



Robert W. Wood

THE TAX LAWYER

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Martin Shkreli Hit With \$4.6M IRS Tax Lien On Top Of SEC Charges

Martin Shkreli may be able to sail through his prosecution for alleged securities fraud. He may even be able to joke about his [recent Senate testimony](#). But the pharma bad boy is unlikely to walk away from the IRS. It wants its money. The IRS filed a tax lien for \$4,628,928 in unpaid taxes, penalties and interest. The lien came right after he was arrested by the FBI, according to [Gawker.com](#) which reported the lien.

Liens are public, not that Mr. Shkreli is likely to embarrass easily. Famously, Mr. Shkreli's Turing Pharmaceuticals [raised the price of the drug](#) Daraprim from \$13.50 per pill to \$750 per pill. Mr. Shkreli stepped down as CEO of Turing after his indictment.



Pharmaceutical chief Martin Shkreli speaks on Capitol Hill in Washington, Thursday, Feb. 4, 2016, during the House Committee on Oversight and Reform Committee hearing on his former company's decision to raise the price of a lifesaving medicine. Shkreli refused to testify before U.S. lawmakers who excoriated him over severe hikes for a drug sold by a company that he acquired. (AP Photo/Susan Walsh)

With criminal charges on the agenda, a tax lien may seem tame. For most people, IRS tax liens are serious, spoiling your credit, preventing real estate closings, and damaging your reputation. They sometimes are not removed even after you have paid off the IRS.

A [report](#), from the Treasury Inspector General for Tax Administration says some lien notices are mishandled. The [report](#) says an estimated 24,237 taxpayers with tax liens had IRS notices go awry, appeal rights not explained, and similar gaffes. To be fair to the IRS, the report says in most cases the IRS mailed out the lien notices explaining the taxpayer's appeal rights. IRS employees typically followed the correct procedures when a notice could not be delivered by the post office.

The IRS can file a [Notice of Federal Tax Lien](#) only after:

- IRS assesses the liability;
- IRS sends a Notice and Demand for Payment; and
- You fail to fully pay 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 now. Occasionally, even the IRS makes a mistake. It happened to [Dionne Warwick, who proved that an IRS tax lien can be wrong](#). Sometimes, the IRS is right, but some notices go awry.

In early 2015, [Robert De Niro](#) was surprised by [a \\$6.4 million IRS tax bill](#). The Oscar winner's tax debt surfaced in [documents uncovered by Smoking Gun](#). Mr. De Niro has an estimated worth of over \$200 million, and is reputed to spend \$125,000 a month on his rental on Central Park West. But

the [notice](#) revealed that his tax bill was unpaid. As soon as he learned of the tax lien, he had a check for the full amount hand delivered to the IRS.

Such address problems are all too common, and the expense and hassle can be significant. People move and may not receive forwarded mail. One way to try to prevent such gaffes is to use consistent addresses with tax filings. Plus, when you do move, file a [Form 8822. Change of Address](#) with the IRS.

Just about everything in the tax system has a timed response, such as 30 or 90 days. If you don't receive a notice and miss out on a procedural advantage, you may not be able to make it up later.

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