



Electronic Lien (E-Lien) Program

Briefing for International Association of Commercial Administrators

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E-Lien—Electronic Federal Tax Lien Objectives

- **Improve the current Federal Tax Lien (FTL) process with State and Local Jurisdictions (SLJ) by automating:**
 - Delivery process
 - Recording process
 - Payment of filing fees
- **Improve IRS customer service by decreasing the number of filing locations**

E-Lien Program Vision

- **E-Lien will deliver a modernized user interface designed to achieve the following results:**
 - Enhance speed and timeliness of filing
 - Reduce staffing costs at the IRS and recording locations
 - Improve data integrity and ensure taxpayer privacy
 - Change the method of lien delivery from paper to electronic
 - Increase efficiency of filing, recording, and lien release
 - Manage the process workflow more effectively
 - Decrease manual interventions
 - Increase standardization and uniformity

Current ('As-Is') Federal Tax Lien Process

- **1.0M FTL documents filed yearly (only 6% are electronic)**
- **More than 4,000 SLJs**
- **Different state laws, regulations, procedures and technologies**
- **The paper manual process is error prone and resource intensive**
- **Many organizations and SLJs are pushing for E-Lien solutions, e.g., IACA, Property Records Industry Association (PRIA), and National Association of County Records, Election Officials, and Clerks (NACRC)**
 - Current E-Lien delivery methods vary: email, FTP, dedicated terminals, SLJ client software, zip files

Electronic Lien Filing History

- **The Department of the Treasury issued regulations in 1988 to enable electronic lien filing**
- **Electronic filing evolved into three E-Lien models:**
 - Model 1: The early years of the Automated Lien System (ALS) in **Connecticut and Massachusetts**
 - Model 2: The first IRS and state recording office electronic data exchange in **Minnesota**
 - Model 3: E-Lien—the future national XML-based automated electronic exchange

Electronic Lien Filing in CT and MA (Model 1)

- **In 1988, the Secretary of State in Hartford, CT (CTSOS) entered into an agreement with IRS to eliminate paper documents**
 - IRS gave CTSOS direct access to ALS
 - IRS transmits a data file to assist CTSOS in indexing the lien filings
- **In 1989, the Clerk of the United States District Court (USDC) in Boston, MA entered into an agreement with IRS to eliminate paper documents**
- **IRS gave USDC direct access to ALS**
- **These agreements continue today**

Electronic Lien Filing in MN (Model 2)

- **In 1996, the Secretary of State in St. Paul, MN (MNSOS) entered into an agreement with IRS to eliminate paper documents**
 - IRS transmits lien information files for new liens and releases to the MNSOS
 - MNSOS developed a statewide database to make the electronic liens available to all 88 county recording offices
 - The MN system provides for electronic receipt of recording information
 - This agreement continues today

Transition to E-Lien (Model 3)

- **E-Lien replaces all previous models**
- **State recording offices or consortiums to enter into an agreement with the IRS**
- **IRS to transmit:**
 - FTL documents
 - FTL filing fee payment information (optional)
- **SLJ to transmit:**
 - FTL recording information
 - FTL filing fee payment acknowledgement (optional)

E-Lien Benefits

- **One** national IRS electronic lien filing model
- **Compatible** with state recording office technology
- Follows national **standardization** efforts for uniformity
- Provides opportunities for IRS **partnerships** with state recording offices
- Encourages **inter and intra state collaboration** with possible **sharing of technology**
- E-Lien eliminates mailing, printing, and **paper costs**

UCC and Federal Tax Lien Act

Uniform Commercial Code (UCC)

- **In July 2001, revised Article 9 of the UCC became effective in all 50 states**
- **The new law:**
 - Enhances state electronic filings
 - Allows broad public access via the internet

Uniform Federal Tax Lien Registration Act (UFTLRA)

- **Is also a state law “however”**
 - The UCC Article 9 revisions do not cover FTL filings
 - IRS lien filings are authorized under UFTLRA
 - A revised UFTLRA is needed to provide for electronic FTL filings in each state

Getting E-Lien Started – Step 1

Partnership

- **Any E-Lien undertaking requires:**

- Establishing partnerships between IRS and the Secretary of State offices
- Setting up local IRS E-Lien implementation team
- Coordinating with IRS federal/state liaisons
- Coordinating with IRS E-Lien team*

* **Note:** The E-Lien team is in partnership with the IRS FFRDC, operated by The MITRE Corporation <http://www.mitre.org>.

