



Penalty Abatement

The IRS has the authority to assess over 140 different types of penalties, which include the following:

- failure to pay / failure to file
- estimated tax / failure to deposit
- return related
- preparer/promoter
- information return

The purpose of penalties is to encourage voluntary compliance to fulfill certain obligations, i.e., preparing an accurate return, filing it timely, and paying any tax due.

Since the application of these penalties must promote a tax system that is fair and effective, a taxpayer may seek relief from penalties if they have not been administered uniformly, accurately, and impartially.

The taxpayer has the opportunity to have their interests heard and may qualify for relief from those penalties under one of the following categories:

- reasonable cause...statutory exceptions...administrative waivers...correction of service error

Under the most common method of abatement, reasonable cause, the IRS will look at all of the facts and circumstances surrounding the situation that led to the assessment of the penalties. Relief will be granted on the basis of reasonable cause if the taxpayer exercised ordinary business care and prudence in determining their tax obligations but was unable to comply with those obligations.

The existence of any of the following factors may establish reasonable cause:

- death, serious illness, or unavoidable absence
- unable to obtain records
- incorrect advice from the service or from a tax advisor
- fire, casualty, natural disaster, or other disturbance or living in an official disaster area