

# Section 10 - Penalties and Interest Provisions

## 1 Nature of Changes

Description	Page No.
<b>Federal Tax Deposit System – moved to Section 15</b>	15-16
<b>General Background</b> - new title and new text is on	10-1
<b>Interest Rates</b> - has been removed from page 11-40, and the revised text is on	10-1
<b>Penalty Provisions</b> - has been removed from pages 11-40 and 11-41 and the revised text begins on	10-1
<b>Penalties and Interest Table</b> - has been removed from 11-41 through 11-43, and the revised text begins on	10-3
<b>Return Preparers Penalties</b> - has been removed from page 11-43 and the revised text begins on	10-6
<b>Information Return Penalties</b> - new title & SERP text begins on	10-7
<b>Penalty Reference Numbers - Miscellaneous Civil Penalties</b> - has been removed from pages 11-44 through 11-53 and the revised text and revised PRN table begins on	10-8
<b>Penalty Reason Codes (PRC)</b> - has been removed from page 10-4 and pages 8-112 through 8-113, the revised text begins on	10-20
<b>Failure to Deposit (FTD) Penalty</b> and related subsections (1) through (4) - has been removed from pages 10-2 through 10-4 and the revised text begins on	10-22
<b>Penalty Appeal Procedures</b> - has been removed from pages 11-43 and 11-44 and the revised text begins on	10-25

## 2 General Background

This is a new Section 10 – Penalties and Interest Provisions incorporating content from Sections 8, 10, and 11 in prior Doc. 6209 editions. Section 10 provides penalty and interest policy guidelines, processing codes and additional information from the Office of Servicewide Penalties (OSP) and the Office of Servicewide Interest (OSI). The following web site links provide additional penalty and interest information.

[Office of Servicewide Penalties](#)

[Office of Servicewide Interest](#)

## 3 Interest Rates

The Interest Rate Tables are located on the Servicewide Electronic Research Program (SERP) web site at [http://serp.enterprise.irs.gov/databases/irm-sup.dr/interest\\_rates.htm](http://serp.enterprise.irs.gov/databases/irm-sup.dr/interest_rates.htm). This web site contains all of the applicable interest rates to calculate interest on tax balances.

## 4 Penalty Provisions

In general, for every filing, paying, and reporting requirement imposed by the Internal Revenue Code, there is a penalty provision for failing to comply with the requirement. This section does not contain information on all penalty provisions. For additional penalty provisions see IRM 20.1, *Penalty Handbook*.

### Type of Penalty

Failure to File  
IRC § 6651(a)(1)

### Penalty Rate and Information

The penalty is 5% of the tax unpaid on the return due date (without regard to extensions) for each month or part of a month that the return is late, not to exceed

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Type of Penalty	Penalty Rate and Information
Failure to Pay Tax Shown on the Return IRC § 6651(a)(2)	<p>25%. When an income tax return is 60 days or more late, the minimum penalty is \$135 (\$100 for returns due before 1/1/2009), or 100% of the unpaid tax, whichever is less.</p> <p>The penalty is 1/2% of the tax shown on the return that is not paid by the return due date without regard to extensions. The penalty is charged on the unpaid tax for each month or part of a month that the tax remains unpaid, but it cannot exceed 25% in the aggregate.</p> <p>When both of the above penalties apply for the same month, the Failure to File penalty is reduced by the amount of the Failure to Pay penalty for that month, unless the minimum Failure to File penalty applies.</p>
Failure to Pay Tax Upon Notice and Demand for Payment IRC § 6651(a)(3)	<p>The penalty is 1/2% of the tax in the notice and demand for payment that remains unpaid 21 calendar days (10 business days, if the total due in the notice was \$100,000 or more) after the date of the notice. The penalty is charged on the unpaid tax for each month or part of a month that the tax remains unpaid, but it cannot exceed 25% in the aggregate.</p> <p>Both <i>Failure to Pay</i> penalty rates are increased to 1% per month on any tax that remains unpaid 10 days after IRS has issued a Notice of Intent to Levy Certain Assets. Issuance of such a notice is identified by notice status 58, TC 971 with action code 035 or 069, or by an assessment with doc code 51 and blocking series 14X.</p> <p>The penalty rate for Failure to Pay Tax Upon Notice and Demand for Immediate Payment is 1% as of the date of the notice for any jeopardy assessment. Jeopardy assessments are identified by doc code 51 with blocking series 100 - 119.</p> <p>For individual taxpayers who filed on time, any Failure to Pay penalty rates are decreased to 1/4% per month during any month during which the taxpayer has an approved installment agreement with the IRS for that tax.</p>
Failure to Deposit Taxes IRC § 6656	<p>For deposits required after December 31, 1989, there is a four-tiered penalty. The penalty is 2 percent for deposits 1-5 days late, 5 percent for deposits 6-15 days late, 10 percent for all direct payments and those deposits more than 15 days late, but paid on or before the 10th day following notice and demand, and 15 percent (actually, a 5 percent addition to the 10 percent) for late undeposited taxes still unpaid after the 10th day following the first balance due notice or the day on which notice and demand for immediate payment is given.</p>
Failure to Pay Estimated Tax IRC § 6654 & IRC § 6655	<p>The penalty is determined by multiplying the daily interest rate in effect for a given day by any underpaid installment amount for that day. The total penalty is the aggregate of the penalty for all days during which an underpayment exists.</p>
Bad Checks IRC § 6657 Dishonored Paper Checks or Money Orders/Insufficient Funds on Electronic Payments	<p>The penalty is two percent (2%) of the amount of the dishonored payment instrument, or if the amount of the dishonored payment instrument is less than \$1,250, then the penalty is the <b>lesser</b> of \$25 or the amount of the payment. Effective July 2, 2010, the penalty now includes all "instruments" (forms) of payment.</p> <p>For dishonored checks or money orders received after May 25, 2007, and prior to July 2, 2010, the bad check penalty was <b>only applicable</b> to paper checks and money orders. The penalty was two percent (2%) of the amount of the dishonored payment, or if the amount of the dishonored payment was less than \$1,250, then the penalty was the <b>lesser</b> of \$25 or the amount of the payment. Penalties were not assessed on checks less than \$5.00. See IRM 20.1.10 <i>Miscellaneous Penalties</i>.</p>
Failure to File a Timely and/or Complete Form 1065 IRC § 6698	<p>For returns due before 12/21/2007, the penalty is \$50 per person (as defined in IRC 7701(a)(1)) who was a partner in the partnership at any time during the year, for each month or part of a month the return is late or incomplete, for up to 5 months.</p> <p>For returns due after 12/20/2007 but before 1/1/2009, the penalty is \$85 per person who was a partner in the partnership at any time during the year, for each month or part of a month the return is late or incomplete, for up to 12 months.</p>

