

Information About Your Notice, Penalty and Interest



The interest rates on underpayment and overpayment of taxes are as follows:

Periods

Percentage Rates

	Underpayment	Overpayment
October 1, 2011 through March 31, 2016.....	3	3
April 1, 2016 through March 31, 2018	4	4
April 1, 2018 through December 31, 2018.....	5	5
January 1, 2019 through June 30, 2019.....	6	6
July 1, 2019 through June 30, 2020	5	5
July 1, 2020 through March 31, 2022	3	3
April 1, 2022 through June 30, 2022	4	4
July 1, 2022 through September 30, 2022	5	5
October 1, 2022 through December 31, 2022.....	6	6
January 1, 2023 through September 30, 2023	7	7
Beginning October 1, 2023.....	8	8

Beginning January 1, 1999, the interest rate we pay on any overpayment of taxes, except for corporate taxes, is the same as the rate of interest we charge on the underpayment of taxes. The law requires us to determine these interest rates quarterly. From January 1, 1987 through December 31, 1998, the interest rate we paid on an overpayment of taxes was one percent less than the rate of interest we charged on your underpayment of taxes. Effective January 1, 1995, we pay a reduced rate of interest on corporate overpayments that exceed \$10,000. This reduced rate is the short-term federal interest rate, plus $\frac{1}{2}\%$. We compound interest

daily, except on late or underpaid estimated taxes for individuals or corporations.

If you have an underpayment resulting from a tax motivated transaction (for returns due before January 1, 1990), we charge a special interest rate of 120 percent of the underpayment rate.

We charge interest on penalties for filing late, paying late, over or understating valuations, and substantially understating the tax you owe.

Also, we charge interest on fraud and negligence penalties if the tax returns, including extensions, are due after December 31, 1988. For returns due after December 31, 1989, the Accuracy-Related Penalty is charged interest from the later of the return due date or extended return due date.

We continue to charge interest until you pay the amount you owe in full. After December 31, 1990, the law allows us to charge interest at the underpayment rate plus two percent on large corporate underpayments of more than \$100,000.

About Your Notice

You may call your local IRS telephone number if the number shown on your notice is a long-distance call for you. All days mentioned in the paragraphs below are calendar days, unless specifically stated otherwise.

Removal of Penalties

Reasonable Cause. The law lets us remove or reduce the penalties we explain in this notice if you have an acceptable reason. If you believe you have reasonable cause you may contact us to explain the reason(s), establishing you used ordinary business care and prudence to comply with your Federal tax obligations but were nonetheless unable to do so. We will consider the facts and circumstances presented and will let you know if we accept your explanation as reasonable cause. This procedure does not apply to interest. See Penalty Relief, www.irs.gov.

Erroneous Written Advice from IRS

We will also remove your penalty if:

- you wrote to IRS and asked for advice on a specific issue,
- you gave IRS complete and accurate information,
- IRS wrote back to you and gave you a specific course of action to take or explained what actions not to take,
- you followed our written advice in the manner we outlined, and
- you were penalized for the written advice we gave you.

To have the penalty removed because of erroneous written advice from IRS you should:

- complete Form 843, *Claim for Refund and Request for Abatement*,
- request that IRS remove the penalty, and
- send Form 843 to the IRS Service Center where you filed your return for the year you relied on erroneous advice from the IRS.

The three documents you must attach to your Form 843 are:

- a copy of your original request for advice from IRS,
- a copy of the erroneous written advice from IRS, and
- a notice (if any) showing the penalty we charged that you now wish us to remove.

Deposit Penalties - IRC 6656

We may charge penalties if you do not make required deposits on time, make deposits for less than the required amount or if you do not use EFTPS when required. We will not charge penalties if you did not willfully neglect to make a proper and timely deposit and you have a reasonable cause. For amounts not properly or timely deposited, the penalty rates are:

- 2%** — deposits made 1 to 5 days late,
- 5%** — deposits made 6 to 15 days late,
- 10%** — deposits made 16 days or more late, but on or before the 10th day after the date of the first notice we sent you asking for the tax you owe.
- 10%** — deposits made to an unauthorized financial institution, or payments made directly to the IRS, or paid with your tax return.
- 10%** — Amounts subject to electronic deposit requirements but not deposited using EFTPS.
- 15%** — Amounts still unpaid more than 10 days after the date of the first notice the IRS sent asking for the tax due or the day on which you receive notice and demand for immediate payment, whichever is earlier.

