

INSTRUCTIONS

How to Apply for Certificate of Subordination From Federal Tax Lien

Before applying for a certificate of subordination:

1. Contact the Advisory Office for the location where the lien was filed, if you have questions. Use [Publication 4235, Collection Advisory Group Addresses](#), to determine which Advisory Office to contact.
2. You will need to know how much you owe to pay the lien(s) in full. Call 1-800-913-6050 for a lien payoff, visit the nearest Taxpayer Assistance Center, contact your caseworker, or contact Advisory to obtain this information.
3. You will need to complete the application form attached to this publication and mail it to:

IRS, Attn: Advisory Group Manager
(Address to the Advisory Office assigned to the location where the lien was filed using [Publication 4235](#).)

How Long Is The Application Process?

Please submit your application at least 30 days before the transaction date when the Subordination certificate is needed. This will allow sufficient time for review and a determination.

Page 1 Entity and Contacts Information

Section 1 Taxpayer Information

1. Enter here the name and address of the individual(s) or business as it appears on the Notice of Federal Tax Lien (NFTL)
2. Enter the social security number or employer identification number as it appears on the NFTL(s)
3. Enter any secondary (spouse) social security number associated with the tax debt listed on the NFTL(s) if applicable
4. Provide a daytime phone number.

Section 2 Applicant Information

1. Check the box on the first line of Section 2 if you are both the taxpayer and the applicant.
2. Enter your current name, address, and daytime phone number.

Section 3 Property Owner

1. Check the box on the first line of Section 3 if you are both applicant and property owner
2. Enter the name of property owner
3. Enter the relationship of the party receiving the property to the party named on the lien (example: no relation, parent, wife, business partner, etc)

Section 4 Attorney/Tax Representative

1. Check the box on the first line of Section 4 if you are attaching a Form 8821 or Power of Attorney Form 2848 with your application. The IRS can then speak with your representative.
2. Enter the name, address, and phone number of your representative in this action. IRS will contact them if additional information is required to process your application.

Section 5 Lender/Finance Company

1. Enter the company name, contact name, and phone number for the lender you are requesting the United States subordinate its interest to.
2. Enter the relationship the lender has to the new loan. For example, a loan consolidation or refinance often prompts a subordination request. Or sometimes a junior creditor purchases a senior creditor's interest.

Page 2 Monetary, Basis, Property, and Appraisal Information

Section 6 Monetary Information

1. Enter, if known, the tax debt or lien(s) amount
2. Enter your existing or outstanding loan amount
3. Enter the new loan amount you are seeking
4. Enter the amount anticipated being paid toward the United State's interest (for applications requested under 6325(d)(1) only)

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Section 7 Basis for Subordination

A subordination may be granted under Internal Revenue Code (IRC) 6325(d)(1) or 6325(d)(2) provisions. Review the information below and select the section which best applies to your subordination request. If the IRS does not agree with your selection after their review, you will be notified.

1. **6325(d)(1)** - a subordination is issued under this section when you pay an amount equal to the lien or interest to which the certificate subordinates the lien to the United States. For example:

The tax liability	\$150,000
Original fair market value	\$ 65,000
After renovation value	\$300,000
Original loan amount	\$ 50,000
Refinance combined loan	\$240,000
Closing Costs	\$ 15,000
United States interest	\$ 45,000

You would be asked to pay \$45,000 to the IRS in return for the United States subordinating its interest to the new combined loan. The lien would remain on the property but the loan would have priority over the lien.

2. **6325(d)(2)** – a subordination is issued under this section if the IRS determines that the issuance of the certificate will increase the government’s interest and make collection of the tax liability easier. For example, AAA Auto Sales currently pays the IRS \$2000 per month on a \$120,000 tax debt. Their inventory needs replenishing but their wholesaler is reluctant to provide added inventory because of the federal tax lien. AAA requests subordination and provides the IRS with documentation that an inventory replenishment of 500 cars could allow them to increase their monthly payment to \$3000 as well as increase their pay back rate to bi-weekly.

