

What to Know Before Resolving IRS Debt

The Independent Guide to Your Options

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Understanding Pricing in the IRS Debt Resolution Industry

Why Pricing Varies So Widely

When you start researching IRS debt resolution, you'll notice prices ranging from \$0 (DIY) to \$20,000+ (full-service firms). This isn't random — there are real reasons behind the variation. Understanding the economics helps you make an informed decision about what you're actually paying for.

How Services Are Typically Priced

Model 1: Hourly Rate

\$150–300/hour

Used by: CPAs, Enrolled Agents, some attorneys

Total typically \$600–2,000 for straightforward cases. High transparency — you know exactly what you're paying for each hour of work.

Model 2: Flat Fee by Complexity

\$1,500–5,000

Used by: Some tax professionals, boutique firms

Quoted upfront based on your situation. Medium transparency — clear price, but varies significantly by case complexity.

Model 3: Value-Based Pricing

\$3,500–20,000

Used by: Large resolution firms, national companies

Often based on debt amount and potential savings. Lower transparency — price often not revealed until after case review.

Model 4: Discovery + Service Fee

\$1,500 + additional

Used by: Many firms, including some legitimate ones

Upfront fee for case evaluation, then service fee if you proceed. Transparency varies — some firms are clear about total costs, others less so.

What the "Discovery Fee" Actually Covers

Many firms charge \$1,500–2,500 for initial "discovery" or "consultation." Here's what typically happens during that process:

Days 1–2: Case Research

Review your IRS account transcript, identify what you owe, unfiled returns, and IRS actions. Understand your tax history. *Time involved: 30–60 minutes.*

Days 2–3: Financial Analysis

Complete IRS Form 433-A (Collection Information Statement). Review your income, expenses, assets, and liabilities. Assess which IRS programs you might qualify for. *Time involved: 1–2 hours.*

Deliverable

Written analysis of your situation, recommendation on best path forward, estimate of what the IRS might accept, and a quote for services if you want to proceed.

Is This Worth \$1,500–2,500?

When it might be worth it: You have complex debt (\$100K+, multiple years, business taxes), you're overwhelmed and need professional guidance, or the analysis reveals options you didn't know existed.

When it might not be: Your case is straightforward (personal income tax, under \$50K), you're comfortable researching options yourself, or you're comparing multiple firms and discovery fees are adding up.

The key question: Are you paying for valuable professional analysis, or just funding their customer acquisition costs?

Important Reality: Lead Acquisition Is Expensive

Here's something most people don't know: tax resolution firms spend \$1,000–1,500 in advertising and marketing to acquire each customer. Google Ads for "tax relief" cost \$50–150 per click. TV commercials cost hundreds of thousands per campaign. Radio, direct mail, and lead generation companies are all expensive.

This means: Large firms must charge more to cover marketing costs. Discovery fees often offset acquisition costs. Final pricing needs to generate profit after these expenses. **This isn't necessarily bad — it's just business reality.** But it means you're partly paying for: (1) the actual service, (2) their cost of reaching you with advertising, (3) their overhead, and (4) their profit margin.

Smaller firms and independent professionals have lower marketing costs and can charge less, but may have less capacity, resources, or brand recognition. Not better or worse — just different economics.

How Firms Determine Your Final Pricing

After the discovery phase, most firms will quote you a final price. Here's how they typically arrive at that number:

Factor 1: Actual Work Involved

Simple case (standard OIC, clean finances) = less expensive. Complex case (business debt, multiple entities, legal issues) = more expensive.

Factor 2: Potential Value

Some firms price based on "savings" — the difference between what you owe and what the IRS will accept. This can range from 20–50% of the difference. Example: Owe \$60K, IRS accepts \$20K = \$40K "savings" × 30% = \$12K fee.

Factor 3: Your Ability to Proceed

Firms want to ensure you can afford both their fee AND the IRS settlement. They'll assess your financial capacity during discovery.

Factor 4: Market Positioning

National firms charge more (higher overhead, brand recognition). Regional firms charge mid-range. Local professionals often charge less (lower overhead).

Is Value-Based Pricing Fair?

This is where it gets controversial.

The Industry Argument

"If we save you \$40,000 by settling \$60K debt for \$20K, isn't \$12,000 (30%) reasonable compensation?"

The Consumer Perspective

"The IRS would accept \$20K based on my finances regardless of who submits the forms. Are you charging me \$12K for a few hours of paperwork, or for value you actually created?"

The honest answer: The IRS determines settlements based on **Reasonable Collection Potential** — a formula using your income, expenses, and assets. This calculation is the same whether you're represented by a \$20,000 tax attorney, a \$12,000 resolution firm, a \$1,500 CPA, or yourself for \$205 (the IRS filing fee).

