



IRS Speeds Lien Relief for Homeowners Trying to Refinance, Sell

Audio file: [Tax Lien Relief](#)

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WASHINGTON — The Internal Revenue Service today announced an expedited process that will make it easier for financially distressed homeowners to avoid having a federal tax lien block refinancing of mortgages or the sale of a home.

If taxpayers are looking to refinance or sell a home and there is a federal tax lien filed, there are options. Taxpayers or their representatives, such as their lenders, may request that the IRS make a tax lien secondary to the lien by the lending institution that is refinancing or restructuring a loan. Taxpayers or their representatives may request that the IRS discharge its claim if the home is being sold for less than the amount of the mortgage lien under certain circumstances.

The process to request a discharge or a subordination of a tax lien takes approximately 30 days after the submission of the completed application, but the IRS will work to speed those requests in wake of the economic downturn.

"We don't want the IRS to be a barrier to people saving or selling their homes. We want to raise awareness of these lien options and to speed our decision-making process so people can refinance their mortgages or sell their homes," said Doug Shulman, IRS commissioner.

"We realize these are difficult times for many Americans," Shulman said. "We will ensure we have the resources in place to resolve these issues quickly and homeowners can complete their transactions."

Filing a [Notice of Federal Tax Lien](#) is a formal process by which the government makes a legal claim to property as security or payment for a tax debt. It serves as a public notice to other creditors that the government has a claim on the property.

In some cases, a federal tax lien can be made secondary to another lien, such as a lending institution's, if the IRS determines that taking a secondary position ultimately will help with collection of the tax debt. That process is called subordination. Taxpayers or their representatives may apply for a subordination of a federal tax lien if they are refinancing or restructuring their mortgage. Without lien subordination, taxpayers may be unable to borrow funds or reduce their payments. Lending institutions generally want their lien to have priority on the home being used as collateral.

To apply for a certificate of lien subordination, people must follow directions in [Publication 784](#), How to Prepare an Application for a Certificate of Subordination of a Federal Tax Lien. Again, there is no form but there must be a typed letter of request and certain documentation. The request should be mailed to one of 40 Collection Advisory Groups nationwide. See [Publication 4235](#), Collection Advisory Group Addresses, for address information.

Taxpayers or their representatives may apply for a certificate of discharge of a tax lien if they are giving up ownership of the property, such as selling the property, at an amount less than the mortgage lien if the mortgage lien is senior to the tax lien. The IRS may also issue a certificate of discharge in other circumstances if the taxpayer has sufficient equity in other assets, can substitute other assets, or is able to pay the IRS its equity in the property. Without a tax lien discharge, the taxpayer may be unable to complete the home ownership change and the ownership title will remain clouded.

To apply for a tax lien discharge, applicants must follow directions in [Publication 783](#), Instructions on How to Apply for a Certificate of Discharge of a Federal Tax Lien. There is no form but there must be a typed letter of request and certain documentation. The request should be mailed to one of 40 Collection Advisory Groups nationwide. See [Publication 4235](#) for address information.

The IRS also urges people to contact the agency's Collection Advisory Group early in the home sale or refinancing process so that it can begin work on their requests. People sometimes delay informing lenders of the tax liens, which only serves to delay the transaction.

Currently, there are more than 1 million federal tax liens outstanding tied to both real and personal property. The IRS issues more than 600,000 federal tax lien notices annually.

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