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Iggy Azalea's \$400,000 IRS Tax Lien Dims 10 Carat Ring, But IRS Can't Revoke Her Passport

Rapper [Iggy Azalea](#) may owe the IRS a whopping [\\$400,000, as reflected on an IRS tax lien](#). The tax bill relates to 2014, and is \$391,056.55 to be exact. But the star is not exactly destitute, especially not sporting a chunky 10 carat engagement ring from Nick Young when appearing at the iHeartRadio Awards. Tax liens are public and can be embarrassing. But they also may not tell the whole story.

Ms. Azalea says she opted to pay the IRS in installments rather than in a lump sum. And the press over her relationship troubles could have a bearing on this too, she suggests. The latter point may be a stretch, since the IRS files liens with a kind of automated precision. It's the IRS's way of making sure it gets paid no matter what. For most people, IRS tax liens are serious, spoiling your credit, preventing real estate closings, and damaging your reputation.



(Photo by Phillip Faraone/Getty Images for Sports Illustrated)

Tax liens sometimes are not removed even after you have paid off the IRS. 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 IRS files a notice of lien so creditors know. IRS tax liens cover all property, even if acquired after the lien filing. 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.

If you are contesting a proposed tax bill administratively with the IRS or in court, that should not count as delinquent for this purpose. 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.

The rules are not limited to criminal tax cases or where the government thinks you are fleeing a tax debt. As for Iggy Azalea, she shouldn't have a problem. Even if she doesn't pay down her tax debt below \$50,000, she should be safe from the IRS with her Australian passport.

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