Automatic Exemption from Penalty (AEP)

MYTHS *vs* FACTS

Myth	Fact
The IRS is eliminating penalties altogether, so taxpayers no longer need to file and pay their taxes on time.	Penalties still apply under the law. AEP prevents certain failure to file, failure to pay, and failure to deposit penalties from being assessed for eligible taxpayers with three prior years of timely compliance, prior 12 consecutive quarters for quarterly filers. AEP does not apply to other penalties like the Daily Delinquency penalty, accuracy-related penalties, or information return penalties.
Taxpayers must apply or file a form to receive AEP.	No action is required. AEP is applied automatically during original return processing if eligibility requirements are met.
Everyone who files late will automatically get relief.	No. Only taxpayers who meet the eligibility requirements, including three prior years of timely compliance, prior 12 consecutive quarters for quarterly filers qualify for AEP.
All returns are eligible for AEP.	Not all returns are eligible for AEP. For example, information returns and returns that are filed only in response to specific transactions or infrequent events, such as Form 706, U.S. Estate Tax Return, or Form 709 Gift Tax Return, generally are not eligible.
Taxpayers won't know if they receive AEP.	Taxpayers will receive an IRS notice explaining that penalties weren't assessed due to their three prior years of timely compliance, or should remain prior 12 consecutive quarters for quarterly filers.
First Time Abate is going away entirely.	First Time Abate (FTA) remains available for all eligible 2024 tax year returns, 2025 quarterly returns, and any prior eligible returns. FTA also applies to eligible 2025 tax year returns and 2026 quarterly original returns that were processed before AEP began and didn't receive AEP consideration. However, taxpayers will need to contact the IRS and request FTA, as it is not automatically applied. For original returns with due dates Jan. 1, 2027, and after, FTA will no longer be available and will be replaced by AEP.
If the AEP relief doesn't apply, the taxpayer has no other options for relief.	Taxpayers who don't qualify for AEP may still request penalty relief based on reasonable cause or appeal an adverse decision. The IRS will review those requests and notify taxpayers of the outcome. See **Penalty Relief for Reasonable Cause** for more information.

Find information and resources on IRS.gov

Learn more at **IRS.gov/AEP**

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