However — Professional Help Does Add Value

Professionals can ensure forms are completed correctly, identify deductions and expenses you'd miss, navigate IRS requests efficiently, and provide peace of mind. Some people's time is genuinely worth more than the cost of help. So value-based pricing is legal and common — but whether it's *fair for your situation* is for you to decide.

The Spectrum of Options

Think of IRS debt resolution services on a spectrum from complete self-service to premium full-service:

Service Level	Cost	Your Time	Best For
Full DIY	\$205 IRS fee only	10–20 hours	Simple cases, tight budget, capable individuals
Guided Software/Education	\$50–500	8–15 hours	Motivated people who want structure and guidance
Consultation + Limited Services	\$1,500–3,000	5–10 hours	People wanting expert guidance without full-service cost
Full-Service with Support	\$3,500–8,000	3–5 hours	Complex cases, busy people, those who value convenience
Premium Full-Service	\$8,000–20,000	1–3 hours	High-debt cases, business tax issues, legal complications

Each level serves a purpose. The question isn't which is "best" — it's which matches your situation, budget, and preferences.

The 8 Warning Signs of IRS Debt Resolution Scams

Not all services are created equal. The IRS debt resolution industry includes ethical professionals, mid-range firms, and unfortunately, outright scammers preying on desperate people. Here's how to spot the bad actors.

Warning Sign 1: Guaranteed Specific Outcomes

■ Red Flag

"We **guarantee** we'll settle your debt for pennies on the dollar!"

Reality: The IRS doesn't guarantee anything. Acceptance rates for Offer in Compromise are around 23–30%. Anyone guaranteeing a specific result is being dishonest.

✓ What Legitimate Services Do

Provide honest assessments: "Based on your situation, here's what we think is achievable, but the IRS makes the final decision."

Warning Sign 2: Pressure to Sign Immediately

■ Red Flag

"This offer expires in 24 hours!" or "The IRS is about to seize everything — sign now!"

Reality: While IRS collection actions do have timelines, you should never be pressured to sign with any firm immediately. Legitimate urgency and manufactured pressure are very different things.

✓ What Legitimate Services Do

Give you time to review contracts, ask questions, and compare options. They're confident enough in their service that they don't need to pressure you.

Warning Sign 3: Won't Explain Their Process

■ Red Flag

Vague promises, jargon without substance, refusing to walk you through what actually happens.

Reality: You deserve to understand exactly what work will be performed, what you'll need to provide, and what timeline to expect.

✓ **What Legitimate Services Do**

Clearly explain the process, set realistic expectations, and answer all your questions thoroughly.

Warning Sign 4: No Licensed Professional on Your Case

■ **Red Flag**

Sales reps make promises, but no CPA, Enrolled Agent, or Attorney actually handles your file.

Reality: In many states, only licensed professionals can represent you before the IRS. Ask for credentials of the person who will actually work your case — not just the salesperson.

✓ **What Legitimate Services Do**

Provide the name and credentials of the professional assigned to your case and make them available for questions.

Warning Sign 5: Patterns of Terrible Reviews

■ **Red Flag**

Pages of complaints about non-refunded fees, no work performed, unresponsive staff, and false promises.

Reality: A few complaints are normal for any business. But patterns of serious issues — especially around non-refunded fees and non-performance — are dealbreakers.

✓ **What Legitimate Services Do**

Have mostly positive reviews with occasional issues that are addressed professionally. Check BBB.org, Google Reviews, and other platforms.

Warning Sign 6: Upfront Fees with No Refund Policy

■ **Red Flag**

"Pay \$5,000 now, and if we can't help you, too bad."

Reality: Legitimate firms may charge discovery/consultation fees, but should have clear refund policies for their service fees if they can't deliver on what was promised.

✓ **What Legitimate Services Do**

Clearly explain their refund policy upfront. Ask: "What is your refund policy if you determine you can't help me?"

Warning Sign 7: Can't Provide Client References

■ **Red Flag**

"We can't share client information due to privacy."

Reality: While client confidentiality matters, legitimate firms can provide references from past clients who've agreed to speak with prospects. Ask to speak with 2–3 clients who had similar cases.

✓ **What Legitimate Services Do**

Connect you with willing past clients, or provide detailed case studies showing their track record.

Warning Sign 8: Pricing Doesn't Match Services

■ **Red Flag**

Charging \$15,000 for a straightforward case that should cost \$2,500–4,000.

Reality: Pricing should be proportional to complexity. Simple cases shouldn't cost the same as complex ones. Get multiple quotes — if one firm is 3–4x more expensive than others for the same work, ask why.

✓ **What Legitimate Services Do**

Provide clear, written quotes that explain what's included and why the price is what it is.

Can You Handle This Yourself? A Decision Framework

This is the most important section of this guide. Here's an honest assessment to help you determine what level of help you actually need.

