



## Robert W. Wood

THE TAX LAWYER

---

TAXES 9/12/2016

### IRS Slaps Nelly With \$2.4M Tax Lien

Nelly—the Grammy winning Hip Hop star whose real name is Cornell Iral Haynes Jr.—has been hit with an IRS tax lien for more than \$2.4 million. The federal lien amount is \$2,412,283, reports [TMZ](#). But TMZ also says that Nelly is trying to work it out with the IRS. His State of Missouri tax troubles reported earlier this year are much smaller. A number of other tax notices normally precede a lien filing, so in that sense, the tax debt is usually not a surprise.

Yet some might find the size of the tax debt surprising given the recent diamond certification Nelly's album *Country Grammar* received. Diamond certification means 10 million units in physical and digital sales and sales equivalents. That should mean lots of tax money too. Tax liens are the IRS's way of making sure that the IRS gets paid no matter what. Indeed, IRS tax liens cover all property, even property that you may acquire after the lien filing. The idea is for the government to have a claim against *everything*. Of course, tax lien filings are public and can be embarrassing. IRS tax liens can spoil your credit, prevent real estate closings, and damage your reputation.



The IRS files a notice of lien so creditors know the IRS will be waiting for payment no matter what. In some cases the IRS even moves to execute. Notably, tax liens are sometimes not promptly removed, even after you have paid off the IRS in full. One government [report](#) admits that some IRS lien notices are mishandled, with IRS notices going awry, appeal rights not explained, and similar gaffes. Still, the report says in most cases the IRS mailed out the lien notices explaining the taxpayer's appeal rights. The IRS can file a [Notice of Federal Tax Lien](#) only after the IRS assesses the liability; sends a Notice and Demand for Payment; and you fail to pay in full within 10 days.

The courts use it to establish priority in bankruptcy proceedings and real estate sales. IRS liens last 10 years, and usually release automatically if IRS has not refiled them. However, you're better off to get them removed immediately. Getting the IRS to release a lien usually involves: (1) paying the tax, interest and penalties; or (2) posting a bond guaranteeing payment.

Even then, the IRS may take 30 days. State or local government charges to file and release the lien are added to the amount you owe. The [IRS explains how to request a release of federal tax lien](#). Liens and seizures aren't the same. The lien just makes sure the IRS eventually gets paid. A seizure involves forced collection so the IRS can sell property and get paid. That's usually a bad thing, but if you want to travel, paying the IRS might not be such a bad idea.

Under a recent expansion of [IRS power, the tax agency can revoke passports](#) for tax debts. The new section of the tax code is called 'Revocation or Denial of Passport in Case of Certain Tax Delinquencies.' The law says the State Department actually does the revoking, for anyone the IRS certifies as having a seriously delinquent tax debt in an amount in excess of \$50,000. That could mean no new passport and no renewal. It could even mean the State Department will rescind existing passports.

The State Department will act when the IRS tells them, and the list of affected taxpayers will be compiled by the IRS. The IRS will use a threshold of \$50,000 of unpaid federal taxes. But this \$50,000 figure includes penalties and interest. And interest and penalties can add up fast. The rules are not limited to criminal tax cases or where the government thinks you are fleeing a tax debt.

*For alerts to future tax articles, email me at [Wood@WoodLLP.com](mailto:Wood@WoodLLP.com). This discussion is not legal advice.*