



Tax Item. Penalties

This item is available only on the Internet or by fax.

Civil and Criminal Penalties

This item describes civil penalties that can be imposed for:

- not filing your return and paying your tax by the due date,
- giving fraudulent information on your return,
- filing a frivolous return,
- substantially understating your tax, or
- not supplying a required social security number or tax shelter registration number.

Caution: This item does not cover criminal penalties. They can subject you to prosecution (trial) for actions such as:

- evading tax,
- willfully failing to file a return, give information, or pay tax due,
- committing fraud or making false statements, or
- filing a fraudulent return.

This item also does not cover interest. Interest is charged in addition to penalties, and it is charged on unpaid tax even when no penalty is charged.

Filing Return Late; Paying Tax Late

If you show you had reasonable cause for filing late or for paying late, you will not have to pay the penalty.

IF you:	THEN the penalty:
did not file your return by the due date (including extensions), and <ul style="list-style-type: none"> ● no fraud was involved 	is 5% of the unpaid amount for each month or part of a month the return is late. Up to: 25% of the unpaid amount.
did not file your return by the due date (including extensions), and <ul style="list-style-type: none"> ● fraud was involved 	is 15% of the unpaid amount for each month or part of a month the return is late. Up to: 75% of the unpaid amount.
filed your return more than 60 days after the due date (including extensions)	is at least the smaller of : <ul style="list-style-type: none"> ● \$100 or ● all the unpaid tax.

IF you:	THEN the penalty:
paid less than 90% of your actual tax by the original due date of your return	is 1/2 of 1% of the unpaid amount for each month or part of a month the tax remains unpaid. Up to: 25% of the unpaid amount.
paid at least 90%, but less than 100%, of your actual tax and ● you paid it by the original due date of your return	starts to be charged after the extension period ends, if any tax still remains unpaid. Payment can be by: ● withholding, ● estimated tax payments, or ● payment sent with Form 4868 , <i>Application for Automatic Extension of Time To File U.S. Individual Income Tax Return</i> .
did not pay tax by the due date and ● notice of intent to levy is issued	increases to 1% of the unpaid amount each month, starting with the first month that begins at least 10 days after the day the notice is issued. Up to: 25% of the unpaid amount.
did not pay tax by the due date and ● notice and demand is issued for immediate payment	increases to 1% of the unpaid amount each month, starting with the first month after the day the notice and demand is issued. Up to: 25% of the unpaid amount.
● did not file on time and ● did not pay tax on time	is combined for late filing and late payment. When both penalties apply, reduce the late filing penalty rate (5% or 15%) by the late payment penalty rate (.5% or 1%).

Fraud

If any tax was underpaid on your return due to fraud, the penalty is 75% of the amount underpaid due to fraud.

Joint return. The fraud penalty on a joint return does not apply to a spouse unless some part of the underpayment is due to fraud by that spouse.

Frivolous Return

If you file a frivolous return, the penalty is \$500. It is added to any other penalty you must pay. You must pay the penalty in full on notice and demand from IRS, even if you protest the penalty.

Definition: A frivolous return:

- does not include enough information to figure the correct tax or
- contains information that clearly shows the tax you reported is substantially incorrect.

You must pay the penalty if you filed a frivolous return in which you presented a frivolous position or tried to delay or interfere with the administration of Federal income tax laws. An example is a return on which you altered or struck out the preprinted language above the space provided for your signature.

Accuracy-Related Penalty

The accuracy-related penalty is not charged on any part of underpaid tax on which a fraud penalty is charged. Otherwise, it is charged as follows:

IF you:	THEN the penalty is 20% of:
underpay tax from “negligence” or “disregard” of rules or regulations	the part of the underpayment due to negligence or disregard.
understate your income tax substantially	the underpaid tax.

Reducing the Accuracy-Related Penalty. The accuracy-related penalty may be reduced or dropped if you either:

- show you had reasonable cause and acted in good faith, or
- explain your position adequately in a disclosure statement attached to your return, and you had reasonable basis.

For substantial understatement of your income, the penalty may also be reduced to the extent that you had substantial authority for your treatment of the items that led to the substantial understatement.

Definitions. The following terms used to explain the accuracy-related penalty have specialized meanings.

Negligence includes:

- failing to make a reasonable attempt to comply with the tax law or to exercise ordinary and reasonable care in preparing a return; or
- failing to keep adequate books and records.

Disregard includes any careless, reckless, or intentional disregard.

Substantial understatement of income tax occurs if :

- the tax shown on your return is less than the correct tax, and
- the difference is more than the larger of:
 - 10% of the correct tax or
 - \$5,000.

Substantial authority depends on facts and circumstances. IRS will

consider the following if they involve the same or similar circumstances as yours:

Court opinions
 Treasury regulations
 Notices and announcements that IRS issues and publishes in the *Internal Revenue Bulletin*.

Revenue rulings
 Revenue procedures

Disclosure statement. You generally should use **Form 8275, Disclosure Statement**, as an attachment to your return to disclose the relevant facts about your tax treatment of an item. You also need reasonable basis for treating it as you did. You do not need to file Form 8275 in cases of substantial understatement for items that meet the requirements of Revenue Procedure 96-58 (or later update). Use **Form 8275-R, Regulation Disclosure Statement**, to disclose items or positions contrary to regulations.

Not Giving Social Security or Tax Shelter Registration Number When Required

This chart lists the penalties for not giving a social security number (SSN) or tax shelter registration number when required. The penalties can be excused if you show you have reasonable cause for not reporting the number.

IF you:	THEN the penalty is:
do not include your or someone else's SSN where required on a return, statement, or other document	\$50, charged to you for <i>each</i> failure.
do not give your SSN to someone else (such as a bank) who needs to report it on a return, statement, or other document	\$50, charged to you. Tax may be withheld from payments you get, as well.
buy, or otherwise acquire a tax shelter, and <ul style="list-style-type: none"> the person who transfers it to you does not give you the tax shelter registration number 	\$100, charged to that person.
claim a deduction, credit, or other tax benefit because of a tax shelter, and <ul style="list-style-type: none"> you do not attach Form 8271, Investor Reporting of Tax Shelter Registration Number, to your return to report the number. 	\$250, charged to you for each time you do not report a tax shelter registration number on your return.

Ordering Forms and Publications

To order free IRS forms and publications, call 1-800-TAX-FORM (1-800-829-3676). If you have access to TDD equipment, you can call 1-800-829-4059. See your tax package for the hours of operation. You can also write to the IRS

Forms Distribution Center nearest you. Check your income tax package for the address.

If you have access to a personal computer and a modem, you can download forms and publications from our Website. Your income tax package has more details.