Type of Penalty	Penalty Rate and Information
Failure to File a Timely and/or Complete Form 1120S IRC § 6699	For returns due after 12/31/2008 that cover tax periods that begin prior to 1/1/2010, the penalty is \$89 per person who was a partner in the partnership at any time during the year, for each month or part of a month the return is late or incomplete, for up to 12 months.
	For returns that cover tax periods beginning in 2008, the penalty is increased by \$1 per person for each month the return is late or incomplete.
	For returns that cover tax periods beginning after 12/31/2009, the penalty is \$195 per person who was a partner in the partnership at any time during the year, for each month or part of a month the return is late or incomplete, for up to 12 months.
Failure to File an Exempt Organization Return IRC § 6652(c)(1)(A) Return Preparer Penalties IRC § 6695(a), 6695(b), 6695(c) Frivolous Tax Submissions IRC § 6702	For returns due after 12/31/2008 that cover tax periods that begin prior to 1/1/2010, the penalty is \$89 per person who was a shareholder in the corporation at any time during the year, for each month or part of a month the return is late or incomplete, for up to 12 months.
	For returns that cover tax periods beginning after 12/31/2009, the penalty is \$195 per person who was a shareholder in the corporation at any time during the year, for each month or part of a month the return is late or incomplete, for up to 12 months.
	Failure to File Penalty for Form 990, Form 990-EZ and Form 990-PF is \$20 per day for each day late—not to exceed a maximum penalty \$10,000 or 5% of the gross receipts unless gross receipts exceed 1,000,000, then penalty is \$100 per day not to exceed \$50,000.
	\$50 for each failure to: provide T/P with copy of prepared return; - sign the prepared return or claim; - include an identifying number (EIN, PITN, or SSN) on the prepared return or claim. Maximum (per subsection) is \$25,000 per calendar year.
	\$5,000 per frivolous tax return (6702(a)) or submission (6702(b)); \$5,000 each for married filing joint submissions returns. See IRM 20.1.10 <i>Miscellaneous Penalties</i> .

## 5 Penalties and Interest Table

Certain penalties must be specifically addressed when adjusting tax, credits, or payments within a module. The Penalty and Interest Table contains the information needed to address these conditions as well as the "Interest Start Date" for the listed penalties.

Transaction Code	Definition	Must TC be addressed when adjusting tax	Conditions	Comments	IRM References
160	Delinquency Penalty Manually Computed	Yes	All conditions except: TC 290 for a zero amount.	A TC160 for zero amount may be input if penalty should not be changed.	IRM 20.1.2 IRM 20.2.5.3
				Interest Start Date: Return due date or extended due date (whichever is later).	
161	Delinquency Penalty Manually Abated	Yes	All conditions except: TC 290 for a zero amount.	Abates previously assessed 160 or 166 in whole or in part.	IRM 20.1.2 IRM 20.2.5.3
170	Estimated Tax	Only under the	When there is a	Priority Code 8 may be	IRM 20.1.3

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Transaction Code	Definition	Must TC be addressed when adjusting tax	Conditions	Comments	IRM References
	Penalty Manually Computed	following conditions	previous posted TC 170/171 with Doc Code 17,18,24,47,51,52 or 54 present and a TC29X or 30X Adj. with TC 806/807 is input, or timely ES payments are transferred into or out of the module.	used in lieu of TC 170 for zero amount to bypass UPC158 check when adjusting withholding when there is no change to the penalty. NOTE A prev. posted TC 170/171 w/these Doc. Codes restricts the module from automatic recomputation.  Interest Start Date: 23C Date of penalty assessment.	IRM 20.2.5
171	Estimated Tax Penalty Abatement	. Only under the following conditions	When there is a prev. posted TC 170/171 with Doc Code 17,18,24,47,51,52 or 54 present and a TC29X or 30X Adj. with TC 806/807 is input, or timely ES payments are transferred into or out of the module.	Priority Code 8 may be used in lieu of TC 170 for zero amount to bypass UPC158 check when adjusting withholding when there is no change to the penalty. NOTE A prev. posted TC 170/171 w/these Doc. Codes restricts the module from automatic recomputation.	IRM 20.1.3 IRM 20.2.5
180	FTD Penalty Manually Assessed	Yes	All conditions except: TC 290 for a zero amt.	Use the information in the new ROFTL to determine the new penalty amount and input TC 18X (or a TC180 for zero amount if the penalty should not be changed) along with the TC 29X.  Interest Start Date: 23C Date of penalty assessment.	IRM 20.1.4 IRM 20.2.5.3
181	FTD Penalty Manually Abated	Yes	All conditions except: TC 290 for a zero amt.	Use the information in the new ROFTL to determine the new penalty amount and input TC 18X (or a TC 180 for zero amount if the penalty should not be changed) along with the TC 29X.	IRM 20.1.4 IRM 20.2.5.3
186	FTD Penalty Assessment Computer Generated	Yes	All conditions except: when TC 291 is for a partial tax decrease and the total of the credit transfers equals the TC 291 amount or when a complete tax decrease is input to a module which has no FTD restriction (TC 180/181).	Use the information in the new ROFTL to determine the new penalty amount and input TC 18X (or a TC 180 for zero amount if the penalty should not be changed) along with the TC 29X.  Interest Start Date: 23C Date of penalty assessment.	IRM 20.1.4 IRM 20.2.5.3

