



**PRODIGY FINANCIAL SERVICES GROUP**

# Federal Tax Lien Removal Guide

**How To Legally Remove IRS Tax Liens Filed Against You**

Presented to you by:

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## **IRS Notice of Federal Tax Lien**

A Notice of Federal Tax Lien (NFTL) is an encumbrance that establishes a legal claim by the government. It does not result in the physical seizure of your property. A levy, on the other hand, allows the IRS to actually seize wages, cash, or property.

Generally speaking a tax lien gives the IRS a claim against everything you own or may acquire until the amount the IRS claims you own is satisfied. This includes all assets from home and car all the way to the rusted bicycle in your backyard. The lien also technically attaches to your wages, money in you bank accounts, your retirement accounts, and even the cash in your wallet. The lien will attach to any asset acquired while it is still in force unless that asset has received a Certificate of Discharge excluding it from the lien.

A Federal Tax Lien also impacts your credit score, since it shows up on your credit report. Therefore, the tax lien can impact your ability to obtain loans, rent an apartment, and can even impact your insurance rates and ability to obtain employment if you are a job seeker.

In most cases, a tax lien will jump ahead of many other liens against your property after a 90 to 180 day period, unless a particular piece of property is used as collateral for a loan. For example, a tax lien does not jump ahead in priority position over a car loan or a first, second, or third mortgage against your home. It will, however, usually jump ahead of, say, a mechanic's lien against your home.

You may have circumstances where having the lien released would be of benefit to helping you resolve the tax situation. There are three types of lien releases available to a taxpayer that may help you resolve tax liabilities with the IRS.

## Certificate of Discharge

A Certificate of Discharge (COD) is the process of removing a single piece of property from being subject to the tax lien, usually so that the property can be legally transferred. For example, if you are trying to sell your house but the presence of the lien is preventing this from occurring, then you would need to obtain a Certificate of Discharge to release the tax lien against your house.

In the vast majority of cases, the IRS will not release a lien against a particular piece of property unless they are somehow going to benefit from it. They will generally approve a Certificate of Discharge if the lien discharge will facilitate the sale of the property in such a way that the IRS will get some money out of it. In other words, releasing the lien will facilitate collection of the tax.

If the government isn't going to see any money out of releasing a piece of property from the lien, it's possible to still obtain a Certificate of Discharge if there is a valid reason. In particular, if the IRS won't be receiving any money, but getting rid of the property will free up cash flow and put you in a better financial position in regards to your income and expenses so that later on down the road you can start paying on your taxes, then the IRS will likely approve a Certificate of Discharge.

If the property in question has no significant fair market value, the COD may also be granted, but this is much more of a hit-or-miss situation.

## Lien Subordination

A lien subordination is the process of moving the tax lien down a notch in the prioritization of claims against a piece of property. For example, if you own a house free and clear, and the tax lien is in first position against the house, you can't obtain a mortgage against the house. No lender in their right mind is going to loan you money against that house unless their lien is going to take first position.

The answer to this problem is the lien subordination. The IRS will usually approve the subordination of their lien against a property if the lien that will be taking first position ahead of the tax lien will result in money going to your tax liability.

In the house example, obtaining a subordination of the tax lien in order to obtain a mortgage against the house will result in cash coming from that mortgage. At closing, that cash will go directly to the IRS, the mortgage will move into first position, and the tax lien gets re-recorded in second position. Remember, paying interest on a loan is almost always going to be cheaper than paying penalties and interest to the IRS.

There are other conditions where a lien subordination will still be approved, even if the IRS isn't going to obtain direct proceeds from doing so. For example, many trucking companies will finance their accounts receivable through a process called factoring. In factoring, a lender pays the trucking company some percentage of their accounts receivable (usually 75% to 90%) up front, and then the lender takes the responsibility of collecting on that account receivable when it's due, usually 30 to 90 days down the road. This way, the trucking company gets money now so that they can buy fuel and make payroll.

