



# Your Guide to Tax Liens in Utah





## Introduction

Nobody likes tax liens, not even taxing agencies. They are a way of compelling taxpayers to pay taxes that are owed. It is upsetting and confusing to be on the receiving end of a tax lien and it is common for Utah taxpayers to have questions about how liens work.

At CMP, we work with Utah individuals and businesses every day, helping with tax filings, withholding, and liens. We have put together this comprehensive guide to Utah state tax lien practices to give you the information you need to resolve the lien and get your taxes in order.



## What is a Tax Lien?

A tax lien is a legal claim against your property, that protects a taxing agency's interest in your tangible assets. Tax liens are typically filed only after the taxing agency has made multiple attempts to collect the taxes owed.

The lien secures the agency's right to seize a taxpayer's assets, including property, stocks, or anything else that may be sold to pay the owner's tax obligations. If the taxpayer doesn't repay their debt, the government may sell the asset.

## What Are the Differences Between a Tax Lien and a Tax Levy?

A lien is only one of the ways that a government taxing agency can collect tax money that's owed. Another option is a tax levy, which is a direct seizure of assets. A tax levy is more serious than a tax lien and works as a last resort to collect money when traditional collection methods have failed. Another way of thinking of it is that a levy is what happens when a government exercises the rights secured by a tax lien.



Levies allow the government to seize your assets directly. Some of the assets that may be seized to satisfy your tax debt include:

- Real estate
- Money in bank accounts and investment accounts
- Wages (through wage garnishment)
- Vehicles

A levy can have a significant negative impact on your financial health and well-being.

## Is Utah a Tax Lien State?

If any individual or business fails to pay their Utah state taxes, the Utah State Tax Commission (USTC) may file a tax lien. In other words, yes, Utah is a tax lien state.

Any taxpayer who owes taxes may have a lien filed against them in Utah if they fail to pay or show a good faith effort of repayment. If the Utah State Tax Commission files a lien against your assets, they are required to mail you a certified Notice of Lien at the address you have on file with the state.

## How a Tax Lien Can Affect You

A Utah tax lien or a federal tax lien can affect your life and financial standing in several ways. Some of these negative impacts include:

- Tax liens are considered public filings. This means that anybody who performs a search on your name or your business name will be able to see the tax lien that has been filed against your assets, including the amount you owe and the assets encumbered by the lien.
- Tax liens appear on both consumer credit reports and business credit reports. An active lien impacts your credit score and your ability to qualify for loans and credit cards.
- A tax lien filed against your home or business location may limit your ability to sell the property. Buyers will search for encumbrances before they buy, and in most cases, will refuse to buy unless the lien is removed.
- If you do not make a good-faith effort to pay the amount you owe once a tax lien is in place, your assets may be seized, or the government may levy your assets to collect what you owe.

As you can see, having a tax lien can lead to serious financial and personal issues.

## Payment Plan for a Tax Lien

One of the most common questions we hear from our CMP clients who have tax liens is:

Can I set up a payment plan for a tax lien?

The short answer is yes. Whether you have a federal tax lien or a Utah state tax lien, the taxing agency that filed the lien wants to collect what you owe. They also recognize that when a taxpayer falls behind on their taxes, financial difficulties are probably occurring that make it impossible to pay the entire amount owed at once.

The tax lien will remain in place until the amount owed has been paid in full. If one or more payments are missed, the government can decide to void the payment plan and issue a levy instead.

## How to Avoid a Tax Lien

The best way to avoid a tax lien is to pay your taxes on time and in full. If that isn't possible and you're behind on your taxes, then there are a few things you can do to prevent a tax lien from being filed against you or your business.

The worst thing you can do is to ignore demands for payment from the IRS or USTC. If you know you owe money, the proactive approach is the best way to deal with your debt. It is helpful to keep in mind that you are not the only taxpayer to fall behind and that taxing agencies work every day with people like you to make payment plans to repay their back taxes.

Be realistic about what you can pay. We suggest looking at your household or business budget and figuring out the maximum amount you can carve out each month to pay down your debt. However, it may be best to commit to a little less than that maximum amount you decided on. This way you don't fall behind. Besides, you can always pay a little extra in the months when you can afford it.

If you have a month when you can't afford to make your agreed-upon payment, get in touch with your contact at the taxing agency and tell them. Remember that communication is your best weapon against a tax lien or levy.

## How to Remove a Tax Lien in Utah

Removing a tax lien in Utah once it has been filed requires doing one of two things:

1. Paying the total amount that you owe, including taxes, penalties, and interest. Once the full balance has been paid, the USTC will file a lien release, which like the lien, is a public filing.
2. Submit documentation proving that the lien was issued in error.

While such things are rare, government agencies do sometimes make mistakes and file liens in error. If you feel a lien has been filed in error, you will need to submit proof. In the case of a tax lien, proof consist of copies of your tax filings and proof of payments made.

## How Can I Find Help with my Tax Lien?

Receiving a *Notice of Lien* in the mail is a stressful thing. Even if you've been expecting and dreading it, the lien itself makes your problem both tangible and unavoidable.

The good news is that help is available. If you feel you can't handle the lien yourself, you should contact the UTSC or IRS directly, ask to speak to the agent assigned to your file, and see if you can work out a payment plan.

Some people don't feel comfortable negotiating a payment plan. If that is the case, then we recommend hiring an experienced Certified Public Accountant to negotiate the lien and payment plan for you. At CMP, we have four decades of experience helping individuals and businesses with their taxes.



## Conclusion

Tax liens cause stress and anxiety, but it does not need to be that way. Now that you understand how they work and what your obligations are, you can avoid a lien, and – if you already have a lien, you can work toward removing it.

CMP is here to help you with your tax lien. We offer an array of income tax services, including tax preparation, estate planning, and audit preparation. We look forward to hearing from you!





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## Why CMP?

### Who We Are

Our purpose is to help people, businesses, and communities achieve greatness. We use our skills to make a difference in the lives of those we associate with and work hard to help you keep what you've earned.

### Professional Expertise

Regardless of your business industry, we specialize in keeping current on the laws, strategies, and resources affecting your finances.

### Online Resources

Our website is easy to navigate and is up-to-date with current information. Our secure client portal allows simple and secure information transfer.

"These guys do a great job of helping us administer our 401(k) plan. I appreciate their patience and expert advice!"

Marty J.

### Stay Connected

Whether you read our blog, watch our YouTube videos, or follow us on Facebook and Twitter, CMP makes it easy for you to stay current in the ever-changing business world.

### More Results

We have a full range of business services to help you save money, better budget your finances, increase revenue, and control expenses.

### More Personalization

We will be your personal resource for tax, accounting, and business issues and help you concentrate on critical issues that affect your situation the most. We promise to be a valuable member of your team.

"CMP did my taxes in 2020 and did a fantastic job in answering any questions I had through the entire process. I plan to keep using them every time tax season rolls around."

Derek L.

## Our Full Range of Services

- Bookkeeping and Payroll
- Business Valuation
- Outsourced CFO
- Estate and Succession Planning
- Financial Statement Services
- Proactive Income Tax Planning
- Retirement Plan design & Management
- Research & Development Tax Credit Studies
- ERISA Audit For Retirement Plans
- Accounting Software Solutions
- Income Tax

