

DON'T LET YOUR PASSPORT BE RESTRICTED BY THE IRS

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Over the last several years, the IRS and Congress have been trying to enforce the reporting of income of U.S. citizens living abroad. The Foreign Account Tax Compliance Act (FACTA) and a series of offshore voluntary disclosure programs have been instituted to ensure proper reporting of foreign financial accounts and overseas income.

Starting at an undisclosed time in 2017, the government has given the IRS an additional tool to enforce these reporting rules. The IRS will have the ability to restrict the passports of individuals with seriously delinquent tax debt. This program is targeted at the expatriate community and foreign travelers who haven't established an agreement with the IRS to pay their delinquent tax debt.

If a taxpayer owes seriously delinquent tax debt, the IRS will send a *Notice of Certification of Your Seriously Delinquent Federal Tax Debt* to the taxpayer. This notice will advise taxpayers to contact the IRS and arrange for payment of the delinquent tax, or suffer passport restrictions. The law defines seriously delinquent tax debt as a legally enforceable federal tax liability of more than \$50,000 (unpaid taxes, penalties, and interest combined) that has been assessed with a levy issued.

The IRS will then provide the list of taxpayers to the State Department. The State Department will then deny the new or renewal passport applications of the listed taxpayers. They can also revoke or limit their existing passports.

Currently, taxpayers will still be able to travel if any of the following apply:

- The tax debt is being paid in a timely manner under an installment agreement or an offer in compromise.

- The tax debt collection has been suspended because of either requested innocent spouse relief or a requested, pending, Collection Due Process hearing.

- The IRS may set more exclusion rules as it implements the passport restrictions.

If you are unsure about your tax compliance status, it is in your best interest to contact the IRS and inquire about it.

If you owe back taxes and have not set up an installment agreement or an offer in compromise that would exempt you from passport restrictions, act now. It can take weeks or months for these agreements to be confirmed. The IRS will not notify the State Department to remove the restrictions until the agreement is in place. When it is finalized, the IRS has 30 days to notify the State Department to remove the restrictions. As you can see, this process can take a long time and the sooner you know there is a problem the better.



U.S. taxpayers abroad who have no idea about their compliance status should avoid the surprise and contact the IRS right away to confirm they are in good standing.

If you have questions about this or any other business or tax issue, please contact your Account Manager or [Sue Freed, CPA](mailto:sfrees@connerash.com), at (314) 205-2510 or via email at sfrees@connerash.com.