I Just Paid Off a $520,000 Federal Tax Lien: Part 1

Hosted by: Joe McCall

Hey, good morning, everybody, this is Joe, REI In Your Car podcast.

Listen, I'm kind of nervous about this episode. I have a huge confession. Are you ready? I just paid off five hundred- and twenty-thousand-dollar federal tax lien. Yes, I had a five hundred- and twenty-thousand-dollar federal tax lien against me for the last three years. It's been hanging over my head. Well, maybe more than that, four or five years. And I just paid it off.

So I got a lot of reasons why I'm sharing this with you. I'm going to do a YouTube video about it soon, but I thought I would do an audio podcast for you guys just because I like you guys. I like you guys better than my YouTube video viewers. I'm just kidding. But there are more of you. There are more people that watch or listen to my podcast and watch my YouTube videos. No, I'm just kidding about that. Anyway, seriously, though, I did I pay off an IRS lien. And here's this. You know, I wanted to talk about it because I have this fear. I've had this fear for three or four or five years that, you know, I'm going to be discovered. I'm going to be found out. Like only my closest friends and my wife, of course, knew about this. And I've always had this fear, like somebody's going to discover that I have this tax lien and they're going to, like, expose me for the for the scam and the fraud that they think I am or whatever.

But so I wanted to talk about it. But for another bigger reason I wanted to talk about it was so that you guys could learn from my mistakes and avoid the same stupid things that I did. All right. So let me tell you what happened. I got started in real estate investing back in 2006 part time full time, quit my job in 2009. And, you know, I've always, through being an employee, have had my taxes taken out of my paycheck. And it just kind of happens, you know, you don't really think about it. And if you're lucky, you get a refund and you're like, wow, yes, I made some money. I got free money. Well, it's not really free. The IRS was borrowing it and not paying you any interest. But anyway, when I quit my job, we have adopted four kids and three of the four kids, we were able to get adoption tax credits. And so I quit my job and we had a bunch of tax credits for adoptions. And so any gains that I had, I wasn't making a ton of money back then in 09 when I quit my job. But I didn't have to pay any taxes from those tax credits and some little bit of write offs that I had for about four years.

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And then all of a sudden in 2012, 2013, two things happened. Number one, I started making a lot more money and I started I ran out of deductions. I ran out of tax deductions. The market crashed also, by the way. And I had a bunch of write offs from the losses of the houses that I lost. And I've talked about that before. I did some foreclosures and short sales and some of my investment properties, our own personal residence, we lost to a short sale, and I was just over leveraged. I had a bunch of private money, mortgages and all that, but I paid back all my private lenders. I'm happy and proud to say, paid back all my private lenders. And it was hurtful and painful process. But I did. And I never missed a seller's mortgage payment. I did a lot of subject twos, and I never missed a seller's mortgage payment. It was day twenty-nine when it was paid, but it was paid. They never had a 30 day late on their credit. But anyway, so a couple of things happened. I started making a lot of money from doing deals and from selling coaching and I ran out of all my deductions. This was in 2012, 2013. And then all of a sudden, I was hit with a huge tax bill of about sixty or seventy thousand dollars at the time.

So I'm like, oh crap, I got to pay this. And so I started. It's kind of weird how this happens and some of you that if it had the similar problem and by the way, the more I've shared the story, the more people have told me like, oh my gosh, I am in the same boat and it's amazing. Let me just say this, too. And I don't know if I'm going to be able to do all of this in one episode. You would be shocked how many people you see out there that are successful that you think are riding high and doing really, really well. But inside, secretly, no one knows, like, they owe a ton of money in taxes. They owe, they're in deep debt and they're completely stressed out. I mean, they're making a million dollars, but their expenses and overhead and after marketing and everything, it's like nine hundred ninety-nine thousand nine hundred ninety-nine dollars like they have, that is even more stressful. I mean, it would be less stressful to make thirty grand a year and have twenty-nine thousand dollars in expenses. Then it would be to make a million a year and have nine hundred ninety-nine thousand dollars in expenses.

Do you understand what I'm saying there? So there you got to take, when you hear people brag about how successful and awesome they are, you got to take it with a grain of salt. Now, I'm you know, I'm not saying like everybody's like that, but there's always a bunch more going on behind the scenes that you don't see and you don't know about. And so just be aware of that. And I was shocked. I've been shocked as I've talked to people about this, like how many other people have tax problems either currently or in the past as well. And as I've been studying this, you know, it's amazing to me the numbers from the IRS, how many self-employed people owe taxes, back taxes. It's like a significant at least a third, twenty-five to thirty five percent in the last place, I read this

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and I forget where I read it, at least twenty five, thirty five percent of entrepreneurs, small business owners have back they owe back taxes and a lot of them don't even ever report their income so they don't even file taxes. So it's crazy. And the IRS is understaffed and yeah, that's another episode.

