

Quick Start Guide to IRS Tax Liens



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The IRS files nearly 1 million Notices of federal Tax Lien every year. It is important for you as a practitioner to understand that the IRS views the Notice of Federal Tax Lien as critical, even where the taxpayer's may not own any real estate or valuable assets. The reason is that studies run by the IRS (or at least on its behalf) have shown that the Notice of Federal Tax Lien gets the IRS paid. It closes any loopholes on the taxpayer avoiding paying what he or she can pay. As such, the IRS is not going to hold-off on the filing of the Notice of Federal Tax Lien (see Exhibit) unless the taxpayer can demonstrate that in its doing so it will immediately improve collection.

There are many instances where practitioners are asked to help Taxpayers deal with the IRS lien. Those instances can include:

1. Seeking a withdrawal of the Notice of Federal Tax Lien
2. Discharging an assets from the Federal Tax lien
3. Subordinating the Federal Tax Lien to another creditor

We will describe each of these and provide exhibits so that you have some familiarity with the planning ideas and how to pursue these for your client.

Lien Withdrawal

The IRS will agree to withdraw a federal tax lien if the client meets a set of requirements. Those requirements include ALL of the following :

- The taxpayer owes \$25,000 or less
- Is in a Direct Debit Installment Agreement
- Has made three consecutive direct debit payments

If the taxpayer meets the criteria above they can make the request to have the Notice of Federal Tax Lien withdrawn with Form 12277 (see Exhibit).

Discharging An Asset from the Lien

As a technical point, when a taxpayer that owes taxes seeks to sell an asset they need to request a discharge for the asset. The lien is not discharged but continues on applying to all the taxpayer's remaining assets. To request a discharge for an asset, the taxpayer files Form 14135 (see Exhibit) and requests to have the asset discharged from the lien for any one of several reasons. The most common reasons are:

1. The IRS will be full-paid by the sale,
2. The IRS will receive its entire interest in the property from the sale, meaning whatever equity there is in the asset being sold will go to the IRS, and

3. There is no equity in the assets for the IRS (think about a short sale on a piece of property).

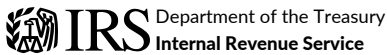
The IRS will want to review all of the documents, including the contract, any appraisals, title search, payoff statements of any creditors ahead of it in priority, and draft closing statements. Assuming that everything looks good and makes sense, the IRS will send a letter approving the sale and releasing the asset from its lien upon receiving its money, if any. For instance, if the IRS is owed \$100,000 by the taxpayer, and the taxpayer, who has \$20,000 of equity in their house, wants to sell their home out from under the tax lien, the IRS will agree to allow the sale to go forward and release its lien upon receiving the \$20,000 of equity from the closing (i.e. 100% of its interest in the taxpayer's house). The balance it is owed, and the tax lien, would continue against the taxpayer's other assets.

Subordinating the Federal Tax Lien

There are instances where a taxpayer will want the IRS to agree to allow another creditor to go ahead of them in priority. The term used for this is "subordination", and its where the IRS agrees to subordinate its lien to that of another creditor. So why would the IRS ever agree to this? The IRS will agree to a subordination when it is either going to receive money equal to the amount subordinated or the subordination will improve collection. Examples of this include the following:

1. The taxpayer can borrow money from someone to pay down the IRS tax debt. The IRS will agree to subordinate its lien to the creditor who is lending the taxpayer the money to the extent of the funds it will receive.
2. The taxpayer can refinance their mortgage, reducing their interest rate and therefore their monthly payment. The IRS will agree to subordinate its line to the new mortgage because the taxpayer can now increase their monthly installment agreement to the IRS, allowing them to repay their tax debt faster (i.e. the refinance improves the IRS's ability to collect).

A subordination is requested using IRS Form 14134 (see Exhibit). The critical thing about a lien subordination is showing the IRS how collection is improved by its agreeing to the deal.

