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Help Yourself by Filing Past-Due Tax Returns

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WASHINGTON— Most citizens voluntarily file their tax returns and pay their taxes. Most people explain it by saying they want to pay their fair share. Others file to get a refund, claim a credit or avoid breaking the law.

There are times when normally law-abiding citizens fail to file. Why? IRS research shows that sometimes people don't file in years their filing status changes, such as due to the death of a spouse or divorce. Emotional or financial reasons may cause a person to not file. Or it could simply be due to procrastination.

Unfortunately failing to file a return creates additional problems. This is the 20th fact sheet in the Tax Gap series and will help taxpayers better understand the importance of filing past-due returns.

Your need to file is largely determined by your age, filing status and gross income. You can determine whether you needed to file in a prior year by checking the "Do You Have to File" section in the instructions of the Form 1040 for the year in question.

Why file a tax return?

Taxpayers are required by law to file an income tax return for any year in which a filing requirement exists.

There are numerous practical reasons to file tax returns. Important programs like federal aid to higher education require applicants to submit copies of tax returns to qualify for loans. Lending institutions also may require copies of filed returns for buying a home or financing a business.

And the filing of tax returns can have a tremendous impact on your future. A person's lifetime earnings as reported to the IRS and the Social Security Administration are the basis for Social Security retirement and disability benefits as well as Medicare. Reported income is also the source for state benefits such as unemployment compensation and industrial insurance.

What happens if you do not file?

Not filing a federal tax return can be costly — whether you end up owing more or missing out on a refund. The IRS may also impose a wide range of civil and criminal sanctions on persons who fail to file returns.

If you owe tax and your return was not filed by the due date, including extensions, you may be subject to the failure to file penalty, unless you have reasonable cause for not filing. If you did not pay your tax in full by the due date for the return, not including extensions of time to file, you also may be subject to the failure to pay penalty, unless you have reasonable cause for your failure to pay. Additionally, interest is charged on taxes not paid by the due date; even if you have an extension of time to file. Interest is also charged on penalties.

The IRS continues to identify people who have a filing requirement but have failed to file a return.

By law the IRS may file a substitute return for you if you do not voluntarily file. A series of letters is first sent explaining the possible action IRS may take as part of the *Substitute for Return Program*.

If you do not file a return or otherwise indicate disagreement such as by requesting to exercise your appeal rights, the IRS will file a basic return for you. An IRS-prepared return will not include any of your additional exemptions or expenses. The IRS will compute the tax liability and send you a bill for the tax that will also include interest and penalties.

If a substitute return has already been filed for you by the IRS, you should still file your own return to claim any additional items. The IRS will generally adjust your account to reflect the corrected figures.

What are the consequences of not filing a tax return?

Here are some things to consider:

- **Failure to file penalty.** If you owe taxes, a delay in filing may result in a "failure to file" penalty, also known as the "late filing" penalty, and interest charges. The longer you delay, the larger these charges grow. It may result in penalty and interest charges that could increase your tax bill by 25 percent or more.
- **Losing your refund.** There is no penalty for failure to file if you are due a refund. However, you cannot obtain a refund without filing a tax return. If you wait too long to file, you may risk losing the refund altogether. In cases where a return is not filed, the law provides most taxpayers with a three-year window of opportunity for claiming a refund.
- **EITC.** Individuals who are entitled to the Earned Income Tax Credit must file their return to claim the credit even if they are not otherwise required to file. The return must be filed within three years of the due date in order to receive the credit.
- **Statutes of limitation.** After the expiration of the refund statute, not only does the law prevent the issuance of a refund check, it also prevents the application of any credits, including overpayments of estimated or withholding taxes, to other tax years that are underpaid. On the other hand, the statute of limitations for IRS to assess and collect any outstanding balances does not start until a return has been filed. In other words, there is no statute of limitations for assessing and collecting the tax if no return has been filed.

What should you do?

Regardless of your reason for not filing, file your tax return as soon as possible. You can contact a tax professional or the IRS for help with filing delinquent returns.

If you are unable to fully pay any tax due on the late returns, do not let this prevent you from filing as payment options may be available. For more details, ask your tax professional or an IRS representative.

Filing tax returns and paying the correct amount of tax is good citizenship. Conscientiously discharging this duty contributes to our nation's well being and provides peace of mind. And failing to file returns can jeopardize a family's financial security and future.

For more information on how to file a tax return for a prior year, visit the IRS Web site at IRS.gov, call the IRS Tax Help Line at 1-800-829-1040 or visit your local IRS office.

Additional references:

[Previous years tax forms and instructions](#)

[Local office addresses](#)

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