Section 8 Description of Property

1. Enter detailed description of the collateral for the loan you wish the lien subordinated to.
 - For personal property include serial or vehicle numbers, as appropriate.
 - Example: 3 bedroom house; 2002 Cessna twin engine airplane, serial number AT919000000000X00; etc)
 - Provide the address if real estate or location address if personal property.
2. Check the *Real Estate* box if you have attached a copy of the title or deed to the property.

Section 9 Appraisal and Valuations

1. Check the *Required Appraisal* box to indicate whether you have attached the required appraisal by a disinterested third party. This is typically a professional appraisal providing neighborhood analysis; description of the site; description of the improvements; cost approach; comparable sales; definition of market value; certification; contingent & limiting conditions; interior and exterior photos of the property; exterior photos of comparable sales used; comparable sales location map; sketch of subject property showing room layout; flood map and qualifications of the appraiser.
2. Check the appropriate box under the category *Plus One of the Following Additional Valuations* to indicate which other type of property value verification is attached with your application.

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Section 10 Federal Tax Liens

1. Check the “yes” box if you have attached copies of the liens with your application
2. If the “no” box is checked, list, if known, the System Lien Identification Number (SLID) found in the top right hand box of the lien document

Section 11 Proposed Loan Agreement

1. Check the box indicating whether the proposed sales contract is attached
3. If the “no” box is checked, describe how subordination is in the best interests of the United States:

Section 12 Title Report

1. Check the box indicating whether the title report is attached
2. If the “no” box is checked, use the space provided to any encumbrances (liens or claims) against the property and whether those encumbrances are senior or junior to the United State’s lien interest. Include name and address of holder; description of encumbrance, e.g., mortgage, state lien, etc.; date of agreement; original loan amount and interest rate; amount due at time of application; and family relationship, if applicable
3. Attach a separate sheet with the information in item # 2 above if there is not enough space provided on the form

1. Check the box indicating whether the proposed closing statement is attached. This statement is often referred to as a HUD-1.
2. If the “no” box is checked, use the space provided to itemize all proposed costs, commissions, and expenses of any transfer or sale associated with property
3. Attach a separate sheet with the information in item # 2 above if there is not enough space provided on the form

Section 14 Additional Information

1. Check the box indicating whether you are attaching other documents relevant to the subordination application. This could include affidavits or court documents.
2. Check the “no” box if you do not have any additional documentation.

Section 15 Certification

You must sign your application under penalties of perjury attesting to having examined the application, accompanying schedules or documents, exhibits, affidavits, and statements and declaring to the best of your knowledge and belief that it is true, correct and complete

Section 13 Closing Statement

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When Do I Make a Payment?

- **6325(d)(1)** Payment is required but do not send a payment with the application. The Advisory Group Manager will notify you after determining the amount due and when to send payment.
- **6325(d)(2)** No payment is required

What Do You Do If Your Application Is Denied?

If your application is denied, you have appeal rights. [Form 9423, Collection Appeal Request](#) and [Publication 1660, Collection Appeal Rights](#), will be issued, with an explanation of why your application was denied.

What is an Acceptable Form of Payment?

Make payments in cash or by certified, cashiers, or treasurer's check. It must be drawn on any bank or trust company incorporated under the laws of the United States, or of any state, or possession of the United States. Payment can also be made by the United States postal, bank, express or telegraph money order. **If you pay by personal check, issuance of the certificate of subordination will be delayed until the bank honors the check.**

Who Makes the Decision to Issue a Certificate of Subordination?

In all cases Advisory will review and verify the information provided, determine whether a certificate of subordination should be issued, and contact you with any questions. The Advisory Group Manager has the responsibility to review and approve the determination and let you know the outcome.

When Will You Receive the Certificate of Subordination?

A certificate of subordination will be issued:

6325(d)(1) upon receipt of the amount determined to be the interest of the United States in the property subject to the federal tax lien.

6325(d)(2) after your application has been investigated and the information verified, the Advisory Group Manager will notify you of the decision and provide you a projected date for mailing the certificate of subordination.