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As U.S. Passports For Domestic Flights Loom, IRS Can Now Revoke Passports

In October 2020, the hassle factor for domestic air travel may increase. Soon, your state's driver's license may not be enough to get you through security and on board. In fact, the Los Angeles Times [reports](#) that 26 states—including California—do not meet federal regulations. There is an [extension](#) of time for these states, through Oct. 10, 2016. But after that, there is worry that your U.S. passport may be needed.

Now, there is a reprieve until January 22, 2018. Homeland Security Secretary Jeh Johnson has issued [a statement](#) that, until then, residents of all states can continue to use their state driver's license for domestic air travel. But by Oct. 1, 2020, every air traveler will need a Real-ID-compliant license, or another acceptable form of federal ID for domestic travel. The [Real ID Act](#) created a national standard for state-issued IDs. Some states initially refused to comply, fearing that the federal government would make a national database of citizens.

It is clear that a U.S. passport will have increasing importance even for domestic travel. And the rise of the passport's importance coincides uncannily with a new law giving the [IRS power to revoke passports](#). Plainly, the easy answer to travel worries may be to dig out your passport, and they are already often in evidence in domestic air check in lines. But what if [your passport is cancelled because you owe the IRS?](#)

[H.R.22](#) added new section 7345 to the tax code, titled "Revocation or Denial of Passport in Case of Certain Tax Delinquencies." The idea goes back to 2012, when the Government Accountability Office reported on the [potential for using passports to collect taxes](#). Now that it has become law, the State Department will start blocking Americans with 'seriously delinquent' tax debts. That means anyone the IRS certifies as having a seriously delinquent tax debt in an amount in excess of \$50,000.

Even months after the law passed, administrative details about how it will be administered remain scant. But in all likelihood, it will mean no new passport

and no renewal. It could even mean the State Department will *rescind* existing passports of people who fall into that category. The list of affected taxpayers will be compiled by the IRS, using a threshold of \$50,000 in unpaid federal taxes.

Notably, if you are contesting a proposed tax bill administratively with the IRS or in court, that should not count. That is not yet a tax *debt*. There is also an administrative exception, allowing the State Department to issue a passport in an emergency or for humanitarian reasons.

But how that will work isn't clear, nor is the amount of time it will take to get special dispensation. You would still be able to travel if your tax debt is being paid in a timely manner, as under a signed installment agreement. Yet the dynamics are still significant and could drastically alter how people interact with the IRS.

Moreover, these harsh rules are not limited to criminal tax cases. They aren't even limited to situations where the government thinks that you are fleeing a tax debt. In fact, you could have your passport revoked merely because you owe more than \$50,000, and the IRS has filed a notice of lien.



Photographer: Victor J. Blue/Bloomberg

Notably, the \$50,000 figure includes penalties and interest. And as everyone knows, interest and penalties can add up fast. A lien filing is hardly unusual. In fact, the IRS routinely files tax liens to put creditors on notice. IRS tax liens

cover all your property, even acquired after the lien is filed. The courts use liens to establish priority in bankruptcy proceedings and real estate sales.

To file a [Notice of Federal Tax Lien](#), the IRS must simply assess the liability; send a Notice and Demand for Payment; and you then fail to fully pay the tax debt within 10 days. A tax lien *can* also be filed by mistake. Occasionally, the person may just need to straighten out a pile of paperwork. With all this in mind, is the law subject to challenge?

Consider the roughly eight million Americans living overseas, many of whom are already reeling from FATCA compliance problems. Although we think of passports as useful only when traveling internationally, even stateside flights may soon make passports even more fundamental.

For alerts to future tax articles, email me at Wood@WoodLLP.com. This discussion is not legal advice.