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IRS Has Another Collection Tool: New Tax Law Could Result in Revocation of U.S. Passport for Serious Tax Delinquency

Legal Alert

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The Fixing Americas Surface Transportation Act (the FAST Act) was recently signed into law by President Obama. The FAST Act adds new Section 7345 to the Internal Revenue Code (the Code). Section 7345 of the Code allows the IRS to coordinate with the U.S. State Department to revoke, deny, or limit the U.S. passport of a taxpayer with a seriously delinquent tax debt in an amount in excess of $50,000 for which a notice of lien or levy has already been filed by the IRS. According to estimates by the Joint Committee on Taxation, this new tax law is expected to raise $398 million over 10 years.

The $50,000 threshold includes penalties and interest assessed for nonpayment of the tax. The relatively low threshold, however, does not include amounts that are subject to an offer in compromise or part of an installment agreement. Another important exception is for any amount where collection action has been suspended because the taxpayer has made an application for innocent spouse relief or requested a collection due process hearing.

Section 7345 of the Code allows the IRS to undertake drastic collection enforcement. Taxpayers who owe the IRS money should contact a tax adviser to discuss what proactive steps should be taken before there is little room to challenge a tax liability.

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