When a tax lien is filed, most factoring lenders stop funding. In that case, the trucking company suddenly loses all of its cash flow. In order to enable the funding to continue, a lien subordination can be obtained that move the tax lien to a position below the factoring lender, thereby protecting the lender's claim on those accounts receivable.

## Lien Withdrawal

There are rare occasions when obtaining an outright release of the entire Federal tax lien is actually the best way to progress towards a resolution of your tax liabilities. If a case can be made that the withdrawal of the lien will facilitate payment of the tax liability, or is otherwise in the best interest of both the taxpayer and the government, then the government may be open to this.

Another case where a lien withdrawal can be applied for is when you have entered into an Installment Agreement to pay the back taxes and the agreement did not mandate that a lien be filed, particularly a payment plan where the payments are directly withdrawn from your bank account and the Total amount due in taxes plus additions to tax is currently under \$25,000.00. In these cases, you can often get the lien released as long as you are current with your payments and other tax obligations.

As part of the IRS Fresh Start Initiative launched in March 2012, the IRS will permit individuals that are on Direct Debit Installment Agreements to have their lien withdrawn completely if you owe \$25,000.00 or less, without having to prove that the lien is causing any sort of hardship. You must have an installment agreement established that will fully pay the tax liability within the Collection Statute Expiration Dates, Have the payment agreement set up to be directly debited from your checking account, must not have previously defaulted on another installment agreement to the Internal Revenue Services, and must have made 3 or more payments through the Direct Debit Installment Agreement.

## **Certificate of Release of Paid or Unenforceable Lien**

The IRS is required to issue a certificate of release of lien no later than 30 days after one of the following events occur:

- The tax liability is paid in full.
  
- The Collection Statute Expiration Dates have ran and the tax liability is no longer collectible.
  
- The IRS accepts the bond of a surety company or payment of all taxes owed is to be made no later than six months before the expiration of the 10-year collection statute.
  
- The taxpayer delivers a cashier's check to the IRS and receives a Certificate of Release of Tax Lien.

## What are my options?

The IRS will always suggest immediately paying off the lien with any and all available resources, and they will certainly send you reminder notices and demand for payments – even if you are currently in an Installment Agreement. And they certainly are charging a lot of penalties and interest. Depending on the Size of the lien and you available assets you may have a few different avenues that are open to you. Some are based on the circumstances surrounding the events leading up to owing the liability and what steps you have taken to resolve the matter as timely and effectively as possible. Others are based on your current ability to pay back the tax – something the IRS refers to as your reasonable collection potential.

Many times people may not be sure exactly how much the IRS is claiming that they owe or how the IRS is calculating the penalties they are charging. It can be hard to determine if the IRS is properly allocating payments that you have made to pay down the liability that the IRS claims you owe.

One of the Services we provide our clients is an upfront look into their current tax situation by requesting their Master Transcript directly through the IRS Practitioner Priority Service. This common sense approach to determining your full and total liability to the IRS as well as any filing requirements will allow us to give you a detailed course of action that can help you effectively resolve your tax issues - once and for all.

To receive an in depth review of your current situation as well as a common sense plan to address you're your current situation – simply return the following New Client Information Page as well as a signed and dated form 8821 and 2848 via email to [help@prodigyfsg.com](mailto:help@prodigyfsg.com) or by fax to (772)617-4604. We will contact you to schedule an appointment to go over what avenues are open to you and lay out a no-nonsense, personalized Tax Resolution Plan designed for your person situation.