Step 1: Assess Your Situation

Debt Amount

- **Under \$25,000:** Often manageable with minimal or no professional help
- **\$25,000–\$100,000:** Depends on complexity — evaluate the factors below
- **Over \$100,000:** Professional guidance is usually worthwhile

Tax Type

- **Personal income tax only:** Usually more straightforward
- **Business tax debt:** More complex — often needs professional help
- **Payroll tax issues:** Serious — strongly consider professional help
- **Multiple years unfiled:** Complex — professional guidance recommended

IRS Actions Taken

- **Just notices:** Lower urgency, more options available
- **Lien filed:** Moderate complexity
- **Levy issued or threatened:** Higher urgency — consider professional help
- **Criminal investigation:** Hire a tax attorney immediately

Your Available Time

- **10–20 hours available:** Can handle DIY or guided approach
- **5–10 hours available:** Consultation + limited service works well
- **3–5 hours available:** Full-service recommended
- **Essentially no time:** Full-service necessary

Your Budget

- **Under \$500:** DIY or guided software
- **\$500–\$2,000:** Consultation or pay-as-you-go professional
- **\$2,000–\$5,000:** Full-service options available
- **\$5,000+:** Premium full-service or complex case handling

Step 2: Decision Tree

IF: Debt < \$25K + Personal taxes + No criminal issues + Comfortable with paperwork

THEN: Start with DIY or guided software. Upgrade to professional help if you get stuck.

IF: Debt \$25K–\$100K + Personal taxes + Some complexity + Want guidance

THEN: Consultation service or pay-as-you-go CPA. Get expert assessment, then decide.

IF: Debt > \$100K OR Business taxes OR Criminal exposure OR Very complex

THEN: Full-service professional help. The stakes justify the investment.

IF: Overwhelmed + Can afford help + Value peace of mind over cost savings

THEN: Full-service regardless of debt amount. Mental health and stress reduction matter.

Key insight: Most people with under \$50K in IRS debt don't need to pay \$6,500 to resolve it. But some people in that range still benefit from professional help because of complexity, time constraints, or the value of peace of mind. There's no single right answer.

Understanding Your IRS Debt Resolution Options

Option 1: Complete DIY

Cost: \$205 (IRS filing fee for OIC)	Time: 15–20 hours
Difficulty: Medium to High	Best For: Simple personal debt < \$25K

What you do: Research IRS programs yourself (IRS.gov, publications), gather all financial documents, complete Form 433-A (Collection Information Statement), complete Form 656 (Offer in Compromise) if applicable, calculate your offer amount using IRS formulas, write a cover letter, submit everything, and respond to IRS requests.

Resources: IRS.gov (forms, instructions, publications), IRS Publication 594 (Understanding the Collection Process), Form 656 Booklet (detailed OIC instructions), and the Taxpayer Advocate Service (free IRS assistance).

Realistic Pros

Maximum cost savings. Complete control of the process. You learn valuable knowledge about IRS procedures. Same IRS outcome as paying for services — if done correctly.

Realistic Cons

Steep learning curve (10–20 hours to learn and execute). Easy to make mistakes that delay or harm your case. No professional review to catch errors. Dealing directly with IRS can be stressful. Higher rejection rate if forms aren't perfect.

Option 2: Guided Software / Educational Tools

Cost: \$50–500	Time: 10–15 hours
Difficulty: Medium	Best For: Personal debt < \$50K, motivated self-starters

What you get: Step-by-step form guidance, calculators for offer amounts, document checklists, sample letters and templates, educational content on IRS programs, and some email or chat support.

What you still do: All the actual work — following the guided process, gathering documents, completing forms with software assistance, and submitting to the IRS yourself.

Realistic Pros

Much cheaper than professional services (\$50–500 vs. \$3,000–8,000). Structured guidance reduces errors. More confidence than pure DIY. Same IRS outcome if followed correctly.

Realistic Cons

Still requires 8–15 hours of your time. No personalized professional review. Support is limited (email/chat, not phone consultation). You're still responsible for accuracy. Some cases are too complex for software.

Option 3: Consultation + Limited Services

Cost: \$1,500–3,500	Time: 5–10 hours of your involvement
Difficulty: Low to Medium	Best For: Moderate complexity, want expert assessment

Discovery Phase (\$1,500–2,000): A professional reviews your IRS transcripts, analyzes your financial situation (Form 433-A), identifies which IRS programs you qualify for, provides a written assessment and recommendations, explains pros and cons of each option, and answers your questions.

Optional Add-On Services (\$500–1,500 additional): Form preparation and review, strategy consultation calls, limited IRS representation, response to IRS correspondence, and specific questions as they arise.

Realistic Pros

Professional expertise at moderate cost. Clear understanding of your options before committing. Flexibility to add services only if needed. Much cheaper than full-service.