Transaction Code	Definition	Must TC be addressed when adjusting tax	Conditions	Comments	IRM References
187	FTD Penalty Abatement Computer Generated	Yes	All conditions except: when TC 291 is for a partial tax decrease and the total of the credit transfers equals the TC 291 amount or when a complete tax decrease is input to a module which has no FTD restriction (TC 180/181).	Use the information in the new ROFTL to determine the new penalty amount and input TC 18X (or a TC 180 for zero amount if the penalty should not be changed) along with the TC 29X.	IRM 20.1.4 IRM 20.2.5.3
190	Interest or Transferred-in Manually Assessed	No	If Master File is not prevented from computing interest, use TC 190 to post interest on a quick or prompt assessment on a Form 2859.	A TC190 does not prevent Master File from recomputing interest on the module.	IRM 20.2.8
191	Interest Abatement	No	Usually seen on a Transferred-in account, TC 370	A TC 191 does not prevent Master File from recomputing interest on the module.	IRM 20.2.8
196	Interest Assessment	No	Computer-Generated	A TC196 does not prevent Master File from recomputing interest on the module.	IRM 20.2.8
197	Interest Abatement	No	Computer-Generated	A TC197 does not prevent Master File from recomputing interest on the module.	IRM 20.2.8
234	Daily Delinquency Penalty	No	Manually Assessed	Interest Start Date: 23C Date of penalty assessment.	IRM 20.1.8 IRM 20.2.5.3
235	Daily Delinquency Penalty	No	Manually Abated	Abate previously assessed TC 234 or 238 in whole or in part.	IRM 20.1.8
238	Daily Delinquency Penalty	No	Computer-Generated	Interest Start Date: 23C Date of penalty assessment.	IRM 20.1.8 IRM 20.2.5.3
240	Miscellaneous Civil Penalty Assessment	No	Computer-Generated	Computer-Generated from the appropriate PRN (Penalty Reference Number) with a positive dollar amount. Interest Start Date: For PRN 680, 681, 683, return due date or extended due date (whichever is later). All others 23C Date of the penalty assessment.  Input manually without PRN on MFT 02 and MFT 06 for respective assessment of penalties under IRC 6699 and IRC 6698.	IRM 20.1.8 IRM 20.2.5.3 IRM 20.1.2.3 IRM 20.1.2.5
241	Miscellaneous Civil	No	Computer-Generated	Computer-Generated from	IRM 20.1.8

Transaction Code	Definition	Must TC be addressed when adjusting tax	Conditions	Comments	IRM References
	Penalty Abatement				IRM 20.1.2.3 IRM 20.1.2.5
270	Failure to Pay Tax Penalty	Yes	All conditions except: TC 290 for a zero amount. Manually Assessed.	Input manually without PRN to abate TC 240 without PRN.  A TC270 for zero amount may be input if penalty should not be changed.  Restricts penalty computation for the module unless input with Reason Code 62.	IRM 20.1.2 IRM 20.2.5.3
271	FTP Penalty	yes	All conditions except: TC 290 for a zero amount. Manually Abated	Interest Start Date: 23C Date of penalty assessment.	IRM 20.1.2 IRM 20.2.5.3
280	Bad Check Penalty	no	Manually Assessed	Interest Start Date: 23C Date of penalty assessment.	IRM 20.1.10.4 IRM 20.2.5.3
281	Bad Check Penalty	no	Manually Abated	Abates previously posted TC 280 or 286.	IRM 20.1.10.4
340	Restricted Interest Manually Computed	Yes	All conditions except: TC 290 for a zero amount.	TC340 for zero amount may be input if interest should not be changed.	IRM 20.2.8
341	Restricted Interest Abatement	Yes	-I freeze present on module	Not required unless interest is restricted. Use of TC 341 to abate interest will restrict interest on the rest of the module.	IRM 20.2.1

## 6 Return Preparer Penalties

Form 8278 is an adjustment document (ADJ54) used for assessments or abatements of return preparer penalties and other miscellaneous civil penalties that are not subject to deficiency procedures. The Penalty Reference Numbers (PRN) is keyed in with a positive dollar amount for assessments. A Transaction Code (TC) 290 posts with a TC 240 for the assessed amount. Preparer penalties are assessed on the tax period of the return in violation. Use MFT 55 for violations by an individual tax return preparer and for violations by a firm tax return preparer use MFT 13. Tax return preparer penalty PRNs are listed below. See IRM 20.1.6 *Preparer/Promoter/Material Advisor Penalties* for additional information.

PRN	IRC Section	Description
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PRN	IRC Section	Description
624	6695(a)	Other Assessable Penalties with Respect to the Preparation of Tax Returns for Other Persons – Preparers Failure to furnish a copy to taxpayer.
	6695(b)	Other Assessable Penalties with Respect to the Preparation of Tax Returns for Other Persons – Preparers Failure to sign return.
	6695(c)	Other Assessable Penalties with Respect to the Preparation of Tax Returns for Other Persons – Preparers Failure to furnish identifying number.
	6695(d)	Other Assessable Penalties with Respect to the Preparation of Tax Returns for Other Persons – Preparers Failure to retain copy or list.
	6695(e)	Other Assessable Penalties with Respect to the Preparation of Tax Returns for Other Persons – Preparers Failure to maintain record of preparers employed.
626	6695(f)	Other Assessable Penalties with Respect to the Preparation of Tax Returns for Other Persons – Preparers Preparer negotiating taxpayer's refund.
627	6695(g)	Other Assessable Penalties with Respect to the Preparation of Tax Returns for Other Persons – Preparer EIC due diligence.
633	6713	Return Preparer Disclosure or Use of Information – Also applies to any persons engaged in the business of preparing or providing services for the preparation of income tax returns.
645	6694(a)	Return Preparer Understatement Due to unreasonable position for prepared tax returns.
650	6694(b)	Return Preparer Understatement Due to willful or reckless conduct for prepared tax returns.

