

Publication 784

(Rev. December 2022)

Certificate of Subordination of Federal Tax Lien



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Department of the Treasury **Internal Revenue Service** www.irs.gov



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A Certificate of Subordination under Internal Revenue Code Section 6325(d)(1) and 6325(d)(2) allows a named creditor to move their junior creditor position ahead of the United States' position for the property named in the certificate. For How to Apply for a Certificate of Subordination of Federal Estate Tax Lien Under Section 6325(d)(3) of the Internal Revenue Code use Publication 1153.

1. Complete Form 14134, Application for Certificate of Subordination of Federal Tax Lien, attached with this publication.

2. Mail the completed Form 14134 and the appropriate attachments to: **IRS Advisory Consolidated Receipts 7940 Kentucky Drive, Stop 2850F Florence, KY 41042** (Refer to [Publication 4235, Collection Advisory Group Addresses](#), for additional contact information.)

If you have any questions, contact the Advisory Consolidated Receipts Office at 859-594-6090.

If you want to know how much you owe in order to pay the lien(s) in full, call 1-800-913-6050, visit the nearest Taxpayer Assistance Center, or contact the revenue officer assigned to your case.

Important!

Please submit your application at least 45 days before the transaction date that the certificate of subordination is needed. Doing so will allow sufficient time for review,

determination, notification and the furnishing of any applicable documents by the transaction date.

Information Required on the Application

Section 1 - Taxpayer Information

1. Enter the name and address of the individual(s) or business as it appears on the Notice(s) of Federal Tax Lien (NFTL). A second name line is provided if needed.
2. Enter, if known, the last 4 digits of the social security number (SSN) or full employer identification number as it appears on the NFTL.
3. Enter, if known and if applicable, the last 4 digits of any spousal SSN (secondary SSN) associated with the tax debt listed on the NFTL.

4. Provide a daytime phone number and a fax 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. If you are not the taxpayer, attach a copy of the NFTL.
2. If you have checked the box indicating that you are the taxpayer **and** your information is the same as listed on the NFTL, enter "same as taxpayer" on the name line.
3. If you are **not** the taxpayer **or** you are the taxpayer but your information is no longer the same as the information on the Notice of Federal Tax Lien, enter your name (include any name changes), current address, daytime phone number and fax number.
4. If you are **not** the taxpayer, enter in the box next to "Name" your

relationship to the taxpayer (e.g. parent, uncle, sister, no relation, etc).

Section 3 - Property Owner

1. Check the box on the first line of Section 3 if you are both the property owner and the applicant.
2. Enter the name of the property owner. **Or** if you have checked the box indicating you are both the applicant and the property owner, enter, "same as applicant".
3. Enter the property owner's relationship to the taxpayer (e.g. taxpayer, parent, no relation, etc.).

Section 4 - Attorney/Representative Information

This section is used to list the taxpayer's representative or a representative of a party other than the taxpayer, such as the lender, needing to receive information from the IRS.

However, you do not need a representative to request discharge of the federal tax lien.

1. Check the box on the first line of Section 4 if you are attaching a Form 8821 (Tax Information Authority) or Form 2848 (Power of Attorney) with your application. If you are attaching one of these forms, please make sure it is completely filled out, signed, and dated. You must provide one of these forms if the representative represents an interest other than the taxpayer.
2. Enter the name, address, phone number, and fax number of your representative in this action. The IRS will work with you and your representative to process your application. **Or** enter "NA" on the name line if you are not using a representative.
3. Enter whose interest the representative represents (e.g.

taxpayer, lender, title company, etc.). This allows the IRS to determine what information can be shared with the representative.

Section 5 – Lender/Finance Company Information

1. Enter the company name, contact name, phone number, and fax number for the lender you are requesting the United States subordinate its interest to.
2. Enter the type of transaction. For example, a loan consolidation or refinance often prompts a subordination request.

Section 6 – Monetary Information

1. Enter the amount of your existing or outstanding financing.
2. Enter the amount of new financing you are seeking.

3. Enter the amount anticipated being paid toward the United States' interest (For applications requested under 6325(d) (1) only).

Section 7 - Basis for Subordination

A subordination may be granted under Internal Revenue Code (IRC) 6325(d)(1) or 6325(d)(2). 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 its review, an explanation of the decision will be provided.

