

NEW LAW WILL REVOKE PASSPORTS FOR CERTAIN U.S. CITIZENS WITH TAX DEBTS

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Legislation passed by the U.S. Congress December 3 and signed by President Obama on December 4 would allow the IRS to work with the State Department to revoke or deny the passport of a U.S. citizen with “seriously delinquent tax debt.” The main purpose of Fixing America’s Surface Transportation (FAST) Act is to provide long-term funding for transportation projects, including new highways, but a few tax related provisions were also included.

Section 32101 of the bill defines seriously delinquent tax debt as a tax liability that has been assessed for an amount greater than \$50,000 and for which the taxpayer has exhausted all administrative rights under IRC Section 6320 or for which a levy has already been made under IRC Section 6331. The \$50,000 limit will be adjusted each year (after 2015) for inflation and cost of living adjustments and does not apply to tax debts that are being paid in a timely manner under an installment plan or to debts for which the collection process has been suspended because of a collection due process (CDP) hearing. Under the legislation, which creates new Internal Revenue Code Section 7345, the \$50,000 threshold includes interest and penalty amounts in addition to taxes owed.

Once a U.S. citizen is notified of this potential action, he or she has the option to bring a civil action in federal district court to determine whether the certification that the taxpayer has a seriously delinquent tax debt was erroneously made by the IRS.

If the secretary of state decides to revoke a passport, the secretary has the option to limit a previously issued passport only for return travel to the United States or to issue a limited passport that only permits return travel to the United States.

The new law also authorizes the secretary of state to deny the issuance of a U.S. passport to any U.S. citizen who does not include his or her social security number on the passport application or an applicant who intentionally provides an incorrect or invalid social security number. In the past, U.S. passports were issued to U.S. citizens living outside the United States who had never obtained a U.S. social security number.