Realistic Cons

Discovery fee is typically non-refundable (you're paying for analysis). May need additional services beyond consultation. You stay involved in the process. Need to be somewhat organized and responsive.

Option 4: Full-Service Professional Help

Cost: \$3,500–20,000	Time: 3–5 hours of your involvement
Difficulty: Low	Best For: Complex cases, busy people, high debt

What they do: Complete IRS transcript research, financial analysis (Form 433-A), prepare all IRS forms, file Power of Attorney, handle all IRS communication, monitor case progress, respond to IRS requests, negotiate within IRS formula constraints, and keep you updated throughout.

What you do: Provide financial documents, answer questions about your situation, sign forms, and review updates.

When Full-Service Makes Sense

Debt over \$100K (cost is more proportional). Business tax debt with complexity. Zero time available. Stress reduction is worth the cost to you. Case has legal complications.

When It Might Not Make Sense

Debt under \$50K (paying 10–30% of debt for services). Straightforward personal income tax. Tight budget. You're capable and have time.

The Honest Comparison

Option	Cost	Your Time	Expertise	Best For
Complete DIY	\$205	15–20 hrs	Self-taught	Simple cases, tight budget
Guided Software	\$50–500	10–15 hrs	Structured help	Motivated DIY w/ support
Consultation + Limited	\$1,500–3,500	5–10 hrs	Professional analysis	Moderate complexity
Full-Service	\$3,500–20,000	3–5 hrs	Professional handling	Complex cases, busy people

The key insight: For straightforward cases, the IRS settlement amount is determined by your finances (income, expenses, assets) — not by who represents you. However, professionals can ensure forms are completed correctly, identify legitimate deductions you might miss, navigate IRS requests efficiently, and reduce your stress.

The question becomes: What's worth it *to you*? Is saving \$3,000–5,000 worth 10 hours of your time? Is peace of mind worth \$5,000 when you could do it for \$500? There's no universally right answer.

Next Steps: Making Your Decision

Step 1: Assess Your Situation Honestly

Use the decision framework on pages 9–11 to determine the complexity of your case, your available time, your comfort with paperwork, and your budget. Be honest with yourself — overestimating your capacity leads to costly mistakes.

Step 2: Get Educated Before You Decide

Before making any decision, read about IRS programs on IRS.gov, understand Reasonable Collection Potential, and review case studies of people in similar situations. The more you understand, the better positioned you are to evaluate any service provider's claims.

Step 3: Get Multiple Quotes (If Hiring Help)

Contact 3–5 different providers: 1–2 local CPAs or Enrolled Agents, 1–2 mid-sized regional firms, and optionally 1–2 national companies.

Ask Each Provider These Questions:

- What is your total fee for my situation?
- What exactly is included in that fee?
- Who specifically will work my case, and what are their credentials?
- What is your estimated timeline?
- What is your success rate for cases like mine?
- Can I speak with 2–3 past clients who had similar cases?
- What is your refund policy?
- What happens if the IRS rejects the initial submission?

Step 4: Verify Credentials

Before hiring anyone:

- **CPAs:** Check your state board of accountancy
- **Enrolled Agents:** Verify at [irs.gov/tax-professionals](https://www.irs.gov/tax-professionals)
- **Attorneys:** Check your state bar association

- **Companies:** BBB.org rating + online reviews

Step 5: Understand the Economics

Option	Your Time	Cost	Time Saved vs. DIY
DIY	15 hours	\$205	—
Guided Software	12 hours	\$300	3 hours
Consultation	8 hours	\$2,200	7 hours
Full-Service	4 hours	\$6,500	11 hours

Example with \$45K debt: Full-service saves you ~11 hours vs. DIY. That 11 hours costs \$6,295 (\$6,500 – \$205), meaning your time would need to be worth \$572/hour for it to make pure financial sense. But also consider: stress reduction, risk of errors if DIY, confidence in professional handling, and your actual capability to execute.

Sometimes paying for help is worth it even if the pure math doesn't pencil out perfectly. Stress, confidence, and time freedom have real value that's hard to put a dollar figure on.

Step 6: Start Somewhere

Analysis Paralysis Helps Nobody

If budget is tight: Start with DIY or guided software. You can always upgrade if you get stuck.

If you have budget: Get a professional consultation. The \$1,500–2,000 investment gives you expert analysis and clarity.

If you have a complex case: Go straight to professional help. The stakes justify the cost.

The worst decision is no decision. The IRS doesn't wait.

Resources to Continue Your Research

- **PROOF.tax** — Independent research and comparisons
- **proof.tax/compare** — Service comparisons
- **proof.tax/cases** — Real case studies

- **IRS.gov** — Official information and forms

Questions? Reach us at **research@proof.tax**

*We created this guide because we believe informed consumers make better decisions.
Some people will do it themselves. Some will hire help. Both are valid choices.
What matters is that you understand your options.*

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