



GMS Flash Alert

2019-154 | October 8, 2019



United States - Update: Unpaid Taxes and Revocation or Denial of Passports

The U.S. Internal Revenue Service (IRS) has announced that it has begun sending certifications of unpaid tax debt to the U.S. Department of State pursuant to its enforcement of Internal Revenue Code (I.R.C.) section 7345, which authorizes the U.S. government to revoke or deny passports of U.S. citizens with “seriously delinquent tax debt.”¹ As of May 2019, the IRS had sent almost 389,000 certifications of unpaid tax debt to the State Department for individuals with tax debt exceeding \$52,000.²

WHY THIS MATTERS

Revocation or denial of one’s passport is a harsh consequence for failing to meet one’s U.S. income tax obligations. A U.S. citizen who is about to go on foreign assignment or who is already abroad may find herself without a valid passport. A valid passport is necessary not only for international travel, but to live and work abroad. Oftentimes it is the only means of identification and establishing residency abroad.

In practice, this process may only affect a small number of taxpayers who have failed to comply with both U.S. information and income tax returns. However, all taxpayers with outstanding tax debt should be aware of the risks.

Revocation or Denial of Passport in Case of Certain Unpaid Taxes

Background: Procedures

For the IRS to certify tax debt to the State Department as “seriously delinquent tax debt” under I.R.C. section 7345, it must have completed its normal examination and collection procedures and must issue two additional notices before revocation or denial of passports can take effect. First, the IRS must issue Letter 6152 to the taxpayer asking the individual to call within 30 days (90 days for those abroad) to resolve his or her account. Second, a contemporaneous notice must be sent to the taxpayer of IRS certification to the State Department.³

© 2019 KPMG LLP, a Delaware limited liability partnership and the U.S. member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity. All rights reserved. Printed in the U.S.A. NDPPS 530159

There should be sufficient warnings and opportunities for those affected to resolve their tax debts. The IRS sends written notices by regular mail to the last known address and may have difficulty corresponding with U.S. citizens abroad if individuals are on multiple international assignments or move frequently.⁴ Thus, it's important to provide the IRS with up-to-date information.

Revocations or denials of passports will only occur after the IRS completes its normal examination and collection procedures, including exhaustion of the taxpayer's administrative rights. However, U.S. citizens abroad may face difficulty availing themselves of the administrative remedies and let matters lapse due to their being unaware. Even if the individual is made aware, he or she may not be able to respond in a timely manner or in time to prevent an IRS certification to the State Department.

"Seriously delinquent tax debt" refers to unpaid, legally enforceable, federal tax debt assessed at greater than \$52,000 (including interest and penalties) and either:

- (i) notice of lien has been filed and collection due process rights have been exhausted or lapsed; or
- (ii) a levy has been made.⁵

This does not include an FBAR penalty or child support.

The threshold amount is indexed annually for inflation.

Passport Status and Travel

The State Department will notify individuals with denied passport applications. For those who need their passports for employment, a reversal of an IRS certification of delinquent tax debt requires a full balance payment or alternative payment arrangement with the IRS.

If an individual is planning to travel and already has a passport, use of the passport is permitted until the State Department's revocation notification. For those who are already abroad with a revoked passport, the State Department may issue a "limited validity" passport good only for a direct return to the United States. Similarly, a reversal of an IRS certification to the State Department requires either a full payment of the individual's debt balance or an alternative payment agreement with the IRS. Once the IRS receives payment for the delinquent tax debt, it will decertify within 30 days of the resolution of that debt and provide a notice of the reversal to the State Department.

KPMG OBSERVATION

Worth noting is the IRS statement that it will "provide notification to the State Department as soon as practicable."⁶ The lingering question for those affected is how long an individual would have to wait to receive his or her reinstated passport or approval for the previously denied passport. Uncertainty remains as to the promptness of undertaking next steps on the part of both the State Department and the IRS once a delinquent tax debt is resolved. Though the IRS provides that it will decertify within 30 days of debt resolution, it is uncertain as to how long it will take for the decertification notice to be sent out to the State Department. In addition, though it is customary for the State Department to take up to four weeks to (re)issue denied passports for arrears in child support, it is unclear as to how long it would take for the State Department to reinstate or (re)issue passports after IRS decertification notices are received.

Recently, the IRS announced new relief procedures for certain individuals who have relinquished or are considering relinquishing their U.S. citizenship, which will enable such individuals to come into compliance with their U.S. tax and filing obligations and receive relief for unpaid taxes and penalties.⁷

FOOTNOTES:

- 1 See the IRS webpage (and the Alert on that webpage): "[Revocation or Denial of Passport in Case of Certain Unpaid Taxes.](#)"
- 2 See National Taxpayer Advocate, "[Objectives Report to Congress: Fiscal Year 2020](#)" – Volume One.
- 3 For prior coverage, see GMS [Flash Alert 2015-146](#) (December 10, 2015).
- 4 See Treasury Inspector General for Tax Administration, "[Planned Improvements Have Not Been Made to Manage and Track Correspondence with International Taxpayers](#)," (Sept. 8, 2015).
- 5 See I.R.C. §§ 6320, 6331.
- 6 See the IRS webpage: [Revocation or Denial of Passport in Case of Certain Unpaid Taxes](#).
- 7 For prior coverage, see GMS [Flash Alert 2019-139](#) (September 10, 2019).

* * * *

The above information is not intended to be "written advice concerning one or more Federal tax matters" subject to the requirements of section 10.37(a)(2) of Treasury Department Circular 230 as the content of this document is issued for general informational purposes only.

The information contained in this newsletter was submitted by the KPMG International member firm in United States.

www.kpmg.com

kpmg.com/socialmedia



© 2019 KPMG LLP, a Delaware limited liability partnership and the U.S. member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. Printed in the U.S.A. NDPPS 530159

The KPMG name and logo are registered trademarks or trademarks of KPMG International.

The KPMG logo and name are trademarks of KPMG International. KPMG International is a Swiss cooperative that serves as a coordinating entity for a network of independent member firms. KPMG International provides no audit or other client services. Such services are provided solely by member firms in their respective geographic areas. KPMG International and its member firms are legally distinct and separate entities. They are not and nothing contained herein shall be construed to place these entities in the relationship of parents, subsidiaries, agents, partners, or joint venturers. No member firm has any authority (actual, apparent, implied or otherwise) to obligate or bind KPMG International or any member firm in any manner whatsoever. The information contained in herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

Flash Alert is a GMS publication of KPMG LLP's Washington National Tax practice. To view this publication or recent prior issues online, please click [here](#). To learn more about our GMS practice, please visit us on the Internet: click [here](#) or go to <http://www.kpmg.com>.