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Martin Scorsese's Tussle with IRS

In what might as well be a page from one of his award-winning scripts, movie director Martin Scorsese is involved in a tussle of his own with the IRS. Scorsese, director of famed movies like 'Goodfellas' and 'Casino' that often tell the tales of mobsters who cheat on taxes and run afoul of the law, has been slapped with a \$2.85 million tax lien by the IRS.

This is not the first time the movie mogul has been on the wrong side of the IRS. Between 2002 and 2003, the IRS filed three liens against Scorsese amounting up to almost \$1.9 million and in the next year, the state of New York obtained a \$149,437 tax judgment against him. However, all those tax debts have been paid.

But in this latest tax lien filing, Scorsese's spokeswoman says the IRS has erred. According to her, the IRS did not do its due diligence before filing the lien. The movie director has an ongoing tax payment agreement with the IRS to which he has been compliant thus far therefore there is no need to file the lien.

One person who could not agree more is the National Taxpayer Advocate, Nina Olson. Olson has always been saying that the IRS is rather lien-happy, filing an inordinate number of liens over the last few years. The

total number of liens filed by the IRS came up to 1.1 million in 2009, compared to only 168,000 ten years before that. In addition, in the first quarter of FY11, lien filings climbed 28% year-on-year. Tax liens give the IRS the first priority claim upon the assets owned by a taxpayer who owes taxes and are automatically filed once the outstanding amount exceeds a certain limit.

Olson contends that the IRS has not considered whether filing such automatic liens actually results in taxpayers paying up their taxes. Furthermore, she is of the opinion that lien filings prevent the IRS from sufficiently analyzing a taxpayer's financial circumstances.

But recently, IRS Commissioner Doug Shulman has announced new changes to regulations on filing tax liens. Among these changes involve increasing the amount of delinquent taxes that triggers an automatic tax lien filing. The new regulations also relax the conditions for filing an offer in compromise and make it easier to obtain a tax lien withdrawal for taxpayers.

But while welcoming the new regulations, Olson says they do not suffice. One of her main grouses is the IRS not calling taxpayers early in the process to avoid increasing interest and penalties. By the time the IRS assigns one of its personnel to the case, "these debts have become impossible to resolve."