**CERTIFIED MAIL**CCP-LU ACS CORRESPONDENCE
P . O . BOX 145566, STOP 813G CSC
CINCINNATI, OH 45250-5566

9307110756602784308405

Letter Date: 08/23/2016
Taxpayer Identification Number:
XXX-XX-XXXX
Person to Contact:
P . A . BELTON
Contact Telephone Number:
(800) 829-3903
Employee Identification Number:TAX PAYER NAME
PO BOX
HARTFORD, CT XXXXX

000342

Notice of Federal Tax Lien Filing and Your Right to a Hearing Under IRC 6320

Dear TAX PAYER NAME

We filed a Notice of Federal Tax Lien on _____

Type of Tax	Tax Period	Assesment Date	Amount on Lien
CIVP	12/31/2011	12/29/2014	38428.87

NOTE: Please contact the person whose name and telephone number appears on this notice to obtain the current amount you owe. Additional interest and penalties may be increasing the amount on the lien shown above.

A lien attaches to all property you currently own and to all property you may acquire in the future. It also may damage your credit rating and hinder your ability to obtain additional credit.

You have the right to a hearing with us to appeal this collection action and to discuss your payment method options. To explain the different collection appeal procedures available to you, we have enclosed Publication 1660, Collection Appeal Right.

You must request you hearing by 09/29/2016. Please complete the enclosed Form 12151, Request for a Collection Due Process or Equivalent Hearing, and mail it to:

Internal Revenue Service
IRS-ACS/CDP
P . O . BOX 42346
PHILADELPHIA, PA 19101-2346Letter 3172 (DO) rev. (3-2065)
Catalog No. 267671

1872

COURT RECORDING DATA

INTERNAL REVENUE SERVICE FACSIMILE FEDERAL TAX LIEN DOCUMENT	Lien Recorded : Recording Number : UCC Number : Liber : Page :
Area : SMALL BUSINESS/SELF EMPLOYED #1 Lien Unit Phone : (800) 829-3903	IRS Serial Number :



This Lien Has Been Filed in Accordance with
Internal Revenue Regulation 301.6323(f)-1

000342 Name of Taxpayer :

Residence :
 PO BOX
 HARTFORD, CT

With respect to each other assesment below, unless notice of lien
is refiled by the date in column (e), this notice shall constitute
the certificate of release of lien as defined in IRC 6325 (a).

Form (a)	Period (b)	ID Number (c)	Assessed (d)	Refile Deadline (e)	Unpaid Balance (f)
CIVP	12/31/2011	xxx-xx-xxxx	12/29/2014	01/28/2025	38428.87

Filed at : SECRETARY OF STATE state HARTFORD, CT 06115	Total	\$	38428,87
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This notice was prepared and executed at MANHATTAN, NY
on this, the 11th day of August, 2016.

Authorizing Official : P . A . BELTON	Title : ACS SBSE
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Form 668 (Y)(c) (Rev. February 2004)	1872	Department of the Treasury - Internal Revenue Service <h2 style="margin: 0;">Notice of Federal Tax Lien</h2>
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Area: SMALL BUSINESS/SELF EMPLOYED AREA #1 (800) 892-3903	Serial Number	For Optional Use by Recording Office
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As provided by section 6321, 6322, and 6323 of the Internal Revenue Code, we are giving a notice that taxes (including interest and penalties) have been assessed against the following-named taxpayer. We have made a demand for payment of this liability, but it remains unpaid. Therefore, property belonging to this taxpayer for the amount of these taxes, and additional penalties, interest, and costs that may accrue

- This Notice of Federal Tax Lien has been filed ad a matter of the public record
- IRS will continue to charge penalty and interest until you satisfy the amount you owe
- Contact the Area Office Collection Function for information on the amount you must pay before we can release this lien
- See the back of this page for an explanation of your Administrative Appeal rights.

Name of Taxpayer


Residence PO BOX HARTFORD, CT

IMPORTANT RELEASE INFORMATION: For each assessment listed below, unless notice of the lien is refiled by the date given in column (e), this notice shall, on the day following such date, operate as a certificate of release as defined in OIRC 6325 (a)

Kind of Tax (a)	Tax Period Ending (b)	Identifying Number (c)	Date of Assessment (d)	Last Day for Refiling (e)	Unpaid Balance of Assessment (f)
CVIP	12/31/2011	xxx-xx-xxx	12/29/2014	01/28/2025	38428.87

Place of Filing TOWN CLERK HARTFORD City of HARTFORD, CT 06103	Total	38428,87
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This notice was prepared and signed at MANHATTAN, NY , on this,
 the _____ day of _____ , 2016