The law allows you to tell the IRS where to apply your deposits within the tax return period with a deposit penalty. You have 90 days from the date of the correspondence you received showing the deposit penalty to contact the IRS if you want to specify where to apply your deposits.

Also, the law allows the IRS to remove the deposit penalty if: (1) the penalty applies to the first required deposit after a required change to your frequency of deposits, and (2) you file your employment tax returns by the due date.

Filing and Paying Late - IRC 6651 — We charge penalties for filing and paying late when you file your return late and don't pay your tax when it is due.

The penalty for filing late is 5% of the total tax assessed that was not paid when due. It is charged each month or part of a month the return is late, for up to 5 months.

The penalty for paying late is initially $\frac{1}{2}\%$ of the unpaid tax shown on the return. It is charged each month or part of a month following the payment due date until the tax is paid. The penalty increases to 1% of the unpaid tax for any tax that is not paid within 10 days after we issue a notice of intent to levy. However, the total penalty cannot exceed 25%.

When both penalties are charged for the same month, we reduce the penalty for filing late by the penalty for paying late for that month.

For returns due before 12/31/2015, if you file the return more than 60 days late of the due date, the minimum penalty is \$135 or 100% of the tax due on your return, whichever is smaller. For returns due between 01/01/2016 and 12/31/2017, the minimum penalty is the lesser of \$205 or 100% of the tax due. For returns due between 01/01/2018 and 12/31/2019, the minimum penalty is the lesser of \$210 or 100% of the tax due. For returns due between 01/01/2020 and 12/31/2022, the minimum penalty is the lesser of \$435 or 100% of the tax due. For returns due between 01/01/2023 and 12/31/2023, the minimum penalty is \$450 or 100% of the tax due. For returns due after 12/31/2023, the minimum penalty is \$485 or 100% of the tax due (the \$485 penalty amount is subject to annual inflation adjustments).

If you think we should remove or reduce either of these penalties, see "Removal of Penalties - Reasonable Cause."

Underpayment or Late Payment of Estimated Tax - IRC 6654 — We charge a penalty when you don't estimate your tax and pay the correct amount of tax due.

Individuals, Estates, and Certain Trusts — If you expect to owe tax of \$1,000 or more for the tax year, you must prepay the tax by having tax withheld or by making estimated tax payments. We charge a penalty when the total tax you pay during the year doesn't meet the requirements of the law.

The law requires you to pay at least 90% of the tax shown on your return for the current year or 100% of the tax shown on your return for the prior year, whichever is less. Otherwise, you must make estimated tax payments each quarter, that is generally 25% of the total amount you expect to owe for the year. There are special rules for farmers, fishermen, and certain higher income taxpayers. Please refer to Publication 505, *Tax Withholding and Estimated Tax*, for additional information.

Waiver in Certain Cases - IRC 6654(d)(3) — For more information on when the estimated tax penalty may be reduced or removed, see the instructions for Form 2210 for your tax year or Publication 505, *Tax Withholding and Estimated Tax*.

Corporations — We charge a penalty for not estimating your tax correctly when the corporation owes \$500 or

more in tax, and the total payments made on time are less than the required amount.

For tax years beginning after December 31, 1993, the law requires corporations to pay their estimated tax in 4 quarterly payments (unless income is seasonal or the corporation used an annualized income method to estimate its tax) based on the lesser of 100% of either the tax shown on the current year tax return or the prior year tax return. Each installment must be at least 25% of the tax shown on the return.

The procedure for reasonable cause does not apply to corporate estimated tax penalties. For more information on when the estimated tax penalty may be reduced or removed, see Form 2220 and its instructions for your tax year.

Failure to Deposit - IRC 6656(b) — Federal Tax Deposits Insufficient/Late — We charge penalties for filing and paying late when you file your return late and don't pay your tax when it is due. We use your Record of Tax Liability to determine where to apply your deposits. We apply your deposits in the date order we receive them. We figure the penalty on any tax not deposited, deposited late, or not deposited in the correct amounts.

