



Robert W. Wood

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Big IRS Debt Can Mean Losing Passport, Here's How to Keep Yours

The IRS [has power](#) over passports, but not to *take* them exactly. It can tell the *State Department* to do it. The rules are not limited to criminal tax cases, or even where the IRS thinks you are trying to escape a tax debt. [Section 7345](#) of the tax code broadly empowers it, and the IRS has [details on its website](#). If you have a seriously delinquent tax debt, IRS can notify the State Department. Then, the State Department generally will not issue or renew your passport. This only applies to a seriously delinquent tax debt, more than \$50,000. So staying below this figure is best if you can. But that includes penalties and interest. A \$20,000 tax debt can grow to \$50,000 including penalties and interest. So if you can, try to keep a proposed tax bill from actually becoming a tax debt.



The IRS usually sends multiple notices, and [you should respond](#). Explain why the IRS is incorrect, and keep protesting. If you receive an IRS Notice of Proposed Deficiency or Examination Report, prepare a protest before the deadline. Normally a protest will land you in the IRS Appeals Office, where you have another chance to resolve it.

Eventually, if you fail to protest, or you can't resolve your case at IRS Appeals,

you probably will receive a Notice of Deficiency. Then, you have [90 days to respond](#), by filing in the U.S. Tax Court. You want to keep your tax dispute going so the tax debt does not become final.

If despite all this, you get a certification that your tax debt is 'seriously delinquent' contact the phone number listed on the IRS Notice. If you've already paid the tax debt, send proof to the address on the Notice. If you need your U.S. passport to keep your job, once your seriously delinquent tax debt is certified, you must fully pay the balance, or make an alternative payment arrangement to keep your passport. Once you've resolved your tax problem with the IRS, the IRS will reverse the certification within 30 days of resolving the issue.

Other ways to keep your passport would be striking a deal with the IRS. It is often not too difficult to get an installment agreement with the IRS to pay your tax debt over time. If you sign one, stick to its terms. Even if your debt is huge, the IRS doesn't call it 'seriously delinquent' if you are paying the installments on time. Alternatively, you can try making an offer in compromise to settle with the IRS. If the IRS accepts an offer in compromise to satisfy the debt, the rest of it can be forgiven. See [IRS Offer in Compromise](#) and [IRS Payment Plans, Installment Agreements](#). In some cases, the Justice Department too can enter into a settlement agreement to satisfy a tax debt.

If the tax debt was your spouse's, and you are saddled with it because of joint tax returns, you might qualify for innocent spouse treatment. This is a separate big topic, and rules are more complex than you might think. See [IRS Tax Topic 205, Innocent Spouse Relief](#). However, it's significant that the IRS can suspend collection efforts if you request innocent spouse relief (under [IRC Section 6015](#)). Finally, there are also many taxpayer protections when it comes to IRS collections. One protection is a collection due process hearing.

If you make a timely request for a [collection due process](#) hearing in connection with a levy to collect the debt, you may at least buy time to work out a deal with the IRS. See [Taxpayer Advocate 2016 Annual Report to Congress, Appeals From Collection Due Process Hearings Under IRC §§ 6320 and 6330](#). Finally, keep checking the IRS rules on [revocation or denial of passport for unpaid taxes](#), as these rules are still unfolding.

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