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## **Notice to Delinquent Taxpayers**

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**Department of the Treasury**

**Alcohol and Tobacco Tax and Trade Bureau**



## NOTICE TO DELINQUENT TAXPAYERS

When you fail to pay taxes that are due, the Federal government may initiate levy action against your property. This publication provides a detailed discussion of the processes involved in levy actions or other actions that the Federal Government may take. It also offers alternatives, which are available to you to prevent these measures from taking place.

This document is for informational purposes only and is not intended as a precise and technical analysis of the law. It does not authorize any action or in any manner constitute taxpayer advice; it merely points out options available to you.

As used in this publication, the words “tax” and “taxes” refer to excise, floor stocks, and special occupational taxes within the jurisdictional area of responsibility of the Alcohol and Tobacco Tax and Trade Bureau (TTB) and include taxes due, interest, additional amounts due, additions to the tax, and assessable penalties.

### LIABILITY FOR UNPAID TAXES

If you have not paid all tax that is due, whether or not you have filed a return, you will receive a bill, or *Notice and Demand*, which is a notice of tax due and demand for payment (including tax, penalties and interest). Generally, you have 30 days from the date of the bill to pay before we initiate an enforced collection action. However, if we have reason to believe collection is endangered, we may issue a notice and demand for immediate payment. If you fail to make immediate payment, enforced collection action may be taken in the form of a jeopardy levy.<sup>1</sup>

### ENFORCED COLLECTION ACTION

Enforced collection action includes the filing of a *Notice of Federal Tax Lien*, the serving of a *Notice of Levy*, and/or the seizure and sale of your property (personal and/or business).

#### Federal Tax Lien

If you fail to satisfy your tax liability, we will initiate an assessment, which establishes our right to the tax money in question. The assessment creates a statutory tax lien that attaches to your property and rights to property. TTB will also file a TTB F 5651.2 *Notice of Federal Tax Lien*, which is a public notice to your creditors that a tax lien exists against your property, including property acquired after the lien is filed.

Once a *Notice of Federal Tax Lien* is filed, it can harm your credit rating as well as become a matter of public record. Only you can stop this action from taking place.

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<sup>1</sup> If a jeopardy levy is made, you have 30 days to request TTB to make a redetermination of the levy. If you are dissatisfied with the redetermination decision, then you may seek judicial review of the jeopardy levy in the United States District Court. The judicial review action must be filed with the court within 90 days after we have made the redetermination or within the 90 day period starting after the 16th day after you requested we make the redetermination, whichever is earlier. You must allow us 16 days to make the redetermination before filing the judicial review action.

A *Notice of Federal Tax Lien* will be withdrawn by the Federal Government and a Certificate of Release issued within 30 days after:

- Full payment of tax liability, including interest and other additions to the tax; or
- The taxpayer provides a proper bond conditioned upon payment of the tax assessed and interest due.

All fees charged by the State or other jurisdiction for both filing and releasing a *Notice of Federal Tax Lien* will be added to the balance you owe. In some situations prior to payment of the tax liability, a certificate of discharge may be issued to the taxpayer for particular items of property subject to a tax lien, or a certificate of subordination may be issued to subordinate the tax lien to another lien. Contact the office shown on the tax bill if you are interested in a certificate of discharge or a certificate of subordination.

### **Levy Action**

Once a *Notice and Demand* is sent to you, if you do not pay the tax, a levy may be made on property or rights to property belonging to you or on which there is a lien. The levy can be made on property in your possession or in the possession of third parties. A third party levy may attach to bank accounts, wages, accounts receivable, etc. Once served, a levy on salary or wages continues in effect until the levy is released. A levy may be released if:

- The liability for which the levy was made is satisfied or becomes unenforceable by reason of lapse of time; or
- Release of such levy will facilitate the collection of the liability; or
- The taxpayer has entered into an installment (payment plan) agreement to satisfy such liability; or
- TTB determines the levy is creating an economic hardship to the financial condition of the taxpayer; or
- The fair market value of the property exceeds such liability and release of the levy on a part of such property could be made without hindering the collection of such liability.