If you think we should remove or reduce this penalty, see *"Removal of Penalties — Reasonable Cause."* Also see Publication 15, *Circular E — Employer's Tax Guide* or Publication 51, *Circular A — Agricultural Employer's Tax Guide for deposit requirements.*

Dishonored Check or Other Form of Payment - IRC 6657 — We charge a penalty when your bank does not honor your check or other form of payment. For checks or other forms of payment of \$1,250 or more, the penalty is 2% of the amount of the check or other form of payment. For checks or other forms of payment of less than \$1,250, the penalty is the amount of the check or other form of payment, or \$25, whichever is less. If you think we should remove or reduce this penalty, see *"Removal of Penalties - Reasonable Cause."*

Fraud - IRC 6663 — We charge a penalty for fraud. The penalty is 75% of the tax you didn't pay due to fraud.

Paying Late - IRC 6651 — We charge a penalty when you don't pay your tax on time. Initially, the penalty is 1/2% of the unpaid tax for each month or part of a month you don't pay your tax. The penalty can't be more than 25% of the tax paid late.

Note: Effective for months beginning after December 31, 1999, the failure to pay tax penalty (FTP) for individuals who file a tax return on or before the due date (including extensions), is limited to half the usual rate (0.25% rather than 0.5%) for any month in which an Installment Payment Agreement is in effect.

If we issue a Notice of Intent to Levy and you don't pay the balance due within 10 days from the date of the notice, the penalty increases to 1% a month.

If you think we should remove or reduce this penalty, see *"Removal of Penalties — Reasonable Cause."*

Failure to Comply With Other Information Reporting Requirements - IRC 6723 — We charge a penalty when you do not comply with specified information reporting requirements, including IRC 6109 taxpayer identification number (TIN) reporting requirements.

The penalty is \$50 for each missing TIN the law requires on returns and statements due.

For all missing TINs in any calendar year, the penalty can't be more than \$100,000. If you think we should remove or reduce this penalty, see *"Removal of Penalties — Reasonable Cause."*

Filing Late - IRC 6652(c) - Exempt Organizations and Certain Trusts. We charge this penalty when you file your return late. For Forms 990, 990EZ, and 990PF, the penalty is: (1) \$25 a day for each day your return is late, if your gross annual receipts are equal to or less than \$1,274,000. The penalty may not be more than \$12,500 or 5% of your gross annual receipts, whichever is less. (2) \$125 a day for each day your return is late, if your gross annual receipts exceed \$1,274,000. The penalty may not be more than \$63,500. For all other forms, the penalty is \$10 a day for each day your return is late. The penalty may not be more than \$6,000. These penalty amounts are subject to annual inflation adjustment for returns due after 2014. If you think we should remove

or reduce this penalty, see *"Removal of Penalties — Reasonable Cause."*

Incomplete Return - IRC 6652 — We charge this penalty when you don't file a complete return. For Forms 990, 990EZ, and 990PF, the penalty is: (1) \$25 a day for each day your return is incomplete, if your gross annual receipts are equal to or less than \$1,274,000. The penalty may not be more than \$12,500 or 5% of your gross annual receipts, whichever is less. (2) \$125 a day for each day your return is incomplete, if your gross annual receipts exceed \$1,274,000, but the penalty may not be more than \$63,500. For all other forms, the penalty is \$10 a day for each day your return is incomplete. The penalty may not be more than \$6,000. These penalty amounts are subject to annual inflation adjustment for returns due after 2014. If you think we should remove or reduce this penalty, see *"Removal of Penalties — Reasonable Cause."*

Fraud - IRC 6651(f) — Late Filing Penalty — The law allows us to increase the penalty for filing late if you didn't file on time because of fraud. The penalty is 15% of the amount of tax you should have reported on your tax return for each additional month or part of a month you didn't file your return. The total penalty may not be more than 75% of the tax you didn't pay.

Penalty Removed — We removed the penalty we charged you and we are reviewing your account. We will let you know the results.

Penalty on Tips - IRC 6652(b) — We charge this penalty when you don't report your tips to your employer. The penalty is 50% of the social security or railroad retirement tax on the tips you didn't report. If you think we should remove or reduce this penalty, see *"Removal of Penalties — Reasonable Cause."*

Examining Officer's Report - IRC 6751(a) — According to our records, your Examining Officer gave you a report that explained the reason for this penalty.