## CONFIDENTIAL NEW CLIENT INFORMATION

CLIENT NAME: \_\_\_\_\_ SSN: \_\_\_\_\_

SPOUSE: \_\_\_\_\_ SSN: \_\_\_\_\_

DOB: \_\_\_\_\_ SPOUSE DOB: \_\_\_\_\_

ADDRESS: \_\_\_\_\_

CITY: \_\_\_\_\_ ST. \_\_\_\_\_ ZIP: \_\_\_\_\_

DEPENDENT NAME: \_\_\_\_\_ SSN: \_\_\_\_\_ DOB: \_\_\_\_\_

DEPENDENT NAME: \_\_\_\_\_ SSN: \_\_\_\_\_ DOB: \_\_\_\_\_

DEPENDENT NAME: \_\_\_\_\_ SSN: \_\_\_\_\_ DOB: \_\_\_\_\_

### PHONE NUMBERS:

HOME: \_\_\_\_\_

WORK: \_\_\_\_\_

CELL: \_\_\_\_\_

FAX: \_\_\_\_\_

EMAIL: \_\_\_\_\_



**Tax Information Authorization**

► Information about Form 8821 and its instructions is at [www.irs.gov/form8821](http://www.irs.gov/form8821).

► Do not sign this form unless all applicable lines have been completed.  
 ► Do not use Form 8821 to request copies of your tax returns or to authorize someone to represent you.

OMB No. 1545-1106  
**For IRS Use Only**  
 Received by:  
 Name \_\_\_\_\_  
 Telephone \_\_\_\_\_  
 Function \_\_\_\_\_  
 Date \_\_\_\_\_

**1 Taxpayer information.** Taxpayer must sign and date this form on line 7.

Taxpayer name and address		Taxpayer identification number(s)	
		Daytime telephone number	Plan number (if applicable)

**2 Appointee.** If you wish to name more than one appointee, attach a list to this form. **Check here if a list of additional appointees is attached** ►

Name and address	CAF No. <u>0311-22248R</u>
<b>Prodigy Financial Services Group</b> 1860 82nd Avenue Suite 201 Vero Beach, FL 32966	PTIN _____
	Telephone No. <u>844-208-7408</u>
	Fax No. <u>772-360-4314</u>
	Check if new: Address <input type="checkbox"/> Telephone No. <input checked="" type="checkbox"/> Fax No. <input type="checkbox"/>

**3 Tax Information.** Appointee is authorized to inspect and/or receive confidential tax information for the type of tax, forms, periods, and specific matters you list below. See the line 3 instructions.

(a) Type of Tax Information (Income, Employment, Payroll, Excise, Estate, Gift, Civil Penalty, Sec. 4980H Payments, etc.)	(b) Tax Form Number (1040, 941, 720, etc.)	(c) Year(s) or Period(s)	(d) Specific Tax Matters
<b>Income</b>	<b>1040</b>	<b>1996 through 2018</b>	<b>Not Applicable</b>
<b>Civil Penalty</b>	<b>6672</b>	<b>1996 through 2018</b>	<b>Not Applicable</b>

**4 Specific use not recorded on Centralized Authorization File (CAF).** If the tax information authorization is for a specific use not recorded on CAF, check this box. See the instructions. If you check this box, skip lines 5 and 6 . . . . . ►

**5 Disclosure of tax information** (you must check a box on line 5a or 5b unless the box on line 4 is checked):

a If you want copies of tax information, notices, and other written communications sent to the appointee on an ongoing basis, check this box . . . . . ►   
**Note.** Appointees will no longer receive forms, publications, and other related materials with the notices.

b If you do not want any copies of notices or communications sent to your appointee, check this box . . . . . ►

**6 Retention/revocation of prior tax information authorizations.** If the line 4 box is checked, skip this line. If the line 4 box is not checked, the IRS will automatically revoke all prior Tax Information Authorizations on file unless you check the line 6 box and attach a copy of the Tax Information Authorization(s) that you want to retain. . . . . ►

To revoke a prior tax information authorization(s) without submitting a new authorization, see the line 6 instructions.

**7 Signature of taxpayer.** If signed by a corporate officer, partner, guardian, executor, receiver, administrator, trustee, or party other than the taxpayer, I certify that I have the authority to execute this form with respect to the tax matters and tax periods shown on line 3 above.

► IF NOT COMPLETE, SIGNED, AND DATED, THIS TAX INFORMATION AUTHORIZATION WILL BE RETURNED.  
 ► DO NOT SIGN THIS FORM IF IT IS BLANK OR INCOMPLETE.

