

## What is a *Federal Tax Lien*?

A *federal tax lien* is a claim by the IRS against your property to secure the payment of federal tax, penalty and interest assessed against you. This claim starts out as an “invisible” creature since no one knows about it except you and the IRS (but for instances when this claim can become public knowledge, see *Notice of Federal Tax Lien* below).

A federal tax lien attaches to all property you own, whether that property is real estate such as your home, tangible personal property such as cars and boats, money in the bank, your wages, and *anything* else which can be considered property owned by you. And it doesn't matter whether that property is located in the United States, or somewhere else in the world, the federal tax lien can attach to it.

### *Notice of Federal Tax Lien*

Sometimes, in order to put the world on notice that the IRS has a claim against your property, IRS agents file a piece of paper in the county you live, or at the secretary of state's office for the state in which you reside. This piece of paper is known as a *Notice of Federal Tax Lien*. It is at this point, when the *Notice* is filed, that everyone knows you owe the IRS money.

## *Things to Keep in Mind*

Here are some points to remember about federal tax liens:

- a. Once the IRS files a tax lien against you, the whole world is “on notice” that the tax authorities have an interest in *all* of your property up to the amount of taxes, penalties and interest you owe—and this number continues to grow *every day*.
- b. Tax liens are listed on your credit report because they are a matter of public record, and that can make it difficult, if not impossible, to buy a new car, re-finance your home, get a credit card, or even open a new checking account! *Anyone* checking the public records, or performing a credit check on you, will discover the presence of any tax lien listed.
- c. Some people think the tax lien is just for the amount listed on the lien notice or on your credit report. This is *wrong*, and you can run into a big surprise when you go to pay off the tax bill. You will probably owe **MORE THAN** the amount listed on the *Notice of Federal Tax Lien*, if one has been filed against you.

WARNING: The federal tax lien is different from a federal tax *levy*. A levy is explained in a separate publication available on this website.