Signature  for P. A. BELTON	Title ACS SBSE (800) 829-3903
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(NOTE: Certificate of officer authorized by law to take acknowledge is not essential to the validity of Notice of Federal Tax Lien
 Rev. Rul. 71-466, 1971 - 2 C.B 409

Part 3 - Taxpayer's Copy

Form 12277 (October 2011)	Departemen of the Treasury - Internal Revenue Service Application for Withdrawal of Filed Form 668(Y), Notice of Federal Tax Lien <i>(Internal Revenue Code Section 6323(j))</i>		
1. Taxpayer Name <i>(as shown on the Notice of Federal Tax Lien)</i>		2. Social Security/Employer Identification No.	
3. Taxpayer's Representative, if applicable, or Name and Title of contact person, if taxpayer is a business			
4. Address <i>(Number, Street, P.O. Box)</i>			
5. City	6. State	7. ZIP code	8. Phone Number
9. Attach copy of the Form 668(Y), Notice of Federal Tax Lien, if available, OR , if you don't have a copy, provide the following information, if available:			
Serial number of Form 668(Y) <i>(found near the top of the document)</i>		Date Form 668(Y) filed	
Recording office where Form 668(Y) was filed			
10. Current status of the federal tax lien (" <i>x</i> " appropriate box) <input type="checkbox"/> Open <input type="checkbox"/> Released <input type="checkbox"/> Unknown			
11. Reason for requesting withdrawal of the filed Notice of Federal Tax Lien (" <i>x</i> " appropriate box(es))			
<input type="checkbox"/> The Notice of Federal Tax Lien was filled prematurely or not accordance with IRS Procedures. <input type="checkbox"/> The taxpayer entered into an installment agreement to satisfy the liability for which the lien was imposed and the agreement did not provide for a Notice of Federal Tax Lien to be filed. <input type="checkbox"/> The taxpayer is under a Direct Debit Installment Agreement. <input type="checkbox"/> Withdrawal will facilitate collection of the tax. <input type="checkbox"/> The taxpayer, or the Taxpayer Advocate acting on behalf of the taxpayer, believes withdrawal is in the best interest of the taxpayer and the government.			
12. Explain the basis for the withdrawal request <i>(attach additional sheets and other documentation that substantiates your request, as needed)</i>			
Affirmation	Under penalties of perjury, I declare that I have examined this application (including any accompanying schedules, exhibits, affidavits, and statements) and, to the best of my knowledge and belief, it is true, correct, and complete		
	Signature <i>(Taxpayer or Representative)</i>	Title <i>(if business)</i>	Date

General Instructions

- Sections 1 and 2: Enter the taxpayer's name and Social Security Number (SSN) or Employer Identification Number (EIN) as shown on the Notice of Federal Tax Lien (NFTL).
 - Section 3: Enter the name of the person completing the application if it differs from the taxpayer's name in section 1 (for example, taxpayer representative). For business taxpayers, enter the name and title of person making the application. Otherwise, leave blank.
 - Sections 4 through 8: Enter current contact information of taxpayer or representative
 - Section 9: Attach a copy of the NFTL to be withdrawn, if available. If you don't have a copy of the NFTL but have other information about the NFTL, enter that information to assist the IRS in processing your request.
 - Section 10: Check the box that indicates the current status of the lien. "Open" means there is still a balance owed with respect to the tax liabilities listed on the NFTL. "Released" means the lien has been satisfied or is no longer enforceable. "Unknown" means you do not know the current status of the lien.
 - Section 11: Check the box(es) that best describe the reason(s) for the withdrawal request. NOTE: If you are requesting a withdrawal of a released NFTL, you generally should check the last box regarding the best interest provision.
 - Section 12: Provide a detailed explanation of the events or the situation to support your reason(s) for the withdrawal request. Attach additional sheets and supporting documentation, as needed.
 - Affirmation: Sign and date the application. If you are completing the application for a business taxpayer, enter your title in the business.
2. Mail your application to the IRS office assigned your account. If the account is not assigned or you are uncertain where it is assigned, mail your application to IRS, ATTN: Advisory Group Manager, in the area where you live or is the taxpayer's principal place of business. Use Publication 4235, Advisory Group Addresses, to determine the appropriate office.
 3. Your application will be reviewed and, if needed, you may be asked to provide additional information. You will be contacted regarding a determination on your application.