There are three legal requirements before levy action can be taken when a taxpayer refuses or neglects to pay. These requirements are:

- Tax must be owed;
- *Notice and Demand* for payment must have been sent to your last known address; and
- *Notice of Intent to Levy*<sup>2</sup> must be given to you at least 30 days in advance. Such notice may be given to you in person, left at your dwelling or usual place of business, or sent by certified or registered mail to your last known address.

NOTE: TTB applies the collection procedures described in its regulations in 27 CFR Part 70. These regulations implement the relevant statutory provisions regarding liens and levies found in 26 U.S.C.

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<sup>2</sup> Generally, court authorization is not required before levy action is taken unless TTB field personnel must enter into private premises to accomplish the levy action (actual seizure of property).

6326 and 6331, among others. The IRS collection due process hearing procedures described in 26 U.S.C. 6320 and 6330 are not applicable to TTB.

Property exempt from levy, by Federal law:

- Wearing apparel and school books. However, expensive items of wearing apparel such as furs are luxuries and are not exempt.
- Fuel, provisions, furniture and personal effects. See 26 U.S.C. 6334 for value limitation.
- Books and tools used in your trade, business or profession. See 26 U.S.C. 6334 for value limitation.
- Unemployment benefits.
- Undelivered mail.
- Certain annuity and pension payments.
- Workmen's compensation.
- Salary, wages or other income subject to a prior judgment for court-ordered child support payments.
- If the taxpayer is paid weekly, a minimum exemption for wages, salary and other income equal to the sum of the standard deduction and the aggregate amount of the deductions for personal exemptions you take in the tax year in which the levy occurs, divided by 52. If the taxpayer is not paid weekly, the amount exempt from levy shall be an amount which as nearly as possible will result in the same total exemption from levy for such individual over a period of time as such individual would have under the method of calculation described in the previous sentence if (during such period of time) the individual were paid or received such wages, salary or other income on a regular weekly basis.
- Certain service-connected disability payments.
- Certain Public Assistance Payments (Title IV or Title XVI of the Social Security Act and State or local public assistance or welfare programs).
- Assistance under the Job Training Partnership Act.
- Principal residence except when we determine that the collection of the tax is in jeopardy or when we notify you in writing of our intent to levy the property.

### **Sales and Seizures<sup>3</sup>**

Any type of real or personal property you own or in which you have an interest (including residential and business property) may be seized and sold to satisfy your tax bill.

#### ***Before the sale***

TTB will give notice to you and the public about the proposed sale. Unless the property is perishable and must be sold immediately, the sale cannot occur less than 10 days or more than 40 days after the public notice.

A minimum acceptable price that we will accept for the property will be computed and you will be advised of the amount. If you are in disagreement, you may request another evaluation or private appraisers to assist TTB employees in recomputing the minimum price.<sup>4</sup>

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<sup>3</sup> No seizure may be made on the date you appear in response to an administrative summons unless jeopardy exists.

<sup>4</sup> If you disagree with the value TTB places on your property subject to levy, you may request a valuation by 3 professional and disinterested

Before the date of the sale, we may release the property to you if you pay an amount equal to the amount of the Government's interest in the property, enter into an escrow agreement, furnish an acceptable bond or make an acceptable agreement for payment of the tax.

You also have the right to redeem your property at any time prior to the sale. Redemption consists of paying the tax due, including interest and penalties, together with the expenses of the seizure.

### ***After the sale***

Proceeds are applied first to the expenses of the levy and sale, and the remaining amount is then applied against the tax bill. If the sale proceeds are less than the tax bill and expenses of levy and sale, you will still be liable for the remaining unpaid tax. When sale proceeds exceed the tax bill and expenses of levy and sale, we will hold the surplus money pending a request for distribution. Unless a person, such as a mortgagee or other lienholder, submits a claim superior to yours, these excess funds will be credited or refunded to you upon request.

Real estate may be redeemed at any time within 180 days after the sale by paying the purchaser the amount he/she paid for the property plus interest of 20% per annum in accordance with 26 U.S.C. 6337.

You may request that TTB sell your seized property within 60 days (or within such longer period as may be specified by you). We will comply with such request unless we determine (and notify you within such period) that such compliance would not be in the best interest of the United States.