Late Payment Penalty Removed — We removed the late payment penalty we previously charged you.

False W-4 Penalty - IRC 6682 — We charge a \$500 penalty when you make false statement(s) on your Form W-4. If you think we should remove or reduce this penalty, see *"Removal of Penalties — Reasonable Cause."*

Partnership Late Filing - IRC 6698 — We charge a penalty when you file your partnership return late. The penalty is \$220 for each person who was a partner at any time during the tax year, for each month or part of a month that the return was filed late, for up to 12 months. If you think we should remove or reduce this penalty, see *"Removal of Penalties - Reasonable Cause."*

If a pass-through partner of an audited partnership fails to timely file the partnership adjustment tracking report under section 6226(b)(4)(A)(i), then the pass-through partner can be assessed a failure to file penalty under section 6698.

- For returns due after January 1, 2024 the base penalty rate is \$235.
- For returns due between January 1, 2023 and December 31, 2023 (without regard to extensions) the base penalty rate is \$220.
- For returns due between January 1, 2021 and December 31, 2022 (without regard to extensions) the base penalty rate is \$210.
- For returns due in 2020, the penalty rate is \$205
- For returns due between January 31, 2018 and December 31, 2019, the base penalty rate is \$200.
- For returns due on or before December 31, 2017, the base penalty rate is \$195.

These penalty amounts are subject to annual inflation adjustments.

S Corporation Late Filing - IRC 6699 — We charge a penalty when you file your S Corporation return late. The penalty is \$220 for each person who was a shareholder at any time during the tax year, for each month or part of a month that the return was filed late, for up to 12 months. If you think we should remove or reduce this penalty, see *"Removal of Penalties - Reasonable Cause."*

- For returns due after January 1, 2024 the base penalty rate is \$235.
- For returns due between January 1, 2023 and December 31, 2023 (without regard to extensions) the base penalty rate is \$220.

- For returns due between January 1, 2021 and December 31, 2022 (without regard to extensions) the base penalty rate is \$210.
- For returns due in 2020, the penalty rate is \$205
- For returns due between January 31, 2018 and December 31, 2019, the base penalty rate is \$200.
- For returns due on or before December 31, 2017, the base penalty rate is \$195.

These penalty amounts are subject to annual inflation adjustments.

Filing Incomplete Return - IRC 6698 — We charge a penalty when your partnership return is incomplete and you don't provide us the information when requested. The penalty is \$220 for each person who was a partner at any time during the tax year, for each month or part of a month, for up to 12 months. If you think we should remove or reduce this penalty, see *"Removal of Penalties — Reasonable Cause."*

- For returns due after January 1, 2024 the base penalty rate is \$235.
- For returns due between January 1, 2023 and December 31, 2023 (without regard to extensions) the base penalty rate is \$220.
- For returns due between January 1, 2021 and December 31, 2022 (without regard to extensions) the base penalty rate is \$210.
- For returns due in 2020, the penalty rate is \$205.
- For returns due between January 31, 2018 and December 31, 2019, the base penalty rate is \$200.
- For returns due on or before December 31, 2017, the base penalty rate is \$195.

These penalty amounts are subject to annual inflation adjustments.

Filing Incomplete Return - IRC 6699 — We charge a penalty when your S corporation return is incomplete and you don't provide us information when requested. The penalty is \$220 for each person who was a shareholder at any time during the year, for each month or part of a month the return was filed late, for up to 12 months. If you think we should remove or reduce this penalty, see *"Removal of Penalties — Reasonable Cause."*

- For returns due after January 1, 2024 the base penalty rate is \$235.
- For returns due between January 1, 2023 and December 31, 2023 (without regard to extensions) the base penalty rate is \$220.
- For returns due between January 1, 2021 and December 31, 2022 (without regard to extensions) the base penalty rate is \$210.
- For returns due in 2020, the penalty rate is \$205.
- For returns due between January 31, 2018 and December 31, 2019, the base penalty rate is \$200.
- For returns due on or before December 31, 2017, the base penalty rate is \$195.

