

## Karly Haugen

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IRS Tax Tips

April 14, 2011

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**Issue Number: IRS Tax Tip 2011-74**

### Inside This Issue

## Eight Facts on Penalties

When it comes to filing a tax return – or not filing one - the IRS can assess a penalty if you fail to file, fail to pay or both. Here are eight important points the IRS wants you to know about the two different penalties you may face if you do not file or pay timely.

1. If you do not file by the deadline, you might face a failure-to-file penalty. If you do not pay by the due date, you could face a failure-to-pay penalty.
2. The failure-to-file penalty is generally more than the failure-to-pay penalty. So if you cannot pay all the taxes you owe, you should still file your tax return on time and explore other payment options in the meantime. The IRS will work with you.
3. The penalty for filing late is usually 5 percent of the unpaid taxes for each month or part of a month that a return is late. This penalty will not exceed 25 percent of your unpaid taxes.
4. If you file your return more than 60 days after the due date or extended due date, the minimum penalty is the smaller of \$135 or 100 percent of the unpaid tax.
5. If you do not pay your taxes by the due date, you will generally have to pay a failure-to-pay penalty of ½ of 1 percent of your unpaid taxes for each month or part of a month after the due date that the taxes are not paid. This penalty can be as much as 25 percent of your unpaid taxes.
6. If you timely filed a request for an extension of time to file and you paid at least 90 percent of your actual tax liability by the original due date, you will not be faced with a failure-to-pay penalty if the remaining balance is paid by the extended due date.
7. If both the failure-to-file penalty and the failure-to-pay penalty apply in any month, the 5 percent failure-to-file penalty is reduced by the failure-to-pay penalty. However, if you file your return more than 60 days after the due date or extended due date, the minimum penalty is the smaller of \$135 or 100% of the unpaid tax.
8. You will not have to pay a failure-to-file or failure-to-pay penalty if you can show that you failed to file or pay on time because of reasonable cause and not because of willful neglect.

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