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MARKETS

Coming Soon: Serious Tax Debts to Put Passport Privileges at Risk

Unpaid taxes of more than \$51,000 could cause denial or revoking of passports under law that takes effect later this month



U.S. passports lie on a table in Dallas. PHOTO: BENNY SNYDER/ASSOCIATED PRESS

By *Daisy Maxey*

Jan. 16, 2018 6:01 p.m. ET

A law that would deny or revoke passports for U.S. citizens with seriously delinquent tax debt is set to take effect later this month.

Under the law, the Internal Revenue Service is required to notify the State Department after it has certified that an individual has unpaid federal taxes, including penalties and interest, of more than \$51,000. The State Department may then deny issuing or renewing a passport or revoke an existing passport. The threshold for being considered seriously delinquent will be indexed yearly for inflation.

In most cases, the State Department would move to deny or revoke a passport only if a taxpayer is subject to a lien, which advises creditors of a debt to the IRS, or a levy, which gives the IRS the authority to seize assets. The law, which was signed in December 2015, will apply to existing tax debts.

The IRS, in a news release Tuesday, “strongly encouraged” taxpayers who are seriously behind on their taxes to pay what they owe or enter into a payment agreement with the service “to avoid putting their passports in jeopardy.”

A taxpayer won't be considered seriously delinquent if he or she is in the process of resolving a debt by paying it on an IRS-approved installment plan; has entered into an agreement with the IRS to settle the debt for less than the full amount; or has reached a settlement agreement with the Justice Department.

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which collection is suspended due to a request for a due process hearing or if the debt's collection is suspended because the individual made an innocent-spouse election or requested innocent-spouse relief, options available to a spouse who believes he or she isn't culpable for the debt.

In addition, a passport won't be at risk under this program for any taxpayer in bankruptcy, located within a federally declared disaster area or identified by the IRS as a victim of tax-related identity theft. Passports also won't be at risk for those whose account the IRS has determined isn't currently collectible due to hardship.

The IRS is required to notify taxpayers that certification of their seriously delinquent tax debt has been transmitted to the State Department. If a taxpayer certified as delinquent applies for a passport, the State Department, in general, will give the applicant 90 days to resolve their delinquency before denying the application. If a taxpayer needs their passport for travel within those 90 days, he or she must contact the IRS and resolve the matter within 45 days from the date of application so that the IRS has adequate time to notify the State Department.

A taxpayer who receives a notice of serious delinquency that he or she believes is erroneous should immediately contact the IRS phone number in the notice to explain why it isn't correct and request a reversal, said Josh Ungerman, a partner with Meadows, Collier, Reed, Cousins, Crouch & Ungerman LLP in Dallas. If a taxpayer isn't satisfied with the IRS response, or if the IRS fails to respond, he or she should file a lawsuit in the U.S. Tax Court or U.S. District Court, he said.

The State Department didn't have immediate comment.

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