

Part III – Administrative, Procedural, and Miscellaneous

Relief from Addition to Tax for Underpayment of Estimated Income Tax by an Individual

Notice 2019-25

SECTION 1. PURPOSE

This notice modifies and supersedes the guidance in Notice 2019-11, which provided for the waiver of the addition to tax under section 6654 of the Internal Revenue Code (Code) for the underpayment of estimated income tax for certain individuals who would otherwise be required to make tax year 2018 estimated income tax payments on or before January 15, 2019.

This notice makes the following changes to the guidance provided in Notice 2019-11:

- a. It increases the availability of the waiver of the addition to tax under section 6654 by expanding the waiver to certain individuals whose total withholding and estimated tax payments equal or exceed eighty percent (reduced from eighty-five percent threshold provided in Notice 2019-11) of the tax shown on the return for the 2018 taxable year.
- b. It updates procedures for requesting the waiver of the addition to tax under section 6654 for failure to make estimated income tax payments for

the 2018 taxable year otherwise required to be made on or before January 15, 2019.

- c. It provides procedures for taxpayers who paid additions to tax under section 6654 for tax year 2018 but who qualify for relief under this Notice 2019-XX to request a refund of the addition to tax.

This notice provides a waiver of the addition to tax under section 6654 of the Code for the underpayment of estimated income tax for certain individuals who would otherwise be required to make tax year 2018 estimated income tax payments on or before January 15, 2019. This waiver is limited to individuals whose total withholding and estimated tax payments equal or exceed eighty percent of the tax shown on the return for the 2018 taxable year.

SECTION 2. BACKGROUND

Generally, the Code requires taxpayers to pay federal income taxes as they earn income. To the extent these taxes are not withheld, a taxpayer must pay estimated income tax on a quarterly basis.

Section 6654 provides that, in the case of an individual, estimated income tax is required to be paid in four installments and the amount of any required installment is 25 percent of the required annual payment. Generally, under section 6654(d)(1)(B), the required annual payment is the lesser of (i) 90 percent of the tax shown on the return for the taxable year or (ii) 100 percent of the tax shown on the taxpayer's return for the preceding taxable year (110 percent if the individual's adjusted gross income on the previous year's return exceeded \$150,000), so long as the preceding taxable year was a full twelve months long. However, an individual may not use the tax for the preceding

taxable year to calculate the required estimated tax payments if that taxable year was not 12 months long, or the individual did not file a return for that preceding taxable year. Under section 6654(d)(2), the amount of the required installment is the annualized income installment for those taxpayers who establish that such amount is lower than 25 percent of the required annual payment determined under section 6654(d)(1). Pursuant to section 6654(g), income taxes withheld from wages are deemed to be paid evenly throughout the tax year, unless the taxpayer establishes the dates on which the amounts were actually withheld. Section 6654(a) imposes an addition to tax for failure to make a sufficient and timely payment of estimated income tax.

An individual taxpayer will not be subject to the addition to tax if an exception or waiver provision applies. Under section 6654(e)(1), an addition to tax will not be imposed on an individual taxpayer if the taxpayer owes less than \$1,000 in tax, after subtracting tax withheld on wages. Under section 6654(e)(2), an individual will not be subject to an addition to tax if the individual did not have any tax liability for the previous year, the preceding taxable year was 12 months, and the individual was a citizen or resident of the United States throughout the preceding tax year. In addition, the Secretary is authorized by section 6654(e)(3)(A) to waive the addition to tax if he “determines that by reason of casualty, disaster, or other unusual circumstances the imposition of such addition to tax would be against equity and good conscience.”

The December 22, 2017, enactment of Public Law 115-97, commonly referred to as the “Tax Cuts and Jobs Act” or “TCJA,” included a broad array of changes to the Code affecting millions of individual taxpayers. On February 28, 2018, the Internal Revenue Service (IRS) released an updated Withholding Calculator on IRS.gov and a

new version of Form W-4 to help individual taxpayers determine their appropriate amount of 2018 tax withholding. Despite the release of the updated Withholding Calculator and new Form W-4, some individual taxpayers may have been unable to accurately calculate the amount of their required estimated income tax payments for the 2018 tax year. Accordingly, the IRS is providing additional relief to individual taxpayers by waiving certain penalties if the requirements set forth in section 3 of this notice are satisfied.

SECTION 3. WAIVER FOR UNDERPAYMENT OF ESTIMATED INCOME TAX

Pursuant to the authority in section 6654(e)(3)(A), the addition to tax under section 6654 for failure to make estimated income tax payments for the 2018 taxable year otherwise required to be made on or before January 15, 2019, is waived for any individual whose total withholding and estimated tax payments made on or before January 15, 2019, equal or exceed eighty percent of the tax shown on that individual's return for the 2018 taxable year.

To request this waiver, an individual must file Form 2210, *Underpayment of Estimated Tax by Individuals, Estates, and Trusts*, with his or her 2018 income tax return. The form can be filed with a return filed electronically or on paper. Taxpayers should complete Part I of Form 2210 and the worksheet included in the form instructions to determine if the waiver in this notice applies. If the waiver applies, check the waiver box (Part II, Box A), include the statement "80% Waiver" next to Box A, and file page 1 of Form 2210 with the return. Forms, instructions, and other tax assistance are available on IRS.gov. The IRS toll-free number for general tax questions is 1-800-829-

1040. This waiver is in addition to any other exception that section 6654 provides to the underpayment of estimated income tax.

SECTION 4. CLAIMING REFUND OF AMOUNTS PAID AS ADDITIONS TO TAX

Taxpayers who qualify for relief under Notice 2019-25 may have already paid additions to tax under section 6654 for tax year 2018. If the waiver under this notice applies to a taxpayer and the taxpayer has already paid additions to tax under section 6654 for the 2018 tax year, to claim a refund of the additions to tax under section 6654 for the 2018 tax year, the taxpayer should file Form 843, *Claim for Refund and Request for Abatement*. Taxpayers should complete the form and include the statement “80% Waiver of estimated tax penalty” on Line 7.

SECTION 5. IF WAIVER DOES NOT APPLY

If neither the waiver provided by this notice nor any other exception applies to an individual taxpayer, the amount of any addition to tax is determined by applying the underpayment interest rate established under section 6621 of the Code to each required installment of estimated tax that was underpaid for the period that the installment is underpaid. The period of the underpayment runs from the due date for the installment to the earlier of April 15, 2019, or the date on which the underpayment is paid. This notice has no effect on determining the amount of each required installment for an individual whose total withholding and estimated tax payments do not equal or exceed eighty percent of the tax shown on that individual’s return for the 2018 taxable year.

SECTION 6. EFFECT ON OTHER DOCUMENTS

Notice 2019-11 is modified and superseded.

SECTION 7. CONTACT INFORMATION

The principal author of this notice is Michael A. Franklin of the Office of the Associate Chief Counsel (Procedure and Administration). For further information, please contact Mr. Franklin at (202) 317-6844 (not a toll-free number).