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 ½%. 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.

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 due of the lesser of $205 or 100% of the tax due. For returns due after 12/31/2015, the minimum penalty is the lesser of 25% or 0% of the tax due. For returns due after 12/31/2017, the minimum penalty is the lesser of $210 or 100% of the tax due. For returns due after 12/31/2019, the minimum penalty is the lesser of $435 or 100% of the tax due (the $450 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.”

Removal of Penalties

Reasonable Cause. 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.

The law also requires you to pay at least 90% of the tax shown on your return for the current year or 100% of the tax due of the lesser of $205 or 100% of the tax due. For returns due after 12/31/2015, the minimum penalty is the lesser of 25% or 0% of the tax due. For returns due after 12/31/2017, the minimum penalty is the lesser of $210 or 100% of the tax due. For returns due after 12/31/2019, the minimum penalty is the lesser of $435 or 100% of the tax due (the $450 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 charged you a penalty because, according to our records, you didn’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.

Estimated Tax Safe Harbor for Higher Income Individuals - IRC 6654(d) — For more information on when the estimated tax 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 a 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 provision 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 and Incomplete Record of Federal Tax Liability**

We charged a penalty because it appears that you didn’t deposit the correct amounts of tax on time. The penalty is 2% of the amount of tax not deposited, deposited late, or not deposited in the correct amounts.

If you believe we computed the penalty incorrectly, please send a complete breakdown of your tax liability on Schedule B (for tax years 1993 and later), Form 945-A, or Form 943-A. If you think we should remove or reduce this penalty, see “Removal of Penalties — Reasonable Cause.”

**Incomplete Return - IRC 6656 — We charged you a penalty because, according to our records, you didn’t file a complete return. For Forms 990, 990EZ, and 990PF, the penalty is: (1) $20 a day for each day your return is incomplete, if your gross annual receipts exceed $1,094,500, but the penalty may not be more than $10,500 or 5% of your gross annual receipts, whichever is less. (2) $10 a day for each day your return is incomplete, if your gross annual receipts exceed $1,094,500, but the penalty may not be more than $5,450. For all other Forms, the penalty is $20 a day for each day your return is incomplete. The penalty may not be more than $5,000. These penalty amounts are subject to annual inflation adjustments.

We charged a penalty because it appears you made false statement(s) on your return. If you think we should remove or reduce this penalty, see “Removal of Penalties — Reasonable Cause.”

**Failure to Deposit - IRC 6656 — Federal Tax Deposits Insufficient/Late and Incomplete Record of Federal Tax Liability**

We charged a penalty because it appears that you didn’t deposit the correct amounts of tax on time. Also, your Record of Federal Tax Liability was incomplete or illegible, or the liability amounts you reported didn’t equal the net taxes for the tax period. Therefore, the provision 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.

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

**Penalty Late - IRC 6651 — We charged you a penalty because, according to our records, you didn’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 didn’t pay your tax. The penalty can’t be more than 25% of the tax payable.**

**Note:** Effective for months beginning after December 31, 1999, the failure to pay tax penalty (FTP) for individuals who don’t report 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 $5 for each missing TIN the law requires on returns and statements due by December 31, 1989. 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 charged a penalty because, according to our records, you filed your return late. For Forms 990, 990EZ, and 990PF, the penalty is: (1) $20 a day for each day your return is late, if your gross annual receipts are equal to or less than $1,094,500. The penalty may not be more than $10,500 or 5% of your gross annual receipts, whichever is less. (2) $10 a day for each day your return is late, if your gross annual receipts exceed $1,094,500. The penalty may not be more than $5,450. For all other forms, the penalty is $20 a day for each day your return is late, if your gross annual receipts exceed $1,094,500. 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.”

**Late Payment Penalty - IRC 6652 — We removed the late payment penalty, we previously charged you.**

**False W-4 Penalty - IRC 6682 — We charged a penalty because it appears you filed 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 6659 — We charged a penalty because, according to our records, you reported your partnership return late. The penalty is $210 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.”

**Examinor 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.

**Partnership Late Filing - IRC 6659**

We charged a penalty because, according to our records, you filed a_form late. If you think we should remove or reduce this penalty, see “Removal of Penalties — Reasonable Cause.”

**Penalties — Reasonable Cause.”**
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 misstatement of Substantial Estate or Gift Tax Valuation Understatement. The penalty is increased to 40% for a Gross Valuation Miscalculation.

