CHICAGO TITLE®

# UNDERSTANDING A FEDERAL TAX LIEN

If a property owner has a tax debt to the Federal government, the Internal Revenue Service will record a federal tax lien in the county records of the taxpayer's address. Upon recording, the lien attaches to all real property interests of the taxpayer in that county. The lien does not have "Super Priority"-- it attaches in the same chronological order as any other recorded monetary lien.

If the lien is against the seller in a transaction, the seller can have the lien removed by paying the amount of the tax debt. After payment and within thirty days, the IRS will record a Certificate of Discharge. When the Certificate of Discharge is recorded the lien is of no further effect.

If there are not enough proceeds in the transaction for the seller to pay the lien in full, the seller can apply for a Discharge of Property in which only the subject property will be released from the lien. The lien continues to affect other property of the taxpayer until a full Certificate of Discharge is recorded. An application process is required that can be found in the IRS publication **"Understanding a Federal Tax Lien."**

If the seller is in bankruptcy, it may be possible to sell the property free and clear of the federal tax lien (and other liens as well) provided a proper order is obtained in the U.S. Bankruptcy Court. However, simply obtaining a discharge of debts in bankruptcy will not remove the obligation of the bankruptcy debtor to pay a federal tax lien, or remove it as a lien against their property.

Tax Liens can survive foreclosure! One particular difference in the federal tax lien from other monetary liens is that in a non-judicial foreclosure of a deed of trust, following the trustee's sale, the IRS has a 120 day redemption period provided the federal tax lien was recorded more than 30 day prior to the sale.

For more information, click here to visit IRS website at https://www.irs.gov.