Liens and Levies Hurt Revenue Collection?

When the IRS automatically files liens and levies against delinquent taxpayers, it actually hurts the federal government's ability to collect revenue owed. That statement was made in a report to Congress on July 7.

"The conventional wisdom seems to be that more hard-core enforcement actions like liens and levies mean more revenue," Taxpayer Advocate Nina Olson stated. "But the data don't bear that out." Since fiscal year 1999, the IRS has increased lien filings by about 475 percent and levies by about 600 percent, yet inflation-adjusted revenue raised from such efforts has actually declined by about 7 percent over that period.

Olson explained that lien filings badly damage a taxpayer's financial viability because they cause the person's credit score to drop about 100 points, and typically remain on a credit record for at least seven years. Employers, mortgage companies, landlords, car dealers and credit card issuers use credit reports, so a lien can adversely affect a person's ability to obtain and retain a job, purchase or rent a home and obtain credit. Accordingly, it can reduce a taxpayer's income or increase expenses, which impairs his or her ability to pay taxes in the future. S