So anyway, I owed like I don't remember. Seventy-five grand, a lot of money. I didn't have any of that set aside. I hadn't been paying my taxes quarterly. I didn't have an account. Well I did have an accountant, but it was like at the end of the year on in March or April, I would send them all of my receipts and my bank statements and I'd say, all right, figure it out, pay my taxes. And so they did. And I was like, oh, my gosh, I owe money. Crap. What am I going to do? I'll pay it off. I'll figure it out. I'll just make more money. Oh, I almost ran over a turtle, but I didn't. I missed him. Thank you, Jesus. All right. So then, I am I started paying off my previous taxes and then I started making more money and all of a sudden, the next year happened and I hadn't paid any of my I hadn't set aside any money for my current taxes, my current year's taxes, you know. And so I all of a sudden owed another hundred and twenty thousand dollars on top of the, you know, fifty grand. Probably what I had left are the previous year's taxes.

And all of a sudden I was like, I'm not getting anywhere. In fact, I'm digging myself in a bigger hole. And it was crazy because I thought, well, you know, I'll just I'll just make more money. Right. And I remember about this time I had a good friend from a big mastermind that I belong to. Tell me, Joe, you're starting to make a lot of money. You need to think seriously about taxes, like, yeah, I got that covered. I know what I'm doing. Then what are you talking about? Yeah, Joe, it's not about how much you make. It's about how much you keep and you're going to have a huge tax bill. You need to be really careful, brother. And I remember exactly you know, who this was. I'll tell you is Jason Medley from the Collective Genius. And I was like, yeah, yeah, I got it, man. Don't worry about it. And then I change the subject quickly. Right. And I didn't because I thought it was just not a big deal. I'll pay it off. I'll figure it out.

Well, I didn't. And it kept on getting bigger and bigger. And over the next two or three years, I just my tax bills were getting bigger, and I couldn't pay them off. And I was trying to work it out with the IRS, you know, and all this time, like, I am this guy, right. Who's supposed to be super successful. And I have this podcast with thousands of followers and I'm on YouTube and Facebook and podcast, and I'm kind of known in the real estate investing circles. And I'm supposed to be the successful guy, but I have this inner thing going on where, like him and I oh, I hope nobody finds out about this. I owe a crap ton of money in taxes. And I kind of buried my head in the sand. To be honest is what I did. I didn't realize or take it seriously enough and nobody knew except my wife. I

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don't even think she knew. It was like, I'll take care of it, I'll pay for it, I'll just make more money and I start working harder and just kept on getting deeper and deeper into debt, tax debt.

And oh so I finally started really getting into I started getting more and more letters from the IRS and I started getting letters from I remember I started getting like letters from tax attorneys like how do they know? And then I realized I had to lean like a seventy-thousand-dollar lean attached to one of my rental properties. And when you get a lien attached to one of your properties, then, you know, all of these other businesses, like, you know, for profit businesses will start sending you letters saying, hey, we'll help you take care of your IRS lien, you know, and they started sending these really ominous, threatening letters like the IRS is going to come and get you and they're going to steal everything you have. And it's obnoxious. Yes, I got literally guys, I'm not kidding, I've literally had hundreds and hundreds and hundreds of these letters, sometimes five, 10 a day from companies trying to help me get me to pay them to take care of my tax problems, maybe over a thousand. And it's really bad.

And here's the problem, though. I can't negotiate with the IRS because you have to have a hardship. In other words, you have to show them that you're barely scraping by. You can barely pay for food and put you know; you're living in squalor. And I couldn't do that. I couldn't show them that I was barely surviving because, you know, we had a nice house. We have nice cars. I've got a lot of money in the bank account, not a lot. But, you know, enough that, you know, the IRS is not going to negotiate with me. So I contacted some of these companies and some of these attorneys and they looked at me and said, look, you can't negotiate anything like you have nothing to fall back on or stand on because the IRS is going to unless you want to lie and pretend that you're suffering hardship because of this. So, like, I'm just going to work harder. I'm going to pay it off. I'm going to pay it off. So I had my come to Jesus moment about two and a half years ago, three years ago. And there's an IRS collection agent in the St. Louis area where I live. And I've been getting tons of letters.