6325(b)(1) – a subordination may be issued under this section if you pay an amount equal to the lien or interest to which the certificate subordinates the lien of the United States. The following example uses an 80% loan to value and a 3% closing cost to financing ratio.

Example

	<u>Current/New</u>	<u>Original</u>
Fair Market Value	\$200,000	N/A
Refinance	\$160,000	\$145,000
Closing Costs	\$4,800	N/A
United States Interest	\$10,200	N/A

In this example the United States' interest is the equity you obtain from your refinanced loan after paying off the existing loan of \$145,000 and paying the closing costs to obtain the loan. ($\$200,000$ property value \times 80% loan to value ratio = \$160,000 refinance loan amount. $\$160,000 - \$145,000$ loan payoff = \$15,000 potential equity. $\$160,000 \times 3\% = \$4,800$ closing costs to obtain the loan. $\$15,000$ potential equity - \$4,800 closing costs = \$10,200) The IRS would ask

for \$10,200 in return for the United States subordinating its interest to the refinanced loan. The lien remains on the property but the refinanced loan has priority over the lien.

4. **6325(d)(2)** – a subordination may be issued under this section if the IRS determines that the issuance of the certificate will increase the amount the government realizes and make collection of the tax liability easier. This might involve a refinance to a lower interest rate which would, if the subordination were granted, allow a larger monthly repayment rate on the tax liability. Or the situation might be more complex. 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 biweekly. In this example the United States' interest would be second on the new inventory, if the subordination is granted.

For applications under section **6325(d)(2)**, **complete** and **attach** a signed and dated statement describing how the amount the United States may ultimately realize through this subordination will increase and how collection will be facilitated by the subordination.

5. **6325(d)(3)** – Questions and applications for this section refer to [Publication 1153](#) for instructions.

Section 8 – Description of Property

1. Enter a detailed description of the collateral you will use for the loan or other financing. This is the collateral on which you want the lien interest subordinated to the loan or financing. If this is real estate, you must provide the legal description.
2. When the property is real estate include the type of property. For example, 3-bedroom house; etc. When the property is personal property include serial or vehicle numbers, as appropriate. For example, 2002 Cessna twin engine airplane, serial number AT919000000000X00; etc.
3. Provide the property's physical address if it is real estate or provide the physical address where the property is located, if it is personal property.

4. Check the appropriate box to indicate whether you attached a copy of the title or deed to the property

Section 9 – Appraisal and Valuations

1. Check the “Attached” box after “Appraisal” to indicate whether you have attached an appraisal completed 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 and 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. **This**

**type of appraisal is not required
for a certificate of subordination.**

2. Check the appropriate box under the “Or One of the Following Valuations” section to indicate which type of property value verification is attached with your application.

**Section 10 – Notices of Federal Tax Lien
(NFTLs)**

This section is important when the applicant and the taxpayer are different. If the applicant and the taxpayer are the same, this section may be skipped.

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

you do not have the numbers enter
"unknown" in the first box.

Section 11 – Proposed loan agreement

1. Check the "attached" box if you have attached the proposed mortgage contract and describe how subordination is in the best interests of the United States
2. If you checked the "no" box, describe how subordination is in the best interests of the United States.

Section 12 – Current Title Report

1. Check the "attached" box if you attached the title report. This is required for subordination.
2. If you checked the "no" box and the title report is not attached, use the space provided to list any encumbrances (liens or claims) against the property and whether those

encumbrances are senior to the United States' lien interest. Include the name and address of the holder; description of the 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. If any mortgages listed on your title report are home equity lines of credit (HELOCs), the NFTL takes priority over advances made via the HELOC on the 46th day after the NFTL is filed. This means any advances made to you more than 46 days after the NFTL is filed, were made subject to the NFTL. The advances need to be included in the equity interest to which the United States attaches. To make an accurate value determination and to avoid processing delays with your application, provide documentation on

any HELOC advances from the 46th day after the NFTL was filed, through the date you submit your application, and include expected advances through the date the certificate will be issued.

4. Attach a separate sheet titled "Section 12" with the information in item # 2 and # 3 above if there is not enough space provided on the form.

Section 13 – Proposed closing statement

1. Check the "attached" box if you attached the proposed closing statement. This statement is often referred to as a HUD-1.
2. If you checked the "no" box and you did not attach the proposed closing statement, use the space provided to itemize all proposed costs, commissions, and expenses to refinance the property

3. Attach a separate sheet titled "Section 13" with the information in item # 2 above if there is not enough space provided on the form.

