Collection standards show TP to be CNC

If they could get a loan on the equity in their home, they would not be able to afford the payments on that loan.

The property of residence has at least 25% being used for the business as office, shop & storage yard.

IRC § 6334(a)(13) provides that the principal residence of a taxpayer is generally exempt from levy, except as provided in subsection (e).

IRC § 6334(e) provides that a principal residence shall not be exempt from levy if a judge or magistrate of a U.S. district court “approves (in writing) the levy of such residence.”

IRC § 6343(a) requires the IRS to release a levy under certain circumstances, including where it determines that the levy “is creating an economic hardship due to the financial condition of the taxpayer.” (IRC §6343(a)(1)(D)) The government must show that “the taxpayer’s other assets subject to collection are insufficient to pay the amount due,” (IRC §6334(e)) and that “no reasonable alternative exists for collection of a taxpayer’s debt.” (Treas. Reg. §301.6334-1(d)(1))

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Business uses ~ 25% of property as shop and storage yard.

26 U.S. Code § 6334(a)(13)(B)

(B) Principal residences and certain business assets

Except to the extent provided in subsection (e)—

(i) the principal residence of the taxpayer (within the meaning of [section 121](https://www.law.cornell.edu/uscode/text/26/121)); and

(ii) tangible personal property or real property (other than real property which is rented) used in the trade or business of an individual taxpayer.

Seizure of the home would cause economic hardship.

It is a personal residence. Seizure would net proceeds of $150,000

FMV $700,000

Quick Sale $560,000

Loan Bal $410,000

Quick Equity $150,000

FMV Equity $290,000

As of July 2024, the median listing price for a home in San Luis Obispo County was $1.2 million

A down payment would require $240k at 20%

To rent would be just as bad at $6k per month.

Home $3,000 per month plus $3,400 for the business (20k sf (1/2 acre) at $2.08sf annual)

Currently making payments of $400 per month.

I will have them make consistent estimated tax payments to prevent accrual of any more balances.

Roll the sole prop business into that, creating a PPIA. Then, every couple of years they can provide financials to determine if they can increase that amount.

TP has been misinformed by the IRS.

They know that they are a sole proprietorship. They were set up on an installment agreement of $400 per month. Now, the IRS is separating the two and treating the sole prop business as a separate entity and claiming they need another IA to cover that entity. The original IA should have included the sole proprietorship.