



# IRS Notice of Federal Tax Lien Filed Checklist

## Preliminary Analysis

1. **Primary IRS Action:** The IRS files a Notice of Federal Tax Lien against your property and assets after you fail to pay a tax debt following assessment and demand for payment.
2. **Biggest Taxpayer Mistake:** Believing the lien notice represents a final demand or that ignoring it will make it disappear. Most taxpayers delay responding because they confuse the lien filing with wage garnishment or assume they have lost all options.
3. **Key Decision Point:** Whether you respond within 30 days after the lien is filed to request a Collection Due Process hearing or wait and lose important appeal rights. The federal tax lien attaches to your property when the IRS assesses the tax, sends a demand for payment, and you do not pay.
4. **IRS Function Involved:** Small Business/Self-Employed Collection and Wage & Investment divisions handle lien determinations through Revenue Officers and the Automated Collection System. The Centralized Lien Operation processes the actual filing through the Automated Lien System.

## Topic-Specific Overview

A Notice of Federal Tax Lien is a legal claim the IRS files against your property when you owe federal taxes and have not paid after the IRS sent you a bill. This lien attaches to everything you own, including your home, car, business equipment, and future income, and tells creditors and lenders that the federal government has a claim on your assets.

Unlike a wage garnishment, which takes money directly from your paycheck, or a bank levy, which freezes specific accounts, a lien is a public filing that damages your credit. Asset sales become complicated, and refinancing or borrowing money becomes difficult or impossible.



## Who This Checklist Is (And Is Not) For

### This checklist applies to you if:

- Form 668(Y)(c), Notice of Federal Tax Lien, or Letter 3172 arrived notifying you that the IRS filed a lien.
- You owe federal income tax, employment tax, or certain excise taxes that remain unpaid.
- Payment arrangements with the IRS have not been made.
- Real property, such as a home, commercial building, or land, is owned by you.
- Your lien interferes with selling assets, refinancing, or borrowing money.

### This checklist does not apply if:

- Only state income taxes are owed, which are governed by state law.
- The underlying tax debt has already been resolved in full.
- A bank levy or wage garnishment is the issue, rather than a lien filing.
- Only a past-due balance notice was received without a filed lien.

## The Checklist

1. Locate your official Notice of Federal Tax Lien. The IRS files Form 668(Y)(c) in public records, and you receive Letter 3172 within five business days after the IRS files the lien. This letter informs you of the filing and your right to request a Collection Due Process hearing.
2. Note the exact date shown on Letter 3172. This date controls your deadline for filing a Collection Due Process appeal. You have 30 days starting the day after the end of the five-business-day period following the lien filing.
3. Verify the exact amount of the tax debt shown on the notice. The lien covers unpaid tax, interest, and penalties. Confirm these numbers match your records, document any



discrepancy, and prepare to dispute it during your hearing.

4. Confirm you received prior collection notices warning that a lien could be filed. The IRS typically sends notices such as CP501, CP504, and other balance-due letters before filing a lien. These notices constitute a proper demand for payment under federal law.
5. Determine whether you qualify for Collection Due Process rights. You have the right to request a CDP hearing if you received Letter 3172 within the past 30 days. This right allows you to challenge the lien before an independent Appeals Officer.
6. Request a CDP hearing immediately by filing Form 12153. Send your request to the address shown on your lien notice. Include your name, tax identification number, the tax year in question, and a brief statement explaining why you want a hearing.
7. Prepare a financial statement showing your income, expenses, assets, and debts. The IRS will use this information to evaluate your ability to pay. Submit Form 433-A for individuals or Form 433-B for businesses before your CDP hearing.
8. Research your subordination and discharge rights while waiting for your hearing. A lien subordination allows a mortgage lender or other creditor to move ahead of the IRS lien temporarily. A lien discharge removes the lien from specific property.
9. Respond to all IRS correspondence or hearing notices immediately. The Appeals Officer is independent of Collections and can recommend lien withdrawal. You must participate fully in the process and provide all requested documentation by the deadline.
10. Explore Installment Agreement options if the CDP process allows it. An active, compliant Direct Debit Installment Agreement with a balance of \$25,000 or less may lead to lien withdrawal after three consecutive payments. You must meet specific requirements under IRC 6323(j)(1)(B).
11. Request Form 668-Z, Certificate of Release of Federal Tax Lien, after you pay the debt. The IRS must release the lien within 30 days after you pay in full. Submit a written request if you do not receive confirmation within 30 days.
12. Order updated credit reports after the lien is released. Verify the lien notation is removed within two to three months. Contact the credit bureaus in writing to dispute any reporting errors if the notation remains after 90 days.



## Common Mistakes That Backfire

**Mistake 1:** Ignoring Letter 3172 because you think it is a scam. The 30-day window closes whether or not you acknowledge the notice, and failure to respond means you lose the right to request a CDP hearing with full appeal protections.

**Mistake 2:** Calling the IRS and promising to pay without putting the agreement in writing. Verbal promises do not stop enforcement actions. The IRS needs a written payment plan or proof of payment to hold off further collection.

**Mistake 3:** Trying to sell your home or refinance without first resolving or subordinating the lien. Title companies and lenders will not close transactions with a federal tax lien on the property. Attempting a sale without IRS approval wastes time and may damage your credit further.

**Mistake 4:** Assuming the lien is automatically removed after you pay the tax debt. The IRS must file Form 668-Z after payment, and if you do not request and follow up on the release, the lien notation can remain on credit reports and title records for years.

## What Happens If This Issue Is Ignored

If you do nothing after receiving Letter 3172, your credit score will drop significantly, making it harder to borrow money, refinance, or obtain favorable interest rates. A filed lien complicates or prevents asset sales, home refinancing, and business loans because lenders and title companies require the lien to be resolved before they proceed.

After the lien is filed, the IRS gains the legal power to pursue collection through bank levies, wage garnishment, or property seizure if the debt remains unpaid. Without a CDP hearing or payment agreement in place, the IRS will begin enforcement escalation within 60 to 90 days of filing, and your options for negotiating removal or subordination become more limited.



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## Need Help With IRS Issues?

If you're facing IRS issues and need expert guidance beyond this checklist, we're here to help with licensed tax professionals.

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- Tax lien removal and credit protection
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