## 7 Information Return Penalties

The Small Business Jobs Act (SBJA) of 2010, section 2102, increases the amounts of IRC section 6721(a) penalties from \$50 to \$100 for failure to timely file accurate information returns using the correct media and the proper format. The calendar year maximum for these penalties for large businesses increases from \$250,000 to \$1.5 million.

The SBJA of 2010 also increases the IRC section 6722(a) penalties from \$50 to \$100 for failure to timely furnish accurate payee statements. IRC section 6722(b) adds a penalty reduction tiered rate for corrections on or before August 1 of the filing year. IRC section 6722(d) adds lower limitations for gross receipts of \$5 million or less. The calendar year maximum for these penalties for large businesses increases from \$100,000 to \$1.5 million. These changes apply to returns required to be filed on or after Jan. 1, 2011.

IRC section 6721 penalty rate increases are reflected in the following two tables:

IRC 6721 - Large Businesses with Gross Receipts of More Than \$5 million		
Time of filing	Returns due before 01-01-2011	Changes effective 01-01-2011
Not more than 30 days late	\$15 per return / \$75,000 maximum	\$30 per return / \$250,000 maximum
31 days late - August 1	\$30 per return / \$150,000 maximum	\$60 per return / \$500,000 maximum
After August 1	\$50 per return / \$250,000 maximum	\$100 per return / \$1,500,000 maximum
Intentional disregard	\$100 per return / no limitation	\$250 per return / no limitation
IRC 6721 Small Businesses with Gross Receipts \$5 million or Less		
Time of filing	Returns due before 01-01-2011	Changes effective 01-01-2011
Not more than 30 days late	\$15 per return / \$25,000 maximum	\$30 per return / \$75,000 maximum

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31 days late - August 1	\$30 per return / \$50,000 maximum	\$60 per return / \$200,000 maximum
After August 1	\$50 per return / \$100,000 maximum	\$100 per return / \$500,000 maximum
Intentional disregard	\$100 per return / no limitation	\$250 per return / no limitation

IRC section 6722 penalty rate changes are reflected in the following two tables:

IRC 6722 - Large Businesses with Gross Receipts of More Than \$5 million		
Time of filing	Returns due before 01-01-2011*	Changes effective 01-01-2011
Not more than 30 days late	\$50 per return / \$100,000 maximum*	\$30 per return / \$250,000 maximum
31 days late - August 1	\$50 per return / \$100,000 maximum*	\$60 per return / \$500,000 maximum
After August 1	\$50 per return / \$100,000 maximum	\$100 per return / \$1,500,000 maximum
Intentional disregard	\$100 per return / no limitation	\$250 per return / no limitation
IRC 6722 - Small Businesses with Gross Receipts \$5 million or Less		
Time of filing	Returns due before 01-01-2011*	Changes effective 01-01-2011
Not more than 30 days late	\$50 per return / \$100,000 maximum*	\$30 per return / \$75,000 maximum
31 days late - August 1	\$50 per return / \$100,000 maximum	\$60 per return / \$200,000 maximum
After August 1	\$50 per return / \$100,000 maximum	\$100 per return / \$500,000 maximum
Intentional disregard	\$100 per return / no limitation	\$250 per return / no limitation
*Prior to the enactment of SBJA of 2010 (01-01-2011), IRC 6722 had no tiered penalty reduction rate and no large business - small business limitation differentiation.		

Form 3645, *Computation of Penalty for Failure to File Information Returns or Furnish Statements*, should be used in conjunction with Form 8278. Form 3645 is used for computation of penalties for failure to file information returns, failure to furnish statements, and failure to comply with other information reporting requirements. Form 3645 is available on the following IRS web site:

<http://publish.no.irs.gov/getpdf.cgi?catnum=19810>

## 8 Penalty Reference Numbers – Miscellaneous Civil Penalties

Penalty Reference Numbers (PRN) are used to assess and abate miscellaneous civil penalties. Some civil penalties are assessed and abated with their respective PRN or Transaction Code (TC) (generally, not TC 240/241) using Forms 5344, 5403, 3870 or similar closing and adjustment documents.

Form 8278, *Assessment and Abatement of Miscellaneous Civil Penalties*, is used to assess or abate civil penalties on MFT 13 (BMF) and MFT 55 (IMF) accounts. See Form 8278 instructions for additional PRN information at the following IRS web site:

<http://publish.no.irs.gov/getpdf.cgi?catnum=62278>

**CAUTION:** The following PRN table reflects the most current penalties for the respective Internal Revenue Code sections. Archived PRN information, plus more information about PRNs, civil penalties, and return-related penalties are available through the following Office of Servicewide Penalties, IRS web site:

[Office of Servicewide Penalties](#)

### (1) Penalty Reference Numbers Table

PRN	Type of Penalty	Penalty Rate and Information	IRC
165	Failure to File Annual Registration and Other Notification by Pension	\$1 per participant each day for failure to file a registration statement (Schedule	6652(d)(1)