*A Federally Funded Research and Development Center (FFRDC), described in the Federal Acquisition Regulation (FAR) 35.017, is a not-for-profit organization that assists the U.S. Government with research, analysis, systems development, and systems acquisition. An FFRDC is required to conduct its business in a manner befitting its special relationship with the government, to operate in the **public interest** with **objectivity and independence**, to be free from organizational conflicts of interests, and to have full disclosure of its affairs to the sponsoring agency.*

Getting E-Lien Started – Step 2

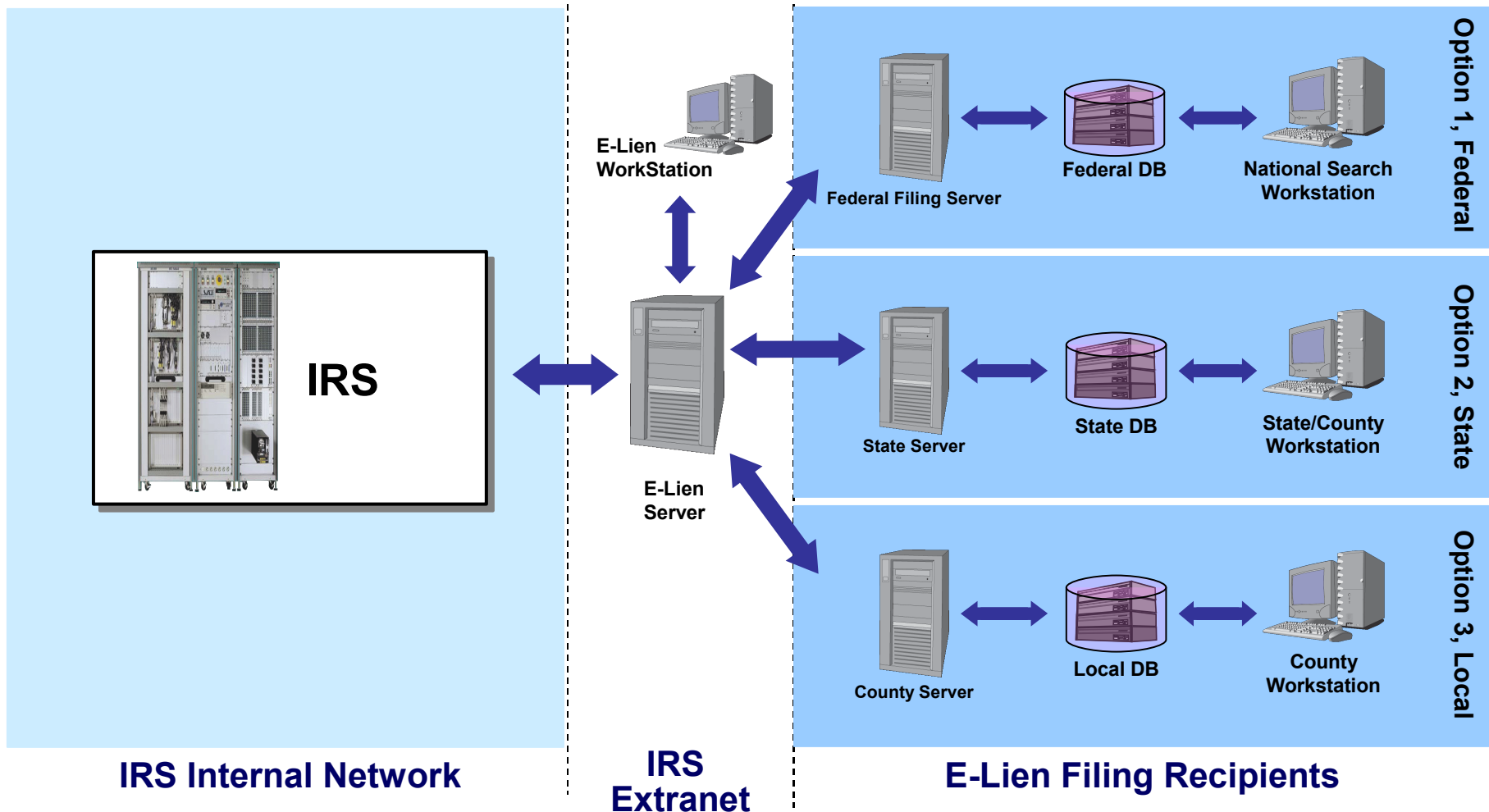
- **Revise the state UFTLRA**

- Ensure that state law provides for E-Lien so that an electronically filed FTL is a proper legal filing allowing notification and access to the public
- Amend the state UFTLRA to expressly permit E-Lien
- IRS and the state of Maine collaborated to create a national model for a revised UFTLRA
- Several states already amended their state law to allow E-Lien
 - ❖ i.e., Maine, Nebraska, California, Minnesota, New York, Florida
- IRS and the state of Maine presented the revised UFTLRA to IACA for consideration in other states

Proposed Future ('To-Be') E-Lien Delivery Options

- **Option 1, federal:** Centralized FTL management at federal/IRS level
 - Federal Liens National Database
- **Option 2, state:** Decentralized FTL management at state level
 - State single point to file
- **Option 3, local:** Decentralized FTL management at local level
 - Current model with local jurisdiction

Proposed E-Lien Conceptual Architecture



Proposed Lien Delivery Technologies

Which Local Jurisdictions?	Technology	Timing
Electronic liens approved (only 8 states)	Machine to machine	Phases I, II and beyond
Electronic liens approved and possibly non-electronic	Machine to email	Phase II+ (procedural, legal, Memorandum of Understanding)
Non-electronic (small SLJs)	Machine to fax	Phase II+ (procedural, legal, Memorandum of Understanding)