These penalty amounts are subject to annual inflation adjustments.

- Missing Schedules K-1
- Missing Schedule L (Balance Sheets)
- Missing Schedules K-1 TINs (5 or more)
- Missing Schedules K-1 and Schedule L (Balance Sheet)
- Missing Schedules K-1 and Schedule K-1 TINs
- Missing Schedule L (Balance Sheet) and Schedule K-1 TINs
- Missing Schedules K-1, Schedule K-1 TINs, and Schedule L (Balance Sheet)
- Missing Schedule K
- Missing Schedule K and Schedules K-1
- Missing Schedule K and Schedule L (Balance Sheet)
- Missing Schedule K and Schedule K-1 TINs (5 or more)
- Missing Schedule K, Schedules K-1, and Schedules L (Balance Sheet)
- Missing Schedule K, Schedules K-1, and Schedule K-1 TINs
- Missing Schedule K, Schedule L (Balance Sheet), and Schedule K-1 TINs
- Missing Schedule K, Schedules K-1, Schedule L (Balance Sheet), and Schedule K-1 TINs (5 or more)

Accuracy-Related Penalty - IRC 6662 — For returns due after 12/31/89, we charge a 20% penalty on the amount of additional tax attributable to Negligence, Substantial Understatement, Substantial Valuation Misstatement, Substantial Overstatement of Pension Liabilities, or Substantial Estate or Gift Tax Valuation

Understatement. The penalty is increased to 40% for a Gross Valuation Misstatement.

For returns due before 1/1/90, the applicable percentage rate varies with the specific penalty and the amount of the increased tax.

Accuracy-Related Penalty on Understatements with Respect to Reportable Transactions - IRC 6662(A) — For tax years ending after October 22, 2004, we charge a penalty for a reportable transaction understatement. Generally, the penalty is 20 percent of the reportable transaction understatement. The penalty is increased to 30 percent if the disclosure requirement in IRC section 6664(d)(3)(A) is not met.

Accuracy-Related Penalty on Underpayments Attributable to Undisclosed Foreign Financial Asset Understatements - IRC 6662(j) — For tax years beginning after March 18, 2010, we charge a penalty for an undisclosed foreign financial asset. The penalty is 40% of the portion of any underpayment attributable to any undisclosed foreign financial asset understatement.

Accuracy-Related Penalty on Underpayments Attributable to Non-economic Substance Transactions - IRC 6662(b)(6) - We charge a penalty due to a disallowance of claimed tax benefits by reason of a transaction lacking economic substance or failing to meet the requirements of any similar rule of law. The penalty is 20 percent of the portion of the underpayment attributable to one or more non-economic substance transactions. The reasonable cause exception does not apply to any portion of an underpayment that is attributable to one or more non-economic substance transactions. (For transactions entered into on or after March 31, 2010).

Accuracy-Related Penalty on Underpayments Attributable to Non-disclosed Non-economic Substance Transactions - IRC 6662(i) - We charge a penalty when there is a disallowance of claimed tax benefits by reason of a transaction lacking economic substance or failing to meet the requirements of any similar rule of law. The penalty is 40 percent of the portion of the underpayment attributable to one or more non-disclosed non-economic substance transactions. The reasonable cause exception does not apply to any portion of an underpayment that is attributable to one or more non-disclosed non-economic substance transactions. (For transactions entered into on or after March 31, 2010). See the Revenue Agent Report for a detailed explanation of these penalties.

Ten Percent Penalty for IRC 444 Election - IRC 7519(f) — We charge a penalty when we don't receive the full amount of the "required payment" for your IRC section 444 election on time. The required payment is the value of the tax deferral you receive when you change your tax year under IRC section 444.

The penalty is 10% of the part of the payment that you didn't pay on time.

