

### Q: What is the impact of a federal tax lien and what relief is available?

**A:** A federal tax lien arises when a taxpayer fails to pay tax due upon notice and demand. Historically, the IRS filed a Notice of Federal Tax Lien ("Notice") when tax liabilities exceeded \$5,000. A Notice is generally filed in the circuit court of the county in which a taxpayer resides or owns property and attaches to all property owned or later acquired. A Notice appears on credit reports, lowers credit scores and limits employment opportunities. While the IRS releases a Notice upon full payment, it was rare to obtain a withdrawal that removed any reference of the lien from credit reports.

On February 24, 2011, the IRS announced its "Fresh Start" initiative that helps taxpayers avoid or ease the adverse impact of a Notice. The IRS has increased the threshold for filing liens and eased the requirements for the withdrawal of a Notice, particularly where taxpayers owe less than \$25,000 and enter into direct debit installment agreements. The new procedures are welcome relief to taxpayers seeking to restore their financial status.



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