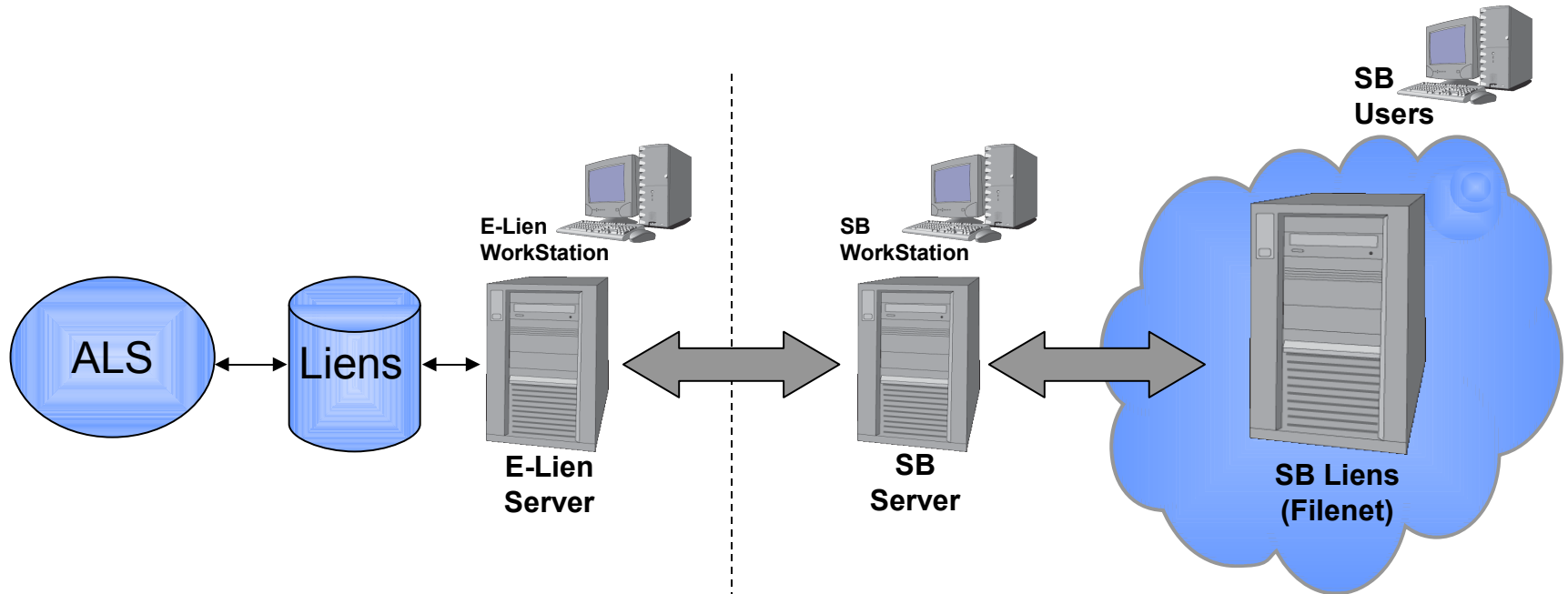
Proposed Lien Fee Payment Technologies

Which Local Jurisdictions?	Technology	Timing
ALL	Semi Automated (Direct Deposit or Treasury Checks)	Phase I
ALL	Machine to Machine (Direct Deposit or Treasury Checks)	Phase II

Proposed E-Lien Pilot with San Bernardino, CA

- **Create XML format lien file for lien, release, withdrawal, revocation and refile documents**
- **E-Lien server sends an encrypted XML FTL file**
- **SLJ server receives file**
 - Loads XML file in database
 - Displays lien image
 - Scans and archives image
- **San Bernardino (SB) returns lien recording data**
- **IRS uploads SB lien recording data to ALS**

Proposed E-Lien Pilot with San Bernardino, CA



- Converts ALS layout to XML
- Transmits liens to SB
- Receives transmission and recording information in XML format
- Transmits lien recording data to ALS

- Sends transmission receipt to E-Lien
- Converts FTLs to its internal format and transfers to its custom application (Filenet)
- Records liens in SB custom application
- Sends recording information to E-Lien server

Call for Action

- **Work aggressively with your legislative representatives to allow for electronic liens in 2007 and 2008**
- **Work with your accounting representatives to allow for electronic payments**
- **Contact the IRS E-Lien team and express your interest in this project**
- **Work with the counties to centralize lien processing in your state**
- **IRS will work with IACA members and with county recorders**

Summary

- **IRS is committed to this project**
- **We need your active support and partnership**
- **Thank you for inviting us to your conference**
- **Please sign the roster**
- **Please drop off your business card**
- **We are available to answer questions the remainder of today and all day Thursday**
- **We look forward to our partnership**

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