- You made one or more of your deposits to a unauthorized financial institution, paid your tax directly to the IRS, paid the tax with your return, or you did not make your deposit(s) electronically as the law requires.
- Therefore, we averaged the total tax liability and distributed it equally throughout the tax period.
- We applied your deposits and payments to the averaged liabilities in the date order we received your deposits. We figured the penalty on any tax not deposited, deposited late, or not deposited in the correct amounts.
- If you believe we computed the penalty incorrectly, please complete Form 941 Schedule B, Form 945-A or Form 943-A. For additional details see Information on Failure to Deposit Penalty.
- For a reportable transaction understatement. The penalty is increased to 40% for a reportable transaction understatement. The penalty is increased to 40% for a reportable transaction understatement.
- We averaged your total tax liability, distributed it equally, and applied your deposits and payments to the averaged liabilities in the date order we received them. We figured the penalty on any tax not deposited, deposited late, or not deposited in the correct amounts.
- If you believe we computed the penalty incorrectly, please complete the enclosed Form 491 Schedule B, Form 495-A or Form 494-A. For additional details see Information on Failure to Deposit Penalty.
- Failure to Deposit - IRC 6656 — Taxes Paid Directly to IRS and Missing Information — We charged a penalty because your Form 941 Schedule B, your Form 945-A, or your Form 943-A was incomplete and we couldn’t determine if you made your deposits on time or in the correct amounts.
- We figured the penalty on any tax not deposited, deposited late, or not deposited in the correct amounts.
- Also, it appears that you paid taxes to an unauthorized financial institution, directly to the IRS, with your tax return, or you did not make your deposit(s) electronically as the law requires. If you believe we computed the penalty incorrectly, please complete Form 941 Schedule B, Form 945-A or Form 943-A. For additional details see Information on Failure to Deposit Penalty.

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- We figured the penalty on any tax not deposited, deposited late, or not deposited in the correct amounts.
- Also, it appears that you paid taxes to an unauthorized financial institution, directly to the IRS, with your tax return, or you didn’t pay on time.
- We applied your deposits and payments to the averaged liabilities in the date order we received your deposits. We figured the penalty on any tax not deposited, deposited late, or not deposited in the correct amounts.
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- Also, it appears that you paid taxes to an unauthorized financial institution, directly to the IRS, with your tax return, or you didn’t pay on time.
- We applied your deposits and payments to the averaged liabilities in the date order we received your deposits. We figured the penalty on any tax not deposited, deposited late, or not deposited in the correct amounts.
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- We figured the penalty on any tax not deposited, deposited late, or not deposited in the correct amounts.
- Also, it appears that you paid taxes to an unauthorized financial institution, directly to the IRS, with your tax return, or you didn’t pay on time.
- We applied your deposits and payments to the averaged liabilities in the date order we received your deposits. We figured the penalty on any tax not deposited, deposited late, or not deposited in the correct amounts.
- If you believe we computed the penalty incorrectly, please complete Form 941 Schedule B, Form 945-A or Form 943-A. For additional details see Information on Failure to Deposit Penalty.

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- We figured the penalty on any tax not deposited, deposited late, or not deposited in the correct amounts.
- Also, it appears that you paid taxes to an unauthorized financial institution, directly to the IRS, with your tax return, or you didn’t pay on time.
- We applied your deposits and payments to the averaged liabilities in the date order we received your deposits. We figured the penalty on any tax not deposited, deposited late, or not deposited in the correct amounts.
- If you believe we computed the penalty incorrectly, please complete Form 941 Schedule B, Form 945-A or Form 943-A. For additional details see Information on Failure to Deposit Penalty.

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- We figured the penalty on any tax not deposited, deposited late, or not deposited in the correct amounts.
- Also, it appears that you paid taxes to an unauthorized financial institution, directly to the IRS, with your tax return, or you didn’t pay on time.
- We applied your deposits and payments to the averaged liabilities in the date order we received your deposits. We figured the penalty on any tax not deposited, deposited late, or not deposited in the correct amounts.
- If you believe we computed the penalty incorrectly, please complete Form 941 Schedule B, Form 945-A or Form 943-A. For additional details see Information on Failure to Deposit Penalty.

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- We figured the penalty on any tax not deposited, deposited late, or not deposited in the correct amounts.
- Also, it appears that you paid taxes to an unauthorized financial institution, directly to the IRS, with your tax return, or you didn’t pay on time.
- We applied your deposits and payments to the averaged liabilities in the date order we received your deposits. We figured the penalty on any tax not deposited, deposited late, or not deposited in the correct amounts.
- If you believe we computed the penalty incorrectly, please complete Form 941 Schedule B, Form 945-A or Form 943-A. For additional details see Information on Failure to Deposit Penalty.
For deposits due after December 31, 1989, see Failure to Deposit - IRC 6656 — Deposits Insufficient/Late and Incorrect Record of Federal Tax.

Failure to Deposit - IRC 6656 — Deposits Insufficient/Late and Incorrect Record of Federal Tax Liability — We charged a penalty because, according to our records, you didn’t deposit your tax using the one-day deposit rule for liabilities $100,000 or more during a deposit period.

Also, your Form 941 Schedule B, Form 945-A or Form 943-A was incomplete and we couldn’t determine if you made your deposits on time or in the correct amounts. Therefore, we averaged the liability you reported and distributed it equally.

Since your average amount of liability was $100,000 or more, we placed the liability on the first day of the applicable semi-weekly period (eighth-monthly period for tax years ending on or before December 31, 1992). We applied your deposits in the date order we received them. We figured 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 underpaid your tax by more than $100,000 for any taxable period, we charge additional interest of 2% if the 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 interest you paid to the United States Treasury as an itemized deduction, we no longer deduct the interest you previously reported as interest you paid to the United States Treasury as an itemized deduction, until it is paid in full.

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 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 for claiming a refund 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 8800
Ogden, UT 84409

Other than U.S. mail:
Internal Revenue Service
Net Rate Interest Netting Claim
1150 West 1200 South
Mail Stop 8800
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 received interest, dividends or patronage dividend income, but you didn’t report the income on your tax return and you didn’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.