

## **Title: Criteria for Requesting an IRS Waiver of Penalties and Interest**

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**Word Count: 1000-1200**

You didn't file or pay your taxes this year because...reason. If you have the right reason, you may be able to request a waiver or tax penalties from the IRS. Believe it or not, the IRS isn't completely heartless and, for a government agency, it can actually make sense once in a while.

Uncle Sam knows that sometimes, stuff just happens and you may need a little relief so you can get your other stuff together enough to take care of business, meaning filing and paying your taxes, even if you're late.

Let's look at which penalties are eligible for relief, the type of relief you can request or receive, and consider a penalty waiver that is available just for the 2018 tax year.

### **Penalties Eligible for Relief**

While not an all-inclusive list, the IRS allows relief for the following common penalties <https://www.irs.gov/businesses/small-businesses-self-employed/penalty-relief>:

- Failure to file a tax return
- Failure to pay taxes on time
- Failure to deposit certain taxes as required

Any or all of these are eligible for penalty relief. Other penalties may apply, but the IRS takes those on a case-by-case basis.

Remember that failure to file is different from failure to pay. If you have to choose between the two, file on time and pay late. The penalties are lower. [<https://www.toptaxdefenders.com/blog/what-really-happens-if-you-dont-file-your-taxes>]

### **Types of Relief**

The IRS provides for three different types of relief, depending on why you got hit with the penalty. You can request relief due to reasonable cause,

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first-time penalty abatement or administrative waiver, or a statutory exception.

### *Reasonable Cause*

The key word here is “reasonable,”

<https://www.irs.gov/businesses/small-businesses-self-employed/penalty-relief-due-to-reasonable-cause> and it doesn't include, “I forgot.” If you ask for a waiver for reasonable cause, you need to establish the facts for the issue you are having that keeps you from taking care of your taxes, and you need to produce documentation to back it up.

- Fire, natural disaster, casualty, or other serious disturbances count as reasonable cause. Plenty of people in the U.S. have been hit with extreme weather, devastating forest fires, and other issues over the past year or so. If your home or business is in a riot zone, you may receive a waiver since having your structure blocked off by police tape is probably considered a pretty serious disturbance.
- If you are unable to obtain your records, the IRS may grant a waiver.
- Death, serious illness, incapacitation, or unavoidable absence of you, the taxpayer, or a member of your immediate family is considered reasonable cause. It's pretty cool of the government to acknowledge that dead people would have a tough time taking care of their taxes.
- Other reasons establishing you used all “ordinary business care and prudence” to meet your Federal tax obligations but just couldn't do it. “I forgot” does not, unfortunately, count as reasonable care and prudence. Neither does lack of funds unless the reason for the lack meets reasonable cause criteria.

Some instances of undue hardship

[https://www.irs.gov/irm/part20/irm\\_20-001-001r#idm140198826274112](https://www.irs.gov/irm/part20/irm_20-001-001r#idm140198826274112) may apply to your tax payment, but will not excuse you from filing your taxes or for an extension on time.

If you hope to obtain an IRS tax penalty waiver, you need to establish the facts of your case and acquire the supporting documents for your cause. The IRS provides a list of facts it needs.

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- What happened, and when it happened.
- The facts and circumstances preventing you from filing your return or paying your tax on time.
- How did these facts and circumstances come together to keep you from filing or paying your taxes, or performing your other daily responsibilities?
- Once the facts and circumstances changed, what did you do to file and pay your taxes?
- If a corporation, estate, or trust received a penalty, did the affected individual or member of the taxpayer's immediate family have sole authority to file, pay, or make a deposit for him or her?

You can prove your case with documents like court or hospital records, or a physician's letter (Yes, you really *were* in a coma through the first of the year). You can also supply documentation of a natural disaster or other events that kept you from filing or paying your taxes.

### *First-Time Penalty Abatement or Administrative Waiver*

If this is the very first time you have missed filing or paying, you may be able to receive a first-time penalty abatement

<https://www.irs.gov/businesses/small-businesses-self-employed/penalty-relief-due-to-first-time-penalty-abatement-or-other-administrative-waiver> in cases of failure to file, failure to pay, or failure to deposit taxes when due.

The first time penalty applies when:

- You weren't required to file a return or have no penalties for three tax years before the tax year in which you received the penalty.
- You filed all currently required forms or filed an extension of time to file.
- You have paid, or arranged to pay, any tax due.

Administrative relief may apply if you receive incorrect verbal advice from the IRS.

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### *Statutory Exceptions*

A statutory exception <https://www.irs.gov/businesses/small-businesses-self-employed/penalty-relief-due-to-statutory-exception> may be in order if you received incorrect written advice from the IRS. You need to present documentation to support your case.

- Your written request for advice.
- The erroneous advice you relied on that was furnished by the IRS.
- The report of tax adjustments identifying the penalty or addition to your tax and the items relating to the use of erroneous advice.

In every case, you need to gather and present documentation showing the reason you should receive a penalty abatement.

### **Special Penalty Waiver for 2018 Tax Year**

Because there were several changes made to the tax code took effect at the very end of 2017, many people did not get enough tax withheld from their wages and others underpaid their estimated taxes for the 2018 tax year.

The IRS issued guidance in January 2018

<https://www.irs.gov/newsroom/irs-waives-penalty-for-many-whose-tax-withholding-and-estimated-tax-payments-fell-short-in-2018> advising that any taxpayer who paid at least 85% of their total tax bill through withholding, quarterly estimated tax, or a combination, would not receive a penalty. The typical amount required is 90%.

In March <https://www.irs.gov/newsroom/irs-expands-penalty-waiver-for-those-whose-tax-withholding-and-estimated-tax-payments-fell-short-in-2018-key-threshold-lowered-to-80-percent>, the IRS issued further guidance, lowering the amount required to 80%.

### **There Is No Interest Relief**

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The IRS does not provide relief

<https://www.irs.gov/businesses/small-businesses-self-employed/interest-for-individuals> from interest charged in cases of reasonable cause or first-time penalty relief. It must charge interest by law so you will continue to accrue interest until you have paid your account in full.

However, if any penalties are reduced, the related interest is also reduced automatically.

### **Summing Up**

The IRS offers waivers for specific tax penalties, typically in cases where it is not possible for the taxpayer to have filed or paid on time. However, the abatement must be based on a reasonable cause, first-time penalty, or an administrative or statutory exception. You may not receive an abatement because you forgot, or because you don't have enough money to pay.

On the other hand, there is no relief from interest, only the reduction of interest if a penalty is abated.

If you believe you qualify for a penalty abatement, contact the IRS or consult with Top Tax Defenders to determine the way forward.

### **META DESCRIPTION**

The IRS grants waivers for specific tax penalties. If your situation fits their guidelines, you may be able to reduce or eliminate the penalties.