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IRS Providing Penalty Relief to 1.6 Million Taxpayers

Article Highlights:

- Penalty Relief
- 2019 & 2020 Tax Returns
- Includes 1040, 1120, Certain 1099 Series Filings
- Refunds Are Automatic
- September 30, 2022, Deadline
- The First-Time Abatement Penalty Relief

To help struggling taxpayers affected by the COVID-19 pandemic, the IRS has issued a [notice](#), which provides penalty relief to most people and businesses who file or filed certain 2019 or 2020 returns late.

This includes nearly 1.6 million taxpayers who will automatically receive more than \$1.2 billion in refunds or credits. Many of these payments will be completed by the end of September.

Besides providing relief to both individuals and businesses impacted by the pandemic, this action is designed to allow the IRS to focus its resources on processing backlogged tax returns and taxpayer correspondence to help return to normal operations for the 2023 filing season.

The relief applies to the Failure to File Penalty. The penalty is typically assessed at a rate of 5% per month and up to a maximum of 25% of the unpaid tax when a federal income tax return is filed late. This relief applies to Form 1040 (Individual) and 1120 (Corporate) series, as well as others.

To qualify for this relief, any eligible income tax return must be filed on or before Sept. 30, 2022. So to take advantage of this relief contact this office immediately if you have not already filed your 2019 or 2020 returns.

In addition, the IRS is providing penalty relief to banks, employers and other businesses required to file various information returns, such as those in the 1099 series. To qualify for relief, the notice states that eligible 2019 returns must have been filed by Aug. 1, 2020, and eligible 2020 returns must have been filed by Aug. 1, 2021.

Because both deadlines fell on a weekend, a 2019 return will still be considered timely for purposes of relief provided under the notice if it was filed by Aug. 3, 2020, and a 2020 return will be considered timely for purposes of relief provided under the notice if it was filed by Aug. 2, 2021. The [notice](#) provides details on the information returns that are eligible for relief.

The notice also provides details on relief for filers of various international information returns, such as those reporting transactions with foreign trusts, receipt of foreign gifts, and ownership interests in foreign corporations. To qualify for this relief, any eligible tax return must be filed on or before Sept. 30, 2022.

Penalty relief is automatic. This means that eligible taxpayers need not apply for it. If already assessed, penalties will be abated. If already paid, the taxpayer will receive a credit or refund.

As a result, nearly 1.6 million taxpayers who already paid the penalty are receiving refunds totaling more than \$1.2 billion. Most eligible taxpayers will receive their refunds by the end of September.

Penalty relief is not available in some situations, such as where a fraudulent return was filed, where the penalties are part of an accepted offer in compromise or a closing agreement, or where the penalties were finally determined by a court.

This relief is limited to the penalties that the notice specifically states are eligible for relief. Other penalties, such as the Failure to Pay Penalty, are not eligible. But for these ineligible penalties, taxpayers may use existing penalty relief procedures, such as applying for relief under the reasonable cause criteria or the First-Time Abate program.

The First-Time Abatement Penalty Relief is a one-time administrative abatement of late filing and late payment penalties where the taxpayer has:

- Not previously been granted relief under this provision, and
- Has been compliant in the three prior years.

Please contact this office as soon as possible if you have unfiled 2019 and 2020 returns so you can take advantage of the penalty relief. The returns must be filed by September 30, 2022, to qualify for this relief.

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