**Box E** · **Total Household Expenses (sum of lines 43–55)**

The IRS-allowable monthly cost of living against which household income is measured.

## Box F — Remaining Monthly Income

*Box F (Box D − Box E) is your 'future income' component of Reasonable Collection Potential. Multiplied by 12 or 24 and added to net asset equity, it produces the minimum offer the IRS will accept.*

**Box F** · **Remaining Monthly Income = Box D − Box E (use $0 if negative)**

This is what the IRS considers 'disposable income' — the monthly amount available to pay the tax debt.

**× 12** · **Lump-sum offer future income component (paid within 5 months)**

Box F × 12 is added to net asset equity when the offer is paid in 5 or fewer installments within 5 months of acceptance.

**× 24** · **Periodic-payment offer future income component (6–24 months)**

Box F × 24 is added to net asset equity for periodic payment offers paid over 6–24 months.