### **PAYMENT PROCEDURES**

- **Tax Bill Contains Error.** If you have reason to believe your bill is incorrect, you should immediately reply in writing to the address shown on the bill. Enclose, with your reply, copies of any documents that can substantiate your position. If you are correct, we will make the necessary adjustments and send you a new statement showing amount of tax, penalty, and interest due, if any.
- **Unable to Make Full Payment.** If you are financially unable to make your payment in full, contact us immediately regarding the problem. To allow us to determine how you are best able to pay the amount due, we may ask you to complete either TTB Form 5600.17, *Collection Information Statement for Individuals*, or TTB Form 5600.18, *Collection Information Statement for Businesses*. These forms will assist us in working out the best payment plan. If you hold an asset which can readily be sold, you may be asked to do so to pay your taxes. If it is determined you are unable to do so, you may be asked to secure a commercial loan. If you neglect or refuse to pay in full, enforced collection action may be taken against you.
- **Installment Payments.** Once you have submitted collection information statements and it is determined that payment can only be made by installment, each payment must be made on time. If you are unable to timely make your payment, you must immediately notify us of the circumstances. You are also liable for all future taxes as they become due. During the time you are making payments, interest will still accrue. During the time you are making payments, a

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appraisers that are acceptable to TTB. The appraisers' charges shall be included in the expenses incurred in cases of levy and sale of property.

*Notice of Federal Tax Lien* may be filed to secure the Government's interest until the final payment is made.

From time to time we may also require you to update your statement of financial condition to see if your payments can be increased. Failure to provide financial information when requested may default the agreement. If we determine that your financial condition has significantly changed, we may alter, modify, or terminate the installment agreement. If we decide to take such action, we will notify you of the basis of the determination no later than 30 days prior to the date the action is to take effect. We may terminate the installment agreement if we determine that collection of the tax to which the agreement relates is in jeopardy or that the financial condition information on which the agreement is based is inaccurate or incomplete. If you fail to make your installment payments, pay any other tax liability at the time it becomes due, or provide a financial condition update as requested, enforced collection action may be taken against you.

- **Delayed Collection.** If we determine that you cannot make any payment toward your liability, we may temporarily delay collection until your financial condition improves. This does not mean your debt is forgiven. The penalty for late payment and interest continue to accrue. We may file a *Notice of Federal Tax Lien* to protect the Government's interest during this period.
- **Bankruptcy Proceedings.** If you are a debtor in an ongoing bankruptcy proceeding, do not pay the tax bill you receive from us without first consulting TTB. Bankruptcy proceedings do not necessarily relieve your obligation to pay; however, they may lead to a temporary stay of collection.

#### **CLAIM PROCEDURE FOR REFUND OR CREDIT**

Once you have paid your tax liability in full, you have the right to file a claim for refund or credit if you feel the liability is erroneous. You can obtain the necessary forms and information about filing your claim by contacting a TTB office. You should file your claim by mailing it to the address on the tax bill. A separate form, TTB F 5620.8, Claim—Alcohol, Tobacco, Firearms Taxes, must be filed for each return period involved. Please include a statement to support your claim on the form.

You must file a claim for refund or credit within 3 years from the date the return was filed (returns filed before the due date are considered to have been filed on the due date) or within 2 years from the date the tax was paid, whichever is later.

If we reject your claim, you will receive a statutory *Notice of Disallowance*. After receiving a *Notice of Disallowance*, you may file a suit for refund in a U.S. District Court or in the U.S. Court of Federal Claims. You must file suit within 2 years from the date the *Notice of Disallowance* is mailed to you. Also, if we have not acted on your claim within six months from the date you filed it, you may then file suit for refund.

#### **TAXPAYER RIGHTS**

- **Representation.** In dealing with the Alcohol and Tobacco Tax and Trade Bureau you may represent yourself, or be represented by an attorney or a certified public accountant.