If the required payment is more than \$500 for any year you made an IRC section 444 election, you must make a payment with Form 8752, *Required Payment or Refund Under Section 7519*, by May 15th of the following calendar year. Reasonable Cause doesn't apply to this 10 percent penalty for tax years beginning on or before August 5, 1997. For tax years beginning after August 5, 1997, if you think we should remove or reduce this penalty, see *"Removal of Penalties — Reasonable Cause."*

Failure to Deposit - IRC 6656 — Deposits Insufficient/Late, Taxes Paid Directly to IRS and Incorrect Record of Federal Tax Liability — We charge a penalty when:

- you don't make your tax deposit on time or in the correct amounts,
- you make one or more of your deposits to an unauthorized financial institution, pay your tax directly to the IRS, pay the tax with your return, or
- you do not make your deposit(s) electronically as the law requires, and
- your Record of Federal Tax Liability is incomplete or illegible, or the liability amounts you report don't equal the net taxes for the tax period.

We figure the penalty on any tax not deposited, deposited late, or not deposited in the correct amounts. We compute this penalty by averaging your total tax liability, and applying your deposits and payments to the averaged liabilities in the date order we receive them.

If you believe we computed the penalty incorrectly, please complete the enclosed Form 941 Schedule B,

Form 945-A, or Form 943-A. For additional details see **Information on Failure to Deposit Penalty** below.

Information on Failure to Deposit Penalty. There is a limit to the amount of tax you may pay with your return. See the list below.

Form 941 series, Form 943, Form 944, and Form 945 — You may pay tax of less than \$2,500 with your tax return.

Form 1042 — You may pay taxes of less than \$200 with your tax return.

Form 720 — You may pay taxes of \$2,000 or less with your tax return.

Form 940 — You may pay taxes of \$500 or less with your tax return.

Form CT-1 — You may pay taxes of less than \$2,500 with your tax return.

If you think we should remove or reduce this penalty, see *"Removal of Penalties — Reasonable Cause."* Also see Publication 15, *Circular E — Employer's Tax Guide*, or Publication 51, *Circular A — Agricultural Employer's Tax Guide*, for deposit requirements.

Failure to Deposit - IRC 6656 — Deposits Insufficient/Late - One-Day Deposit Rule — We charge a penalty when, you don't deposit your tax using the one-day deposit rule for liabilities \$100,000 or more during a deposit period.

Also, we charge this penalty when the Record of Federal Tax Liability on your return is incomplete and we are unable to determine if you make your deposits on time or in the correct amounts. We figure this penalty by averaging the liability you report and distributing it equally.

When your average amount of monthly liability is \$100,000 or more, we place the liability on the first day of your applicable semi-weekly period. We apply your deposits in the date order we receive them. We figure the penalty on any tax not deposited, deposited late, or not deposited in the correct amounts.

For deposits due after December 31, 1989, see Failure to Deposit - IRC 6656 — Deposits Insufficient/Late and Incorrect Record of Federal Tax.

Interest - IRC 6601

Interest — We are required by law to charge interest when you do not pay the amount you owe on time. Generally, we charge interest from the due date of your return (regardless of extensions) until you pay the amount you owe in full, including all interest and any penalty charges. Interest rates are variable and may change quarterly.

Corporate interest — If you are a C corporation, and you underpay your tax by more than \$100,000 for any taxable period, we charge additional interest of 2% if the full amount shown as due on a notice isn't paid within 30 days of the notice date. If you don't pay within 30 days, interest at the higher rate begins on the 31st day after the notice date. Once the additional 2% rate begins to apply, we charge the additional interest on all underpayments for that type of tax and that tax period until you pay your balance in full.

Additional Interest Charges — If the amount you owe is \$100,000 or more, please make sure that we receive your payment within 10 business days from the date of your notice. If the amount you owe is less than \$100,000, please make sure that we receive your payment within 21 calendar days from the date of your notice. If we don't receive full payment within these time frames, the law requires us to charge interest until you pay the full amount you owe.

Partnership Interest — If the partnership fails to pay within the applicable grace period after the first notice, interest on the balance due will continue to run at the standard underpayment rate under IRC 6621(a)(2) (B) for the first 10 calendar days after the notice and demand date. After that if it is still not paid, interest on the balance due will be calculated with an extra 2% rate until it is paid in full.

Section 6621(a)(2)(B) adds 3 percentage points to the Federal short-term rate determined under section 6621(b) for purposes of establishing the interest rate on underpayments of tax.

Interest Paid

Beginning with tax year 1991, you can no longer deduct interest you paid to the United States Treasury as an itemized deduction on your Form 1040, Schedule A.

