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IRS, With State Dept Now Have the Power to Deny Passport If Taxes Aren't Paid

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(Photo : Sandy Huffaker/Getty Images) SAN YSIDRO, CA - JANUARY 8: Travelers take out their passports before checking in at San Diego International Airport January 8, 2006 in San Diego, California. Beginning on January 23rd, United States passengers traveling by air will be required to show a passport when traveling to Mexico or the Caribbean. Congress is also pushing to require passports when traveling by land or sea to from the United States to Mexico or Canada by early 2008.

Bundled away, in the December 4 Fixing America's Surface Transportation Act, or "FAST Act", are some new tax laws that the IRS wants to use to encourage people to pay taxes. They would allow the IRS to use private debt collection companies and one that affects citizens with dual citizenship.

Entitled "Revocation or Denial of Passport in Case of Certain Tax Delinquencies", the bill would force the Department of State to deny a US passport, or renewal of the passport to anyone that is found to be seriously delinquent in their taxes, or even allows them to revoke any passport previously issued.

Forbes wants its readers to fully understand - the IRS has not gained the ability to affect passports; that responsibility will still remain with the Department of State.

Previously, the ability to deny the application or renewal of passports due to late payments was only used with noncustodial parents and back child support. If those parents failed to pay more than $2,500 in back child support, their names were submitted to the Department of State by the state itself. The Department would then have the power to deny a passport to those names until the debts were satisfied.

Along with giving the Department the ability to intercede with the passports of seriously delinquent taxpayers, they also can now deny a passport to those who fail to provide a Social Security Number or give an invalid one intentionally. There will be exceptions for emergency or humanitarian crises. Robert W. Wood, also with Forbes, points out some of the ambiguity with the bill.

"It could mean no new passport and no renewal. It could even mean the State Department will rescind existing passports."

The term "seriously delinquent" is defined as debt greater than $50,000, including interest and penalties. The $50,000 is a cumulative total, so this new law has the ability to affect many taxpayers. There are exceptions if the debt is subject to an Offer-in-Compromise (OIC), or if the taxpayer requested a collection due process hearing (CDP).

A press release from American Citizens Abroad warns that the bill can seriously hurt Americans living abroad. "The provision is way too hard and dangerous a remedy, especially for American taxpayers residing abroad who absolutely must have their US passport at hand." The document also notes that the bill was never brought to a public hearing where taxpayers could give testimony.

The process in which the Department of State gets the names is a long one. Because of privacy laws the Commissioner of Internal Revenue has to give the list of names to the Secretary of the Treasury. The Secretary is then authorized to send the names to the Secretary of State.

Affected taxpayers will be notified and given a chance to respond to the forthcoming procedure. There will also be an additional notice to taxpayers to alert them to the potential loss of their passport.

Originally introduced to the House two years ago, it was delayed with amendments and discussions. But because it was hidden away in the FAST Act, the bill was passed, effective immediately.