Section 14 – Additional Information

1. Check the "attached" box if you have attached 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 – Declaration

The applicant or their authorized Power of Attorney signs the application form. 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 the application is true, correct and complete.

Frequently Asked Questions

Q1: When do I make a payment?

The Internal Revenue Code section under which the certificate of subordination will be issued or granted determines the details regarding making a payment.

- Subordination under **6325(d)(1)** requires a payment, 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.
- Subordination under **6325(d)(2)** does not require a payment.

Q2: What is an acceptable form of payment?

Make payments in cash or by the following types of checks: certified; cashiers; or treasurer's check. The check 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 using a United States postal, bank, express or telegraph money order.

Important! If you pay by personal check, issuance of the certificate of subordination will be delayed until the bank honors the check.

Q3: Who makes the decision to issue a Certificate of Subordination?

In all cases Advisory staff will review and verify the information provided, determine whether a certificate of subordination should be issued, and contact you with any questions. Advisory may contact you, your

representative, or any person relative to the transaction for additional information.

The Advisory Group Manager has the responsibility to review and approve the determination and let you know the outcome. If approved, you will receive a conditional commitment letter.

Q4: When will I receive the Certificate of Subordination?

The Internal Revenue Code under which the certificate of subordination will be issued or granted determines when you will receive the certificate.

- Under **6325(d)(1)**, you will receive the certificate upon receipt of the amount determined to be the interest of the United States in the property subject to the federal tax lien.
- Under **6325(d)(2)**, you will receive the certificate after your application has been investigated and the information verified.

The Advisory Group Manager will notify you of the decision and provide you with a projected date for mailing the certificate of subordination.

Q5: What happens if my application is denied?

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

Privacy and Paperwork Reduction Act Notice

The Privacy act of 1974 says that when we ask you for information about yourself, we must first tell you our legal right to ask for the information, why we are asking for it, and how it will be used. We must also tell you what could happen if you do not provide it

and whether or not you must respond under the law.

We ask for the information on this form to carry out the Internal Revenue laws of the United States. This information requested on this form is needed to process your application and to determine whether the federal tax lien can be subordinated. You are not required to apply for subordination; however, if you want the federal tax lien to be subordinated, you are required to provide the information requested on this form. Section 6109 requires you to provide the requested identification numbers. Failure to provide this information may delay or prevent processing your application; providing any false information may subject you to penalties.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated burden for individuals filing this form is approved under OMB control number 1545-2174. The

estimated burden for those who file this form is shown below.

- Recordkeeping 2 hr., 45 min.
- Learning about the law or the form 2 hr.
- Preparing the form 1 hr., 30 min.
- Copying, assembling, and sending the form to the IRS 85 min.

Routine uses of this information include giving it to the Department of Justice for civil and criminal litigation, and to cities, states, the District of Columbia, and United States commonwealths and possessions for use in administering their tax laws. Advisory may contact you, your representative, or any person relative to the transaction for additional information. We may also disclose this information to other countries under a tax treaty, to federal and state agencies to enforce federal nontax criminal laws, or to federal law enforcement and intelligence agencies to combat terrorism.