Signature _____	Date _____
Print Name _____	Title (if applicable) _____

**Power of Attorney  
 and Declaration of Representative**

OMB No. 1545-0150

**For IRS Use Only**

Received by:  
 Name \_\_\_\_\_  
 Telephone \_\_\_\_\_  
 Function \_\_\_\_\_  
 Date / /

► Information about Form 2848 and its instructions is at [www.irs.gov/form2848](http://www.irs.gov/form2848).

**Part I Power of Attorney**

**Caution:** A separate Form 2848 must be completed for each taxpayer. Form 2848 will not be honored for any purpose other than representation before the IRS.

**1 Taxpayer information.** Taxpayer must sign and date this form on page 2, line 7.

Taxpayer name and address		Taxpayer identification number(s)	
		Daytime telephone number	Plan number (if applicable)

hereby appoints the following representative(s) as attorney(s)-in-fact:

**2 Representative(s)** must sign and date this form on page 2, Part II.

Name and address	CAF No. _____ PTIN _____ Telephone No. _____ Fax No. _____
<b>Check if to be sent copies of notices and communications</b> <input type="checkbox"/>	Check if new: Address <input type="checkbox"/> Telephone No. <input type="checkbox"/> Fax No. <input type="checkbox"/>
Name and address	CAF No. _____ PTIN _____ Telephone No. _____ Fax No. _____
<b>Check if to be sent copies of notices and communications</b> <input type="checkbox"/>	Check if new: Address <input type="checkbox"/> Telephone No. <input type="checkbox"/> Fax No. <input type="checkbox"/>
Name and address	CAF No. _____ PTIN _____ Telephone No. _____ Fax No. _____
(Note: IRS sends notices and communications to only two representatives.)	Check if new: Address <input type="checkbox"/> Telephone No. <input type="checkbox"/> Fax No. <input type="checkbox"/>
Name and address	CAF No. _____ PTIN _____ Telephone No. _____ Fax No. _____
(Note: IRS sends notices and communications to only two representatives.)	Check if new: Address <input type="checkbox"/> Telephone No. <input type="checkbox"/> Fax No. <input type="checkbox"/>

to represent the taxpayer before the Internal Revenue Service and perform the following acts:

**3 Acts authorized (you are required to complete this line 3).** With the exception of the acts described in line 5b, I authorize my representative(s) to receive and inspect my confidential tax information and to perform acts that I can perform with respect to the tax matters described below. For example, my representative(s) shall have the authority to sign any agreements, consents, or similar documents (see instructions for line 5a for authorizing a representative to sign a return).

Description of Matter (Income, Employment, Payroll, Excise, Estate, Gift, Whistleblower, Practitioner Discipline, PLR, FOIA, Civil Penalty, Sec. 5000A Shared Responsibility Payment, Sec. 4980H Shared Responsibility Payment, etc.) (see instructions)	Tax Form Number (1040, 941, 720, etc.) (if applicable)	Year(s) or Period(s) (if applicable) (see instructions)
Income	1040	1998 through 2018
Civil Penalty	6672	1998 through 2018

**4 Specific use not recorded on Centralized Authorization File (CAF).** If the power of attorney is for a specific use not recorded on CAF, check this box. See the instructions for **Line 4. Specific Use Not Recorded on CAF** . . . . .

**5a Additional acts authorized.** In addition to the acts listed on line 3 above, I authorize my representative(s) to perform the following acts (see instructions for line 5a for more information):

Authorize disclosure to third parties;  Substitute or add representative(s);  Sign a return; \_\_\_\_\_

\_\_\_\_\_

Other acts authorized: \_\_\_\_\_

\_\_\_\_\_

**b Specific acts not authorized.** My representative(s) is (are) not authorized to endorse or otherwise negotiate any check (including directing or accepting payment by any means, electronic or otherwise, into an account owned or controlled by the representative(s) or any firm or other entity with whom the representative(s) is (are) associated) issued by the government in respect of a federal tax liability.  
 List any other specific deletions to the acts otherwise authorized in this power of attorney (see instructions for line 5b): \_\_\_\_\_

