

Select IRS Civil Tax Penalties

Code Section	Description of Prohibited Conduct	Penalty	Statutory Defense
§6651(a)(1)	Failure to file return	<p>5% of tax due per month up to 25% on amount required to be shown as tax; reduced by penalty for failure to pay during months both apply if return filed; does not apply to information returns; interest on penalty accrues from due date of return (including extensions) (§6601(e)(2))</p> <p>If both failure to file and §6651(a)(2) failure to pay penalties apply, failure to file penalty is reduced to 4.5% per month for up to five months (up to 22.5%).</p>	Reasonable cause (§301.6651-1(c)(1)) and not due to willful neglect.
§6651(a)(2)	Failure to pay amount shown as tax on any return	.5% of tax due per month; up to 25%; increased to 1% per month after IRS notification under earlier of §6651(d)(2)(A) or (B). Penalty reduced to .25% per month where installment agreement in effect.	Reasonable cause (§301.6651-1(c)(1)) and not due to willful neglect.
§6651(a)(3)	Failure to pay tax required to be shown on return that is not so shown within 21 calendar days (10 business days if amount is at least \$100K)	.5% of tax due per month; up to 25%; increased to 1% per month after IRS notification under earlier of §6651(d)(2)(A) or (B). Penalty reduced to .25% per month where installment agreement in effect.	Reasonable cause (§301.6651-1(c)(1)) and not due to willful neglect.
§6651(f)	Penalty for fraudulent failure to file	15% of tax due per month up to 75%	None
§6662(b)(1) and (c)	Accuracy-related penalty—negligence or disregard of rules or regulations	20% of portion of underpayment attributable to negligence or disregard of rules or regulations; position with reasonable basis (20% standard) generally is not negligent; disregard penalty that is properly disclosed for §§6011 and 6662 purposes is not imposed if there is reasonable basis; disregard of a rule that is not subject to §6011 disclosure is not imposed if there is realistic possibility of success (33% standard).	Reasonable cause and taxpayer acted in good faith. See §1.6664-4

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<p>§6662(b)(2) and (d)</p>	<p>Accuracy-related penalty - substantial understatement of income tax</p>	<p>20% of portion of underpayment due to substantial understatement; §6662(d)(1) penalty if understatement exceeds greater of 10% of amount of tax required to be shown on return or \$5,000.</p> <p>In the case of any taxpayer who claims any deduction allowed under §199A for the taxable year, substitute “5 percent” for “10 percent”.</p>	<p>Reasonable cause and taxpayer acted in good faith. See §1.6664-4</p>
<p>§6662(b)(7) and (j)</p>	<p>Accuracy-related penalty - Any undisclosed foreign financial asset understatement.</p>	<p>40% of portion of understatement for such taxable year which is attributable to any transaction involving an undisclosed foreign financial asset.</p>	<p>Reasonable cause and taxpayer acted in good faith. See §1.6664-4</p>
<p>§6663</p>	<p>Civil fraud</p>	<p>75% of underpayment attributable to fraud; if fraud shown, entire deficiency presumed fraudulent</p>	<p>None</p>