COMMITTEE ON FINANCE http://finance.senate.gov

Offset to Collect Seriously Delinquent Back Taxes

Originally included in the Chairman's Mark for the Highway Investment, Job Creation and Economic Growth Act of 2012, the provision to revoke passports of individuals owing more than $50,000 in back taxes will help ensure those with seriously delinquent taxes of $50,000 or more aren't passing on their tax obligation to the American taxpayers who play by the rules. A "seriously delinquent" tax debt is one that has gone through the exhaustive administrative review and judicial relief processes, at which point the taxpayer is still found to be delinquent and a lien or levy is placed against the taxpayer's property.

The administrative review and judicial relief processes include:

- Initial examination
- Independent review by the IRS Chief Counsel
- Independent review by the IRS Appeals Division
- Court determination that the tax is owned
- Court determination is upheld at the appellate level
- The amount of the tax owned, plus interest and penalties had been established

The provision and the Chairman's Mark passed the Finance Committee with bipartisan support on February 7, 2012.

- The provision is based off existing law that the US is able to revoke or deny passports for those leaving the US who have delinquent child support payments of $2,500 or more.

- The provision does not impose any new taxes. It simply requires delinquent taxpayers to satisfy outstanding tax obligations.

- The provision allows for the State Department to make exceptions in the cases of hardship and allows for re-entry in the United States prior to the passport being revoked.

- The provision addresses concerns that individuals with seriously delinquent taxes may flee the country to avoid satisfying their outstanding tax obligations. It does not restrict individuals from leaving the country, but simply ensures they fulfill any back taxes before they go.

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