**6 Retention/revocation of prior power(s) of attorney.** The filing of this power of attorney automatically revokes all earlier power(s) of attorney on file with the Internal Revenue Service for the same matters and years or periods covered by this document. If you **do not** want to revoke a prior power of attorney, check here  **YOU MUST ATTACH A COPY OF ANY POWER OF ATTORNEY YOU WANT TO REMAIN IN EFFECT.**

**7 Signature of taxpayer.** If a tax matter concerns a year in which a joint return was filed, each spouse must file a separate power of attorney even if they are appointing the same representative(s). If signed by a corporate officer, partner, guardian, tax matters partner, executor, receiver, administrator, or trustee on behalf of the taxpayer, I certify that I have the legal authority to execute this form on behalf of the taxpayer.  
**▶ IF NOT COMPLETED, SIGNED, AND DATED, THE IRS WILL RETURN THIS POWER OF ATTORNEY TO THE TAXPAYER.**

Signature	Date	Title (if applicable)
Print Name	Print name of taxpayer from line 1 if other than individual	

**Part II Declaration of Representative**

Under penalties of perjury, by my signature below I declare that:

- I am not currently suspended or disbarred from practice, or ineligible for practice, before the Internal Revenue Service;
- I am subject to regulations contained in Circular 230 (31 CFR, Subtitle A, Part 10), as amended, governing practice before the Internal Revenue Service;
- I am authorized to represent the taxpayer identified in Part I for the matter(s) specified there; and
- I am one of the following:
  - a Attorney—a member in good standing of the bar of the highest court of the jurisdiction shown below.
  - b Certified Public Accountant—licensed to practice as a certified public accountant is active in the jurisdiction shown below.
  - c Enrolled Agent—enrolled as an agent by the Internal Revenue Service per the requirements of Circular 230.
  - d Officer—a bona fide officer of the taxpayer organization.
  - e Full-Time Employee—a full-time employee of the taxpayer.
  - f Family Member—a member of the taxpayer’s immediate family (spouse, parent, child, grandparent, grandchild, step-parent, step-child, brother, or sister).
  - g Enrolled Actuary—enrolled as an actuary by the Joint Board for the Enrollment of Actuaries under 29 U.S.C. 1242 (the authority to practice before the Internal Revenue Service is limited by section 10.3(d) of Circular 230).
  - h Unenrolled Return Preparer—Authority to practice before the IRS is limited. An unenrolled return preparer may represent, provided the preparer (1) prepared and signed the return or claim for refund (or prepared if there is no signature space on the form); (2) was eligible to sign the return or claim for refund; (3) has a valid PTIN; and (4) possesses the required Annual Filing Season Program Record of Completion(s). **See Special Rules and Requirements for Unenrolled Return Preparers in the instructions for additional information.**
  - k Student Attorney or CPA—receives permission to represent taxpayers before the IRS by virtue of his/her status as a law, business, or accounting student working in an LITC or STCP. See instructions for Part II for additional information and requirements.
  - r Enrolled Retirement Plan Agent—enrolled as a retirement plan agent under the requirements of Circular 230 (the authority to practice before the Internal Revenue Service is limited by section 10.3(e)).

**▶ IF THIS DECLARATION OF REPRESENTATIVE IS NOT COMPLETED, SIGNED, AND DATED, THE IRS WILL RETURN THE POWER OF ATTORNEY. REPRESENTATIVES MUST SIGN IN THE ORDER LISTED IN PART I, LINE 2.**

**Note:** For designations d-f, enter your title, position, or relationship to the taxpayer in the "Licensing jurisdiction" column.

Designation— Insert above letter (a-r).	Licensing jurisdiction (State) or other licensing authority (if applicable).	Bar, license, certification, registration, or enrollment number (if applicable).	Signature	Date