- **Transfer of Your Tax Case.** You have the right to request that your case be transferred to another location. Generally, your request will be honored if you have a valid reason, such as a change of address before or during the resolution of your case.
- **Entry Upon Private Property.** You also have the right to refuse to permit TTB personnel to enter upon your private property when the purpose of the visit is to conduct a seizure of your assets. However, if you elect to enforce this right, TTB may obtain court authorization to enter upon the property.
- **Receipts.** You have the right to a receipt for any payment you make, including a receipt for all cash payments. You also have the right to receive copies of all contractual arrangements (such as installment agreements) made with us.
- **Reimbursement of Bank Charges Due to Erroneous Levy.** You may be entitled to reimbursement for fees charged by your bank if we erroneously levy your account. Your claim must be filed on TTB Form 5620.8, Claim-Alcohol, Tobacco and Firearms Taxes, for your reimbursement of bank charges incurred due to erroneous service within one year after being charged with the fee.
- **Penalty Adjustments – Reasonable Cause.** The Internal Revenue Code provides for elimination of penalties for the late filing of a return or late payment of a tax if you can show reasonable cause. Reasonable cause, broadly defined, is a cause which arises despite ordinary care and prudence exercised by you. You must submit, in writing, a statement setting forth the facts establishing reasonable cause. Merely being unaware of or ignorance of the law is not considered to be reasonable cause.
- **Offers in Compromise.** The Administrator, Alcohol and Tobacco Tax and Trade Bureau, has the authority to compromise all taxes (including any penalty, additional amount, or addition to tax) administered by the Bureau under the Internal Revenue Code. By law you have the right to submit an offer in compromise. However, interest alone cannot be compromised; the compromise of interest may only occur if there is also a compromise of the tax liability on which the interest is based.

A compromise may be made on one or both of two grounds – (1) doubt as to your liability for the amount owed, or (2) doubt as to your ability to make full payment of the amount owed. Doubt as to your liability for the amount owed must be supported by evidence and the amount acceptable will depend upon the degree of doubt found in the particular case. In case of inability to pay, the amount you offer must exceed the total value of the equity in all your assets except those exemptions referred to earlier in this publication. The amount offered must also give sufficient consideration to your present and future financial situation.

If your offer is acceptable, we may require a written agreement to pay a percentage of future earnings as part of the offer. A written agreement may also be required to relinquish certain present or potential tax benefits.

Submission of an offer in compromise does not automatically suspend collection action regarding your account. If there is any indication that the filing of the offer is solely for the purpose of delaying collection of the tax or that delay would negatively affect collection of the

tax, we will continue collection efforts. All forms necessary for filing an offer in compromise plus additional information regarding procedures can be obtained from TTB's website at [www.ttb.gov](http://www.ttb.gov).

- **Public Record of Tax Matters.** If your property is seized or a *Notice of Federal Tax Lien* or lawsuit is filed, certain aspects of your tax case, such as the amount of tax due and type may become a matter of public record.
- **Managerial Review of Employee Decisions.** You have the right to be treated fairly, professionally, promptly and courteously by TTB employees at all times. If at any step in the collection process you do not agree with a TTB employee, you have the right to discuss the matter with his/her supervisor. Our employees will give you the name and telephone number of the person to be contacted. If you are unable to discuss the situation with the employee's supervisor, you should then contact the Director, National Revenue Center. If you are unable to discuss the situation with the employee's supervisor, you should then contact the Director, National Revenue Center.

#### **TTB NATIONAL REVENUE CENTER CONTACT INFORMATION**

Alcohol and Tobacco Tax and Trade Bureau  
550 Main Street, Suite 8002  
Cincinnati, Ohio 45202-5215

Toll Free: 1-877-882-3277  
Email: [Submit Online Inquiry](#)

#### **PRIVACY ACT AND PAPERWORK REDUCTION ACT NOTICE**

When we ask for information, we are required under the Privacy Act of 1974 and Paperwork Reduction Act of 1995 to tell you the following:

- Our legal right to ask for the information;
- What major purposes we have in asking for it, and how it will be used;
- What could happen if we do not receive the information; and
- Whether your response is voluntary, required to obtain a benefit, or mandatory under the law.

Our legal right to ask for information is found in the Internal Revenue Code at 26 U.S.C. 6001 and 6011 and the regulations which implement these sections of the law.

Also under the provisions of the Internal Revenue Code at 26 U.S.C. 6109 you must also furnish either your employer identification number or your social security number for identification purposes.

If you do not file a return, do not provide the information we ask for, or provide fraudulent information, the law provides that you may be charged penalties and, in certain cases, you may be subject to criminal prosecution.



Please keep this notice with your records. It may help if we ask you for other information. If you have any questions, please contact us using the contact information listed above.