PRN	Type of Penalty	Penalty Rate and Information	IRC
	Plan	SSA-Form 5500), not to exceed \$5,000. (Note: Input via F5734 on MFT 74, CP-213, BMF, TEGE).	
167	Failure to File Information Required in Connection With Certain Plans of Deferred Compensation; etc.	\$25 a day (up to \$15,000) for not filing returns plans of deferred compensation, trusts and annuities, and bond purchase plans by the due date(s). (Note: Input via F5734 on MFT 74, CP-213, BMF, TEGE).	6652(e)
169	Failure to File Actuarial Report	\$1,000 per failure and no maximum in penalty amount (Note: Input via F5734 on MFT 74, CP-213, BMF, TEGE).	6692
500	Late Filing Penalty	\$50 penalty per document type (increases to \$100 for returns due on or after January 1, 2011) *Note-there are no dollar limitations for intentional disregard of the rules and regulations).	6721
501	Magnetic Media Penalty	\$50 penalty per document type (increases to \$100 for returns due on or after January 1, 2011) *Note-there are no dollar limitations for intentional disregard of the rules and regulations).	6721
502	Missing or Incorrect TIN Penalty	\$50 penalty per document type (increases to \$100 for returns due on or after January 1, 2011) *Note-there are no dollar limitations for intentional disregard of the rules and regulations).	6721
503	Improper Format Penalty	\$50 penalty per document type (increases to \$100 for returns due on or after January 1, 2011) *Note-there are no dollar limitations for intentional disregard of the rules and regulations).	6721
504	Late & Magnetic Media Penalty	\$50 penalty per document type (increases to \$100 for returns due on or after January 1, 2011) *Note-there are no dollar limitations for intentional disregard of the rules and regulations).	6721
505	Late & Missing or Incorrect TIN Penalty	\$50 penalty per document type (increases to \$100 for returns due on or after January 1, 2011) *Note-there are no dollar limitations for intentional disregard of the rules and regulations).	6721
506	Late & Missing or Incorrect TIN Penalty	\$50 penalty per document type (increases to \$100 for returns due on or after January 1, 2011) *Note-there are no dollar limitations for intentional disregard of the rules and regulations).	6721
507	Magnetic Media & Missing or Incorrect TIN Penalty	\$50 penalty per document type (increases to \$100 for returns due on or after January 1, 2011) *Note-there are no dollar limitations for intentional disregard of the rules and regulations).	6721

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PRN	Type of Penalty	Penalty Rate and Information	IRC
508	Magnetic Media & Improper Format Penalty	\$50 penalty per document type (increases to \$100 for returns due on or after January 1, 2011) *Note-there are no dollar limitations for intentional disregard of the rules and regulations).	6721
509	Missing or Incorrect TIN Penalty & Improper Format Penalty	\$50 penalty per document type (increases to \$100 for returns due on or after January 1, 2011) *Note-there are no dollar limitations for intentional disregard of the rules and regulations).	6721
510	Late, Magnetic Media & Missing or Incorrect TIN Penalty	\$50 penalty per document type (increases to \$100 for returns due on or after January 1, 2011) *Note-there are no dollar limitations for intentional disregard of the rules and regulations).	6721
511	Late, Magnetic Media & Improper Format Penalty	\$50 penalty per document type (increases to \$100 for returns due on or after January 1, 2011) *Note-there are no dollar limitations for intentional disregard of the rules and regulations).	6721
512	Late, Missing or Incorrect TIN, & Improper Format Penalty	\$50 penalty per document type (increases to \$100 for returns due on or after January 1, 2011) *Note-there are no dollar limitations for intentional disregard of the rules and regulations).	6721
513	Magnetic Media, Missing or Incorrect TIN, & Improper Format Penalty	\$50 penalty per document type (increases to \$100 for returns due on or after January 1, 2011) *Note-there are no dollar limitations for intentional disregard of the rules and regulations).	6721
514	Late, Magnetic Media, Missing or Incorrect TIN, Improper Format Penalty	\$50 penalty per document type (increases to \$100 for returns due on or after January 1, 2011) *Note-there are no dollar limitations for intentional disregard of the rules and regulations).	6721
527 (IMF)	Failure to Provide Public Inspection of Application	\$20 per day No maximum. See IRC section 6104(d) requirements.	6652(c)(1)(D)
528 (IMF)	Failure to Provide Public Inspection of Annual Return	\$20 per day. Maximum = \$10,000. See IRC sections 527(j) and 6104(d) requirements.	6652(c)(1)(C)
537	Penalty in Case of Intentional Disregard	Refer to IRC section 6721(e).	6721(e)
543	Penalty for Specified Frivolous Submissions	\$5,000 per frivolous submission under IRC 6702(c), or for any delay/ impediment of the administration of Federal tax laws.	6702 (b)
549	Failure to File W-2 with intentional disregard CAWR Note: NOT manually assessed using Form 8278	The greater of \$100 per form or 10% of the aggregate amount of items required to be reported. No maximum. See IRC section 6051 requirement and	6721(e)