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Form 14134 (June 2010)	Department of the Treasury — Internal Revenue Service	OMB No. 1545-2174
Application for Certificate of Subordination of Federal Tax Lien		
Complete the entire application. Enter NA (<i>not applicable</i>), when appropriate. Attachments and exhibits should be included as necessary. Additional information may be requested to clarify the details of the transaction(s).		
1. Taxpayer Information (<i>Individual or Business named on the notice of lien</i>)		
Name (<i>Individual</i> First, Middle Initial, Last) or (<i>Business</i>) as it appears on lien		Primary Social Security Number (last 4 digits only)
Name Continuation (<i>Individual</i> First, Middle Initial, Last) or (<i>Business</i> d/b/a)		Secondary Social Security Number (last 4 digits only)
Address (<i>Number, Street, P.O. Box</i>)		Employer Identification Number
City	State	ZIP Code
Telephone Number (<i>with area code</i>)	Fax Number (<i>with area code</i>)	
2. Applicant Information <input type="checkbox"/> Check if also the Taxpayer (<i>If not the taxpayer, attach copy of lien. See Sec. 10</i>)		
Name (<i>First, Middle Initial, Last</i>)		Relationship to taxpayer
Address (<i>Number, Street, P.O. Box</i>)		
City	State	ZIP Code
Telephone Number (<i>with area code</i>)	Fax Number (<i>with area code</i>)	
3. Property Owner <input type="checkbox"/> Check if also the Applicant		
		Relationship to Taxpayer
4. Attorney/Representative Information Attached: Form 8821 or Power of Attorney Form 2848 <input type="checkbox"/> Yes <input type="checkbox"/> No		
Name (<i>First, Middle Initial, Last</i>)		Interest Represented (<i>e.g. taxpayer, lender, etc.</i>)
Address (<i>Number, Street, P.O. Box</i>)		
City	State	ZIP Code
Telephone Number (<i>with area code</i>)	Fax Number (<i>with area code</i>)	
5. Lending/Finance Company		
Company Name	Contact Name	Contact Phone Number
Type of transaction (<i>For example, loan consolidation, refinance, etc</i>)		

6. Monetary Information	
Amount of existing loan <i>(if refinancing)</i>	
Amount of new loan	
Amount to be paid to the United States <i>(6325(d)(1) applications only)</i>	
7. Basis for Subordination: Check the box below that best addresses what you would like the United States to consider in your application for subordination. <i>(Publication 784 has additional descriptions of the Internal Revenue Code sections listed below.)</i>	
<input type="checkbox"/> 6325(d)(1)	the United States will receive an amount equal to the lien or interest to which the certificate of subordination is issued <i>(provide amount in Section 6 above)</i>
<input type="checkbox"/> 6325(d)(2)	the issuance of the certificate of subordination will increase the government's interest and make collection of the tax liability easier. <i>(Complete and attach a signed and dated statement describing how the amount the United States may ultimately realize will increase and how collection will be facilitated by the subordination.)</i>
Statement	<input type="checkbox"/> Attached <input type="checkbox"/> NA
8. Description of property <i>(For example, 3 bedroom rental house; 2002 Cessna twin engine airplane, serial number AT919000000000X00; etc.):</i>	

Address of real property <i>(If this is personal property list the address where the property is located):</i>		
Address <i>(Number, Street, P.O. Box)</i>		
City	State	ZIP Code
Real Estate: Legible copy of deed or title showing legal description <input type="checkbox"/> Attached <input type="checkbox"/> NA		
9. Appraisal and Valuations		
Appraisal: <i>(Professional appraisal completed by a disinterested third party but it is not required for a subordination)</i>	<input type="checkbox"/> Attached	
OR ONE OF THE FOLLOWING VALUATIONS: County valuation of property <i>(real property)</i> Informal valuation of property by disinterested third party Proposed selling price <i>(for property being sold at auction)</i> Other: _____	<input type="checkbox"/> Attached <input type="checkbox"/> Attached <input type="checkbox"/> Attached <input type="checkbox"/> Attached	

10. Copy of Federal Tax Lien(s) (Complete if applicant and taxpayer differ)

☐ Attached☐ No

OR list the lien number(s) found near the top right corner on the lien document(s) (if known)

11. Copy of the proposed loan agreement (if available)

☐ Attached☐ No

AND

Describe how subordination is in the best interests of the United States:

12. Copy of a current title report (required for subordination)

☐ Attached☐ No

OR

List encumbrances with seniority over the Federal Tax Lien. Include name and address of the holder; description of the 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. Include any home equity line of credit (HELOCs) advances beginning the 46th day after the NFTL was filed, through the date you submit your application, and include expected advances through the date the certificate will be issued. (Attach additional sheets as needed):

13. Copy of proposed closing statement (aka HUD-1)

☐ Attached☐ No

OR

Itemize all proposed costs, commissions, and expenses of any transfer or sale associated with property (Attach additional sheets as needed):

14. Additional information that may have a bearing on this request, such as pending litigation, explanations of unusual situations, etc., is attached for consideration

☐ Yes☐ No

15. Declaration

Under penalties of perjury, I declare that I have examined this application, including any accompanying schedules, exhibits, affidavits, and statements and to the best of my knowledge and belief it is true, correct and complete.

Signature/Title

Date

Signature/Title

Date

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