



Robert W. Wood

THE TAX LAWYER

May. 20 2011 — 8:54 am

Tax Liens and Newt Gingrich

When you read there's a tax lien, do you assume taxes are due and owing? Probably. Do you assume the culprit—or whatever you choose to call the unfortunate facing the lien—has long known of the tax problem? Again, probably.

But based on my [30 years](#) as a tax lawyer, these may be questionable assumptions. Sometimes things slip through the cracks. Celebrities may have multiple handlers, and even non-celebrities move and may not receive errant mail. Some tax liens, especially for state and local taxes, can be filed with only a modicum of notices.

The latest celebrity gaffed by tax liens is Republican presidential candidate [Newt Gingrich](#), reports the [Associated Press](#). These are not personal tax bills of the newly minted candidate but for companies run by him.

Plus, they aren't exactly huge: \$195 for Atlanta property taxes, \$1,599 for Pennsylvania corporate tax, \$1,349 for Indiana taxes, \$1,969 for Missouri taxes and \$3,342 for Missouri withholding, sales and use taxes. Most of the liens were paid shortly after tax authorities filed them. The grand total across four states was around \$8,000. See [Gingrich business paid tax lien in Pa.; firms earlier faced overdue bills in Mo., Ga. and Ind.](#)

Gingrich denied any tax problem, noting the taxes were paid or resolved. Besides, several were attributable to lost mail on NBC's "Meet the Press" May 15, 2011. Claiming to have paid millions in taxes attributable to four businesses run over 12 years, Gingrich pooh-pooed the problem. See

[Newt Gingrich Businesses Owed Unpaid State Taxes](#) and [Gingrich says he doesn't have tax problem](#).

How likely is it that the former Speaker was trying to avoid \$8,000 of taxes? Probably not very likely. I have no knowledge about Mr. Gingrich or these tax bills. But I've encountered tax liens for clients, and is it possible for them to be a mistake or surprise. See [Top Celebrity Tax Troublemakers](#) and [Tax Liens Means IRS Thinks You Owe](#).

Still, most liens are only filed after lots of other tax notices. The IRS can file a [Notice of Federal Tax Lien](#) only after:

1. IRS assesses the liability;
2. IRS sends you a Notice and Demand for Payment telling you how much you owe; and
3. 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. Yup, **all of it**, even including property you acquire **after** the lien is filed. This notice is used by courts to establish priority, as in bankruptcy proceedings or sales of real estate.

Mistake? Are liens sometimes filed where you didn't really owe the amount or didn't receive the IRS notices? Yes, this happens, but in my experience not too often. At a minimum, the IRS **thinks** you owe it and haven't paid, which suggests you should straighten out the confusion. See [Ten Things To Know About Fighting An IRS Bill](#).

My Advice: Respond to Every IRS Notice!

1. 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.
2. 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.

For more, see:

[Received An IRS Notice? 10 Simple Tips](#)

[IRS "Fresh Start" for Tax Liens and Installment Deals?](#)

[Duke Lacrosse Tax Lien Highlights How Lawsuits Are Taxed](#)

*Robert W. Wood practices law with [Wood & Porter](#), in San Francisco. The author of more than 30 books, including *Taxation of Damage Awards & Settlement Payments* (4th Ed. 2009, [Tax Institute](#)), he can be reached at wood@woodporter.com. This discussion is not intended as legal advice, and cannot be relied upon for any purpose without the services of a qualified professional.*