PRN	Type of Penalty	Penalty Rate and Information	IRC
		IRM 4.19.4.7.2(1).	
550	Failure to File W-2 Timely CAWR Note: NOT manually assessed using Form 8278	\$50 per failure. See IRM 4.19.4.7.2(2).	6721(2)
551	Fraudulent Identification of Exempt Use Property under IRC section 170(e)(7)(C)	\$10,000 per violation made after August 17, 2006.	6720B
552	Failure to File Returns and Reports relating to certain Trust and Annuity Plans required under IRC section 6047(d) – Forms 1096 or 1099	Maximum = \$15,000.	6652(e)
553	Failure to File a Report relating to Archer MSAs required under IRC section 220(h)	\$50 per failure. No maximum.	6693(a)(2)(B)
554	Failure to File a Report relating to Health Saving Accounts required under IRC section 223(h)	\$50 per failure. No maximum.	6693(a)(2)(C)
555	Failure to File a Report relating to Qualified Tuition Programs required under IRC section 529(d)	\$50 per failure. No maximum.	6693(a)(2)(D)
556	Failure to File a Report relating to Coverdell Education Saving Accounts required under IRC section 530(h)	\$50 per failure. No maximum.	6693(a)(2)(E)
557	Failure to Furnish Information relating to Nondeductible Contribution required under IRC section 408(o)(4)	\$100 per failure. No maximum.	6693(b)(1)
558	Failure to File a Form relating to Nondeductible Contributions required under IRC section 408(o)(4)	\$50 per failure. No maximum.	6693(b)(2)
559	Failure of the Executor to timely file a Return required under IRC section 6018 relating to Large Transfers at Death and Gifts	\$10,000 per failure. No maximum. This penalty is applicable to Executors of estates of decedents who die between January 1, 2010 and December 31, 2010. No estate tax is imposed in 2010; however, the <i>Economic Growth &amp; Tax Relief Reconciliation Act of 2001</i> provides for reporting requirements for decedents with assets of more than \$1.3 million.	6716(a)
560	Failure to Furnish Information required under section 6018(b)(2) relating to certain Transfers of Gifts received by Decedent within 3 years of death	\$500 per failure. No maximum. This penalty is applicable to Executors of estates of decedents who die between January 1, 2010 and December 31, 2010.	6716(a)
561	Failure to Furnish Information required under IRC sections 6018(e) or 6019(b) relating to certain Transfers at Death and Gifts	\$50 per failure. No maximum. This penalty is applicable to Executors of estates of decedents who die between January 1, 2010 and December 31, 2010.	6716(b)
562	Failure to Furnish Information required under IRC sections 6018(e) or 6019(b) relating to certain Transfers at Death and Gifts - Intentional Disregard	5% of the fair market value of the transferred property per failure. No maximum. This penalty is applicable to Executors of estates of decedents who die between	6716(d)

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PRN	Type of Penalty	Penalty Rate and Information	IRC
		January 1, 2010 and December 31, 2010.	
563	Penalty for failure to notify health plan of cessation of eligibility for COBRA premium assistance	110% of the premium reduction the taxpayer was ineligible to receive. There is no penalty assessed on the recapture of a COBRA subsidy, which is when a taxpayers' modified adjusted gross income exceeds \$145,000 (\$290,000 for married filing joint returns), and they must report and repay the entire subsidy on their income tax return.	6720C
564	Willful Failure to File a Return or Application required under IRC 6104(d)	\$5,000 per failure. No maximum.	6685
565	Erroneous Claims for Refund or Credit Penalty	A penalty in an amount equal to 20% of the excessive amount. Applies to claim for refund or credit tax returns filed on or submitted after May 25, 2007. Use Form 8278 with MFT 13 or MFT 55. <b>CAUTION:</b> Use PRN 687 for married filing joint return assessments and abatements.	6676
566	Assessable Penalties with Respect to Liability for Tax under Chapter 42	Penalty equals, and is in addition to the amount of tax imposed under Chapter 42. No maximum.	6684
567	Failure by Tax-Exempt Organization to Disclose certain Information or Service available from Federal Government - Intentional Disregard	The penalty is the greater of \$1,000 per day, for each day you failed to make the required statement or 50% of the daily combined cost of all offers and solicitations for which there has been a failure to make the required statement. No maximum.	6711
570	Failure to File Notice of Foreign Tax Redetermination	5% of deficiency per month up to a maximum of 25% of the deficiency.	6689
573	Failure to Furnish certain Information to Participant in SIMPLE IRA Plans required under IRC section 408(i) or 408(l)(2)	\$50 per failure. No maximum.	6693(c)
574	Willful Failure to Pay, Evade or Defeat Stamp Tax	50% of the total amount of the underpayment of the tax for each failure to pay any tax that is payable by stamp, coupons, tickets, books, or other devices or methods.	6653
575	Fraudulent Statement or Willful Failure to Furnish Statement to Employee - IRC section 6051 or 6053(b)	\$50 per failure to provide or for furnishing a false or fraudulent statement (can be assessed and collected in the same manner as the tax on employers). No maximum.	6674
578	Civil Penalty with Respect to Mortgage Credit Certificates – Negligence	\$1,000 per failure. No maximum.	6709(a)
579	Civil Penalty with Respect to Mortgage Credit Certificates- Fraud	\$10,000 per failure. No maximum.	6709(b)
580	Failure to Timely File Report relating to Mortgage Credit Certificate required under IRC section 25(g)	\$200 for each failure. Maximum = \$2,000.	6709(c)
581	Substantial & Gross Valuation Misstatements Attributable to Incorrect Appraisals	Penalty is the lesser of-- (1) The greater of (A) 10% of the underpayment attributable to the misstatement <u>or</u> (B) \$1,000 <u>or</u> (2)125% of the gross income received	6695A