Interest Reduced

If we reduce interest that you previously reported as a deduction on your tax return, you must report this reduction of interest as income on your tax return for the year we reduce it.

Interest Removed-Erroneous Refund

The law requires us to remove interest up to the date we request you to repay the erroneous refund when:

- you didn't cause the erroneous refund in any way, and
- the refund doesn't exceed \$50,000.
- The IRS may remove or reduce interest on other erroneous refunds based on the facts and circumstances involved in each case.

Annual Interest Netting — Effective January 1, 1987 through December 31, 1998, the interest rate we paid on any overpayment of taxes was 1% less than the interest rate we charged on the underpayment of taxes. As of January 1, 1999, the overpayment and underpayment rates of interest that we pay and charge are the same, except for corporate overpayments. If we refund an overpayment with interest and we have to increase the tax at a later date, we give special consideration to the interest on that account.

On the tax increase made after the refund, we will charge the lower refund rate of interest (up to the amount of the refund) for the same time period that we paid interest on the overpayment.

Request for Net Interest Rate of Zero - IRC 6621(d)

General Rule — If you owe interest to the IRS on an underpayment for the same period of time that the IRS owes you interest on an overpayment, you may be entitled to receive a net interest rate of zero (the same rate of interest applies to your underpayment as your overpayment).

To receive the net interest rate of zero for interest you owed (or paid) the IRS, or interest that we owed (or paid) you before October 1, 1998, you must file a Form 843, *Claim for Refund and Request for Abatement*. For more information on the filing requirements for the Form 843, see Revenue Procedure 99-43, 1999-47 I.R.B. 579. Revenue Procedure 99-43 and Form 843 are available at www.irs.gov.

To qualify for the net interest rate of zero, the period of limitation for claiming a refund of interest on an underpayment and the period of limitation for claiming additional interest on an overpayment must have been open on July 22, 1998. Generally, the period of limitation for claiming a refund of interest on an underpayment is 3 years from the time you filed your tax return, or 2 years from the time you paid the interest, whichever is later. The period of limitation to request additional interest on an overpayment is 6 years from the date of the refund.

You must file Form 843 on or before the closing date of the later statute of limitation period. Mail Form 843 to:

U.S. Mail:

Internal Revenue Service
Net Rate Interest Netting Claim
P.O. Box 9987
Mail Stop 6800
Ogden, UT 84409

Other than U.S. mail:

Internal Revenue Service
Net Rate Interest Netting Claim
1160 West 1200 South
Mail Stop 6800
Ogden, UT 84201

If your request for interest netting involves solely interest that you owed the IRS or that the IRS owed you on or after October 1, 1998, send Form 843 to the Internal Revenue Service Center where you filed your most recent federal income tax return. For more information on these Form 843 filing requirements, see Revenue Procedure 2000-26, 2000-24 I.R.B. 1. Revenue Procedure 2000-26 is available at www.irs.gov.

Status of Your Account

Balance Less than \$1 — If the amount you owe is less than \$1, you do not have to pay it.

Refund Less than \$1 — If your refund is less than \$1, we will send it to you only if you ask for it.

Refund — We will refund your overpayment (plus interest when applicable), if you owe no other taxes or have no other debts the law requires us to collect.

This notice is not the result of an examination of your return. We notify a taxpayer when we select his/her return for examination.

Action Required on Balance Due Accounts

Payment — Please make your check or money order payable to the United States Treasury. Write on your payment your social security number or employer identification number, the tax period and tax form. Mail your payment with the bottom part of your notice in the enclosed envelope or to the address on the front of your notice.

Notice about Partial Payments — Generally, we apply your payment first to tax, then to penalty, and finally to the interest you owe.

Additional Tax Concerns

Backup Withholding

If you receive interest, dividends or patronage dividend income, but you don't report the income on your tax return and you don't pay the tax due on your tax return,

you could be subject to a special income tax withholding called *Backup Withholding*. The IRS may request each payer of that income to begin withholding at a rate of 24% if, after we send you four notices over 210 days, a balance remains due on your account.

Federal/State Exchange Program

The Internal Revenue Service has agreements with state and certain local tax agencies to exchange information about federal tax, including increases or decreases. If this change affects the amount of your state or local income taxes, you should file the required state or local form to report the change.