And, you know, it's just like it's just my brain was in a fog, is completely stressed out. I mean, losing sleep, going to bed late, stressed out about this tax bill, praying that nobody knows God help me get out of this thing, you know, help me help nobody find out or whatever. And so, yeah, extremely stressful waking up, you know, at 5:00 in the morning, not because I'm doing the morning routine or what do they call it, the, you know, the morning exercise routine thing that is kind of popular. It's like I woke up in stress and it my gut in a knot trying to figure out what I'm going to do with this tax thing, you know, starting hearing stories of celebrities and famous people going to jail because of their unpaid tax bills. What's going to happen to my family? So I finally,

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about that point, started talking to people, local friends and people in mastermind's, asking them for help. And what do I do? Excuse me, but just a little bit. I mean, I never let on to how big of a problem it really was. And that's hard to talk about this. I'm like, what are you guys thinking of me right now? I don't care. I just hope that this helps somebody. Right. I really do. I hope this helps somebody.

So I got I had to come to come to Jesus moment. And I'm definitely going to break this up into two podcasts because I'm here where I need to be and I need to get out of the car. So I got a call from this guy and his name is Steve. And he said, Joe, you need to come into my office. We need to talk. And I said, Oh, OK. All right. And I got in his office. I was a little nervous, you know, and he said, you sat me down and said, Joe, do you have any idea what kind of trouble you're in? I know he said, do you have any idea how much you owe? And so I kind of have a vague idea. And he told me, you said you owe over five hundred and twenty thousand dollars in taxes. And that's not like taxes like thirty-five. Forty percent of that is penalties and interest. Like, it's ridiculous. It's the rates that you pay the IRS for late taxes is like credit card rates when you figure in taxes and penalty, I'm sorry, penalties and interest because you don't know this, but it's like it's like nineteen twenty percent. Twenty four percent high interest credit card rates. It's highway robbery is what it is.

But I deserved it and I owed five hundred and twenty thousand dollars and the guy sat me down said, Joe, you know you're a nice guy, you answer my phone calls and that's good. But he said, Do you realize how close I am to taking everything away from you, taking your house, taking your cars, making you sell everything, making you sell your rental properties and kicking you out on the street? Oh, no, no, he didn't say that he said and sending you to jail. And I'm sitting in his office and I'm shaking, and I'm trying hard not to cry and bawl like a little baby. And he said, Do you realize how much trouble you're in? You've got to fix this. And I said, I need help. I felt like I was this is just I don't know. I just explain this. And I said, what do I do? I need help because I kept on getting bigger and bigger tax bills and I couldn't pay off my previous taxes. And the interest was building on the interest and the penalties were building on the penalties.

And he said, well, first of all, you need to get current on your current taxes. He said, stop paying, I'll stop the collection efforts because the IRS was hounding me. Oh, my gosh, he said, we'll stop the collection efforts on your old taxes, but you need to start paying your new taxes. And I said, OK, and this is about the same time two people have been recommended me Profit First, the book Profit First. And I'd read it before. And it's like, yeah, yeah, I'll do that later. And so what I did is right around this time too, I hired my an operations manager like a more than just a bookkeeper

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or an assistant. I wanted an executive level accountant/bookkeeper/assistant to work for me and just manage my entire books. And I came to this realization, and I admitted finally to myself that I am not good at numbers, I am not good at managing cash flow, I'm not good at managing my finances.

And yeah, the book Profit First was written for me. I was that guy. I was that guy. And I remember somebody else to one of the masterminds said to me, he said everybody that was there was a small group of 20, 30 people. He said, if you don't know your numbers, you don't have a real business. And I was like, oh my gosh, they hit me like a ton of bricks. And I said, I realize I don't know my numbers. I don't have a real business. And I was making good money. I was making one or two million dollars a year. But I said to myself, I don't I don't have a real business. I don't know my numbers.

So I hired a lady and she's amazing. And I said to her, listen, I want you to implement profit first. I've got this tax problem. The guy's IRS says I just need to get current on my current taxes. So I had to sacrifice a crap ton of time and money and expenses. And I got current on my current taxes, which was huge. Like all of this is going way long. So I got current on my current taxes and then the IRS put me on an installment plan to pay off the remaining tax debt that I owed.

And the guy told me, Joe, if you miss one payment, we're coming after you and it's not going to be nice. It's going to be pretty so current on my current taxes. And how did I do that? We started implementing profit first. Every dollar that came in, we would set aside a certain amount for profit still even then set aside a little bit for profit, mostly taxes, though, but then my salary and then the taxes and profit and salary and then whatever was left went to the business expenses. So I cut a lot of expenses out of my budget and that's a whole other episode. Oh my gosh, I was paying stupid money for stupid things that I wasn't even using. And so then, yeah, I think what I want to do is break that up down to two episodes. I'm going to share what happened next and some of the big lessons learned, because I think it's important you guys understand this. And yeah. So confession part one is over. I'm going to be back for part two and a little bit here. We'll see you guys.

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