I have completed a preliminary analysis of your finances.

**INCOME:** I used your 2023 tax return to figure income.

Sch C Consulting:

Gross: $100,648

Expenses: $ 41,688

Net: $ 58,960

Sch C ITS:

Gross: $129,347

Expenses: $119,872

Net: $ 9,475

Total Household Income: $68,435

**EXPENSES:** These are the expenses you either claimed or I got from your notes.

|  |  |  |
| --- | --- | --- |
| **Expense** | **Amount** | **Category** |
| Food | $ 400.00 | Food, Clothing and Misc. |
| Electric | $ 380.00 | Housing and Utilities |
| Oil/Gas | $ 40.00 | Housing and Utilities |
| Water | $ 100.00 | Housing and Utilities |
| Tel/Cell | $ 330.00 | Housing and Utilities |
| Internet | $ 65.00 | Housing and Utilities |
| Veh Pmt Jeep | $ 307.00 | Vehicle Ownership Costs |
| Veh Pmt Crosstrek | $ 774.00 | Vehicle Ownership Costs |
| Health Ins | $ 400.00 | Health Insurance |
| OOP | $ 166.00 | Out of Pocket Health Care Costs |
| Tax Defense | $ 308.00 | Other Expenses (Attach list) |
| ES Pmts | $ 1,157.00 | Current year taxes (Income/FICA) |
| Mortgage | $ 1,009.00 | Housing and Utilities |
| Veh Gas/Ins | $ 400.00 | Vehicle Operating Costs |

This gives you the following categorized totals.

|  |  |
| --- | --- |
| Category | Amount |
| Food, Clothing and Misc. | $ 400.00 |
| Housing and Utilities | $ 1,924.00 |
| Vehicle Ownership Costs | $ 1,081.00 |
| Vehicle Operating Costs | $ 400.00 |
| Health Insurance | $ 400.00 |
| Out of Pocket Health Care Costs | $ 166.00 |
| Life Insurance | $ - |
| Current year taxes (Income/FICA) | $ 1,157.00 |
| Secured Debts (Attach list) | $ - |
| Delinquent State or Local Tax | $ - |
| Other Expenses (Attach list) | $ 308.00 |
| Total | $ 5,836.00 |

The IRS has set standards to determine the amount they will allow for expenses. This can either help or hinder.

*If you were to say you eat Ramen noodles every day so you only spend $50 per month on food, the IRS will not limit you to $50 per month.*

*On the other hand, if you live in a mansion and have a mortgage payment of $10,000 per month, they’re not going to allow that either.*

That being said, the relevant categories that apply to you are Food, Housing, Vehicle ownership, Vehicle operating, and Out Of Pocket (OOP) Healthcare.

You claimed $400 for food. The IRS will allow $808.  
Your housing & utilities came to $1,924. The IRS will allow $1,227.  
Your car payments total $1,081. The IRS will only allow 1 car and max of $619 for that car.  
Operating costs (insurance & fuel) came to $400 but the IRS will only allow $239.  
Your OOP healthcare came to $166. However this was based on when you didn’t have health insurance and everything was OOP, for which you claimed ~$2,000 for the year so it’s probably not a big deal once you get the health insurance.

For your health insurance I used the top of the range you gave me at $400.

To get monthly payment for current year taxes, I simply took last years tax & divided by 12.

The “Other Expenses” is your payment to TDN.

Putting all of this together, with the income & allowable expenses, the IRS will say that you can afford to make payments of $846 per month.

With a current balance due of $89,517 that would not pay off the balance prior to the statutes expiring. In addition, I did not see where you have made any payments toward 2024 taxes, so that balance will likely increase another $16k.

**OPTIONS:**

CNC (Currently Not Collectable) – not qualified for because analysis shows that you can make payments.

OIC (Offer in Compromise) – not qualified for because you have the ability to full pay your balance with equity in home and/or monthly payments.

IA (Installment Agreement) – This is likely to be the way we go. The details/type is yet to be determined. Options would be

PPIA (Partial Pay Installment Agreement) – This is if the amount you can afford to pay each month will not pay off the balance before statutes expire. This is where we are currently.

NSIA (Non-Streamlined Installment Agreement) – This is where we figure the minimum payment to pay them all prior to the CSED (Collection Statute Expiration Date). Right now that would be ~$1,058 per month.

\*\* The first thing you absolutely must do is start making your estimated tax payments. The IRS will not consider working with you at all if you are not trying to fix the problem. You are required to make those payments each quarter. However, that is usually hard on people. You would have to come up with ~$3,500 every quarter. It would be much easier to make smaller payments more often. There are several ways to figure out how much to pay. A couple of the most common are:

1. Take last year’s tax & divide by quarter, month, week, etc.
2. Get a percentage of tax to gross income and pay that much on all income.

\*if you don’t know how to make the payments, let me know & I’ll send you a walk-through.

Playing devil’s advocate, these are the things the IRS will want you to do.

1. Get loan on equity in home
2. Sell one of the vehicles to save on monthly payment
3. Set up an installment agreement for less than optimal and once TDN is paid off, add that amount to the payment.

I need you to look through expenses to make sure I didn’t miss or understate something.

Then, we need to have a conversation about the options we have and the best way forward. I will be available tomorrow before 1:00 pm EST. I know you said you didn’t have a lot of time available, but I think it would really help.

I’ m sure this seems insurmountable right now, but I promise, we can find a solution for you.