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THE TAX LAWYER

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Serious Lessons From Comedian Chris Tucker's \$14 Million IRS Bill

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Comedian Chris Tucker is witty, but it is hard to outwit the IRS when it moves to collect on a huge tax bill. The funny man was reportedly hit with a new lien adding \$2.5 million to a previous [\\$12 million](#), suggesting that Mr. Tucker [ran up additional](#) back taxes for 7 years totaling \$14,068,047.50. Fortunately, Mr. Tucker has reportedly reached a deal [settling the huge bill](#).

But no matter who you are, settling large amounts and multiple years it hard, not to mention expensive. Mr. Tucker's reps said [poor management is to blame for the IRS lien](#), including "poor accounting and business management." That hardly seems surprising, for celebrities have multiple handlers. Even non-celebrities move and may not receive errant mail.

Most liens can be filed only after several prior notices. The IRS can file a [Notice of Federal Tax Lien](#) only after it assesses the liability, sends a Notice and Demand for Payment, and if you fail to fully pay the debt within 10 days after that notice. Once these requirements are met, the IRS *has* a lien, whether or not the IRS files.

The IRS files to notify creditors to beware that the IRS has a claim against all your property, even property acquired *after* the lien is filed. This notice is used by courts to establish priority with other creditors. Celebrities may earn a lot but can have complex affairs.

Take boxing's [Manny Pacquiao](#). He is not a U.S. citizen or resident, so he does not pay U.S. tax on monies earned elsewhere. However, from his U.S. fights, the IRS slapped on a tax lien for \$18.3 million for 2006 through 2010. Meanwhile, Mr. Pacquiao is battling a [\\$75 Million Tax Evasion Case](#) in the Philippines.

A tax lien is standard procedure, designed to protect the IRS's interest and push you to pay. Are liens sometimes filed where you didn't really owe the amount or didn't receive the IRS notices? Rarely. At a minimum, the IRS *thinks* you owe it and haven't paid. That suggests you should straighten out the confusion or you will end up [fighting the IRS](#).

Take tax notices and letters seriously, and follow the procedural steps outlined. With prompt and proper responses, the IRS might agree little or no tax is due. Even if you owe, don't let it get to the lien filing stage if you can prevent it.

IRS liens hurt credit ratings, scare customers and vendors, prevent real estate closings and more. If you have cash flow crunches and can't pay, you can try to convince the IRS not to file a Notice of Lien. But if you owe significant amounts and can't pay, expect the lien filing.

Beating a tax lien is tough. [Dionne Warwick](#) did it after she had a \$2.2 million federal tax lien filed against her in 2009. The IRS revoked it when it turned out to be a mistake, but Ms. Warwick still owed \$1 million. And eventually, you'll pay. IRS liens last 10 years.

They usually release automatically if the IRS has not refiled them. However, you're better off to get them removed immediately if you can. Getting the IRS to release a lien usually involves paying the tax, interest and penalties, or posting a bond to guarantee payment. State or local government charges to file and release the lien are added to the amount you owe. See [IRS Publication 1450. Request for Release of Federal Tax Lien](#).

Liens and seizures aren't the same. The lien just makes sure the IRS *eventually* gets paid. A seizure means *now*. The [Treasury Inspector General for Tax Administration](#) reviewed a random sample of IRS seizures. In the majority of seizures, the IRS followed all guidelines. However, in some cases the IRS did not comply with the tax code.

If possible, avoid all of this by staying on top of your filings and payments. Respond to every notice and keep your procedural remedies available. You just may need them.

You can reach me at Wood@WoodLLP.com. This discussion is not intended as legal advice, and cannot be relied upon for any purpose without the services of a qualified professional.