PRN	Type of Penalty	Penalty Rate and Information	IRC
		from the preparation of the appraisal. Note: Prior PRN for this penalty was 606. See IRM 20.1.12.	
582	Penalty with Respect to Tax Liability of Regulated Investment Company	Penalty equals to the amount of interest attributable to a deemed increase in tax determined under IRC section 860(c)(1)(A); not to exceed one-half of the deduction allowed under IRC section 860(a).	6697
583	Failure to File a Registration Statement by Pension Plan	\$1 per failure per participant. Maximum = \$5,000.	6652(d)(1)
584	Failure to File a Notification by Pension Plan	\$1 per failure per day. Maximum = \$1,000.	6652(d)(2)
585	Failure to give a Notice to Recipients required under IRC section 3405(e)(10)(B)	\$10 per failure. Maximum = \$5,000.	6652(h)
586	Failure to give a Written Explanation to Recipients required under IRC section 402(f)	\$100 per failure. Maximum = \$50,000.	6652(i)
587	Failure to File Certification with Respect to certain Residential Rental Projects required under IRC section 142(d)(7)	\$100 per failure per calendar year. No maximum.	6652(j)
588	Failure to make Report required under IRC section 1202	\$50 per failure. \$100 per failure if due to negligence or intentional disregard. If a report covering periods in two or more years, the amount of the penalty shall be multiplied by the number of such years. No maximum.	6652(k)
589	Failure to File Return for Split-Interest Trusts (as required under IRC section 6034(a)) With Gross Income in excess of \$250,000	\$100 per failure per day. Maximum = \$50,000.	6652(c)(2)(C)(ii)
590	Failure to File Information Returns with Respect to certain payments aggregating less than \$10 as required under IRC section 6042(a)(2) and IRC 6044(a)(2).	\$1 per failure per statement. Maximum = \$1,000.	6652(a)
591	Failure to Comply with Notice of Demand by Manager of Organization	\$10 per failure per day. Maximum = \$5,000.	6652(c)(1)(B)(ii)
592	Failure to Comply with Notice of Demand by Managers of Exempt Organization or Trust	\$10 per failure per day. Maximum = \$5,000.	6652(c)(2)(B)
593	Failure to Pay Premium or installments required under IRC 9704 and/or for failure to make contributions required under IRC 402(h)(5)(B)(ii) of the Surface Mining Control and Reclamation Act of 1977 to a plan referred to in IRC 402(h)(2)(C)	\$100 per failure per day. No maximum.	9707
595	Voluntary Disclosure – Failure to File Certain Information Return	5% of the highest aggregate account/asset value in all foreign bank account/entities for the tax year.	various
596	Voluntary Disclosure – Failure to	20% of the highest aggregate	various

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PRN	Type of Penalty	Penalty Rate and Information	IRC
	File Certain Information Return	account/asset value in all foreign bank account/entities for the tax year.	
597	Voluntary Disclosure - Failure to File Certain Information Return	12.5% of the highest aggregate account/asset value in all foreign bank account/entities for the tax year.	various
598	Voluntary Disclosure - Failure to File Certain Information Return	25% of the highest aggregate account/asset value in all foreign bank account/entities for the tax year.	various
599	Failure to File Form 5471 in conjunction with Failure to File Corporate Return	\$10,000 per annual accounting period plus FTC reduction. If failure continues for more than 90 days after notification, penalty is increased by \$10,000 for each 30-day period (or fraction thereof) the failure continues. Maximum = \$50,000.	6038
600	Failure to File Correct Information Returns	\$50 per failure/Maximum = \$250,000. (\$100,000 for small businesses). \$15 per failure/Maximum = \$75,000 (\$25,000 for small businesses), The penalty is decreased if the failure is corrected within 30 days after the due date of the information return. \$30 per failure/Maximum = \$150,000 (\$50,000 for small businesses), The penalty is decreased if the failure is corrected more than 30 days after the due date of the return, but on or before August 1 of the filing year. For other circumstances that may apply, see IRM 20.1.7.	6721
601	Failure to Include Correct Information	\$5 per form.	6723
603	Failure of Foreign Corporation Engaged in a U.S. Business to Furnish Information or Maintain Records	Initial penalty: \$10,000 per year. After 90 days from notification: \$10,000 for each 30-day period (or fraction thereof). No maximum.	6038C
604	Failure of Foreign Person to File Return Regarding Direct Investment in U.S. Real Property Interests	\$25 a day not to exceed the lesser of \$25,000, or 5% of the aggregate fair market value of U.S. real property interests owned at any time during the year.	6652(f)
605	Failure to File Return or Supply Information by DISC or FSC	Under IRC section 6011(c)(1): \$100 per failure, not to exceed \$25,000 for any calendar year. Under IRC section 6011(c)(2): \$1,000 for each return.	6686
607	Failure to Timely File Information Return	\$50 per failure. Maximum = \$250,000.	6721
609	Failure to File a Completed and Correct Form 8300	\$50 per form. Maximum = \$250,000 per calendar year.	6721
610	Failure to Furnish Payee Statement or Required Information Note: Not manually assessed on Form 8278	\$50 per failure. Maximum = \$100,000.	6722
611	Failure to File a Disclosure Required of Tax-Exempt Entity	\$100 per failure per day Not to exceed \$50,000 See IRC section 6033(a)(2) requirements.	6652(c)(3)(A)
612	Failure to Furnish Correct Payee Statement	\$50 per failure. Statements are not reduced if returns are corrected or filed after the due date. Only one penalty per	6722

