



20-Year Statute of Limitations to Collect Tax Liabilities

This memorandum explains the recently enacted legislation that amends the 20-year statute of limitations to collect tax liabilities. The legislation provides for additional limitations on the Tax Department's collection powers.

The Tax Law was amended to revise the 20-year statute of limitations on the Tax Department's (the department's) time to collect tax liabilities that have been assessed and for which a notice and demand has been issued. This statute of limitations is applicable to all taxes, and any special assessments, fees, interest, additions to tax, penalties, or other impositions administered by the department.

Under prior law, the 20-year period did not begin to run until a warrant was actually filed. Further, the 20-year period was extended if the taxpayer acknowledged an indebtedness in writing, or made a payment towards the liability.

The new law provides that a tax liability will not be enforceable and will be extinguished after 20 years from the first date a warrant could be filed by the department. Under the amendments, the first date a warrant could be filed means:

- if there is no right to a hearing with respect to the notice and demand issued for the tax liability, the first date a warrant could be filed is the day after the last day specified for payment of the notice and demand issued for the tax liability; or
- if there is a right to a hearing with respect to a notice and demand for a tax liability, the first date a warrant could be filed is the day after the opportunity to apply for a hearing or review has been exhausted.

In addition, a payment by the taxpayer or an acknowledgment of an indebtedness in writing by the taxpayer no longer extends the 20-year time limit as under prior law.

The new law also provides that the department and the taxpayer can agree to extend the time to collect on a warrant. The department and the taxpayer must agree in writing for such an extension to take effect.

This new law is effective August 17, 2011, and applies to tax liabilities that could have been warranted before August 17, 2011, as well as tax liabilities that can first be warranted on or

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September 9, 2011

after that date. Therefore, the 20-year time limit starts from the first date a warrant could be filed for a tax liability, regardless of when the tax liability was assessed (i.e., before or after the effective date).

(Chapter 432 of the Laws of 2011, Tax Law section 174-b)

NOTE: A TSB-M is an informational statement of existing department policies or of changes to the law, regulations, or department policies. It is accurate on the date issued. Subsequent changes in the law or regulations, judicial decisions, Tax Appeals Tribunal decisions, or changes in department policies could affect the validity of the information presented in a TSB-M.