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Don’t Let the IRS Yank Your Passport

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The IRS has in a recent news release (IR-2019-23) reiterated its warning that individuals who owe federal taxes may not be able to renew their passport or obtain a new passport.

As we recently reported, taxpayers who have a “seriously delinquent tax debt” may be prevented from obtaining a new passport or renewing a current passport. This means that, if someone owes taxes to the federal government, he or she might be unable to travel outside of the U.S.

In 2015, Congress passed a law known as the Fixing America’s Surface Transportation Act (“FAST”). FAST added Section 7345 to the Internal Revenue Code. This provision authorizes the IRS to disclose tax information to the State Department with respect to taxpayers who owe the IRS more than $50,000. This figure is adjusted annually for inflation, and is $52,000 for 2019. After receiving this information, the State Department may revoke, deny, or place limitations on, the delinquent taxpayer’s passport.

The government’s recent news release repeats its prior advice that a taxpayer who has a large outstanding tax debt should promptly contact the IRS to address the debt and make payment arrangements to avoid the IRS contacting the State Department.

When the IRS certifies a taxpayer to the State Department as someone who has an unresolved seriously delinquent tax debt, the taxpayer will receive a Notice CP508C from the IRS explaining what the taxpayer must do to resolve his or her tax debt. Only the affected taxpayer will receive the Notice CP508C from the IRS. Someone authorized to act on the taxpayer’s behalf (such as an attorney or an accountant) will not receive the Notice. This means that a taxpayer who owes the IRS money should not ignore any correspondence from the IRS and assume that his or her attorney or accountant will receive the Notice and get it taken care of.

If a Notice CP508C from the IRS is received, it is important to act quickly because it can often take a significant amount of time to resolve the tax issues.

Before the State Department will take action against a taxpayer, it will generally hold the certification from the IRS for 90 days to give the taxpayer an opportunity to get the tax debt resolved.

There are several ways that a taxpayer can resolve his or her outstanding tax debt, including:

- Pay the liability in full;
- Pay the liability with an installment agreement;
- Pay a portion of the liability pursuant to an offer in compromise;
- Timely request a collection due process hearing (in response to a notice of tax levy); or
- Have collection suspended by making an innocent spouse election or requesting innocent spouse relief.

Although it is subject to change, the IRS also will currently not certify a taxpayer as owing a seriously delinquent tax debt or will reverse the certification for a taxpayer who:

- Is in bankruptcy;
- Is deceased;
- Is identified by the IRS as a victim of tax-related identity theft;
- Has a tax account that the IRS has determined is currently not collectible due to hardship;
- Is located within a federally declared disaster area;
- Has a request pending with the IRS for an installment agreement;
- Has a pending offer in compromise with the IRS;
- Has an IRS accepted adjustment that will satisfy the debt in full; or
- Is serving in a combat zone.

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