Traveling Abroad for the Holidays? You May Want to Pay Your Taxes First

By

A transportation funding bill signed into law earlier this month (December 2015) includes a controversial tax collection measure that may affect U.S. citizens' freedom to travel.

Beginning in 2016, the new provision allows the IRS to disclose to the U.S. State Department the identities of taxpayers with "seriously delinquent tax debt." The State Department will be authorized to revoke such taxpayer's passport or deny an application for a new passport or renewal.

If all you owe is a few hundred dollars, do not despair. To be considered "seriously delinquent," the tax debt must be greater than $50,000 (adjusted for inflation after 2016) and the IRS must have filed a lien or levy.

Taxpayers who have entered into installment agreements or offers in compromise with the IRS, or have requested collection due process (CDP) hearings or innocent spouse relief are exempt. There are additional exceptions for humanitarian or emergency circumstances.

In deciding whether to revoke a passport, the State Department can limit such action so it can be used only for travel back to the U.S. where, presumably, the IRS would like you to pay your taxes.

Given this development, taxpayers owing significant sums to the IRS should consider being proactive and attempting to reach a resolution before embarking on an overseas trip.