PRN	Type of Penalty	Penalty Rate and Information	IRC
		statement, regardless the total penalty for all such failures during any calendar year shall not exceed \$100,000.	
613	Failure to File Foreign Information Returns (Form 5471 Sch O/Form 8865 Sch P)	\$10,000 per failure, plus \$10,000 for each 30-day period for continuous failure after notification. Maximum = \$50,000. See IRC sections 6046 and 6046A requirements.	6679
614 (BMF)	Failure to Disclose Quid Pro Quo Contribution	\$10 for each failure not to exceed \$5,000.	6714
616	False Information on Forms W-4 and W-9	\$500 per false statement. The penalty may be waived (in whole or in part) if the individual's taxes for that year are equal to or less than the sum of the allowable credits against those taxes, and estimated tax payments of those taxes.	6682
617	Failure to Include Correct Information Note: Not manually assessed on Form 8278	\$5 per failure. Maximum = \$20,000.	6723
618	Failure to Collect and Pay Over Tax, or an Attempt to Evade or Defeat Tax. (Trust Fund Recovery Program - Assessed against responsible corporate officers)	100% of the tax required to be collected, accounted for, and paid over. Note: Assessed via Form 2749.	6672
619	Failure to File Returns with Respect to Foreign Corporations or Foreign Partnerships	Continued failure to provide information after 90-day period. The penalty is assessed at \$10,000 per 30-day period or fraction thereof. Maximum = \$50,000.	6038 6038A 6038C 6677 6679
620	Failure to Provide Reports on Individual Retirement Accounts	\$50 per failure to file report No Maximum.	6693(a)
621	Failure to Comply with Other Reporting Requirements	A penalty of \$50 per failure to comply timely with specified information reporting requirements, or to include correct information. Maximum = \$100,000 per year.	6723
623	Failure to Furnish Information with Respect to Certain Foreign Corporations and Partnerships (Forms 5471/8865)	\$10,000 per annual accounting period plus FTC reduction. If failure continues for more than 90 days after notification, penalty is increased by \$10,000 for each 30-day period (or fraction thereof) the failure continues. Maximum = \$50,000.	6038
624	Return Preparer Failure to Furnish Copy to Taxpayer	\$50 per failure. Maximum for a return preparer is \$25,000 in a calendar year. See IRM 20.1.6.	6695(a)
624	Return Preparer Failure to Sign Return	\$50 per failure. Maximum for a return preparer is \$25,000 in a calendar year. See IRM 20.1.6.	6695(b)
624	Return Preparer Failure to Furnish Identifying Number	\$50 per failure. Maximum for a return preparer is \$25,000 in a calendar year. See IRM 20.1.6.	6695(c)
624	Return Preparer Failure to Retain Copy or List	\$50 per failure. Maximum for a return preparer is \$25,000 in any return period. See IRM 20.1.6.	6695(d)
624	Return Preparer Failure to Maintain	\$50 per failure. Maximum for a return	6695(e)

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PRN	Type of Penalty	Penalty Rate and Information	IRC
	Record of Preparers Employed	preparer is \$25,000 in any return period. See IRM 20.1.6.	
625	Failure to File Information on Foreign owned Corporations (Form 5472)	\$10,000 per failure per year, plus \$10,000 for each 30-day period (or fraction thereof) for continuous failure after notification.	6038A
626	Return Preparer Negotiating Taxpayer Refund	\$500 per violation. See IRM 20.1.6.	6695(f)
627	Return Preparer EIC due diligence	\$100 per failure. See IRM 20.1.6.	6695(g)
628	Promoting Abusive Tax Shelter	The penalty for activity described in IRC section 6700(a)(1) is the lesser of \$1,000 or 100 percent of the gross income derived (or to be derived) from the activity. The penalty for making or furnishing (or causing another person to make or furnish) a statement described in IRC section 6700(a)(2)(A) is 50 percent of the gross income derived (or to be derived) from the activity. No Maximum.	6700
629	Failure by Entity or Manager to Comply with Written Demand to File a Disclosure required Under IRC 6033(a)(2)	\$100 for each day after the expiration of the time specified in such demand during which such failure continues but not exceed \$10,000.	6652(c)(3)(B)(ii)
630	Any donee organization Failure to Issue written acknowledgement on Vehicle Donation as Required by IRC 170(f)(12)(A)	Multiple calculations. See IRC sections 6720(1) and 6720(2) for calculations.	6720
631	Aiding and Abetting the Understatement of Another Person's Tax Liability	\$1000 for individual. \$10,000 for corporation.	6701
632	Failure by a Broker to Provide Notice to a Payor	\$500 per failure.	6705
633	Income Tax Return Preparer Disclosure or Use of Information - Also applies to any persons engaged in the business of preparing or providing services for the preparation of income tax returns	\$250 per disclosure or use of. Maximum = \$10,000 in any calendar year. See IRM 20.1.6.	6713
634	Failure to Furnish Information Regarding Reportable Transactions	For Reportable Transactions, the penalty for returns due after 10/22/2004 is \$50,000 per failure. For Listed Transactions, the penalty for returns due after 10/22/2004 is the greater of \$200,000, or 50% of the gross income derived relating to the Listed Transaction. In the case of an intentional failure or act, 75% of the gross income derived. See IRM 20.1.6.	6707
635	Fraudulent Failure to File	15% per month (14½% per month for any month in which the Failure to Pay penalty also applies), up to 5 months Maximum penalty is 75% (72½% if Failure to Pay penalty also applies for all 5 months). See IRM 20.1.2.7.1.	6651(f)
636	Failure to Maintain List of Advisees	\$10,000 per day from the 20th day after	6708



PRN	Type of Penalty	Penalty Rate and Information	IRC
	with respect to Reportable Transactions	failure to provide a list and continues until the requested list is submitted. No maximum. See IRC section 6112 requirements. See IRM 20.1.6.	
637	Failures for Returns Relating to Higher Education Tuition and Related Expenses	\$50 per failure to file return Maximum = \$250,000. \$50 per failure to furnish correct payee statement. Maximum = \$100,000 per year. See IRC section 6050S requirements.	6721(a)(1) or 6722(a)
638	Failures Relating to Form 8027 (Employer's Annual Information Return of Tip Income and Allocated Tips)	\$50 per document. Maximum = \$250,000. Intentional disregard: The greater of \$100 per document or 10% of aggregate amount of items required to be reported. See IRC section 6053 requirements.	6721
639	Failure to keep Records necessary to meet reporting requirements under IRC 6047(d)	\$50 multiplied by the number of individual in relation to whom such failure occurred, but not exceed \$50,000 per calendar year.	6704(b)
640	Failure to File Penalty for Failure to File on Magnetic Media (BMF only)	\$50 per form.	6721
643	Sanctions and Costs Awarded by Tax Court	Court awarded sanctions, penalties or costs. Maximum = \$25,000.	6673(a)
644	Sanctions and Costs Awarded by Other Courts	Court awarded sanctions, penalties or costs Maximum = \$10,000.	6673(b)
645	Return Preparer Understatement Due to unreasonable position for prepared tax returns.	\$250 for each income tax return prepared on or before May 25, 2007.  The greater of \$1000 or 50% of the income derived by the preparer for each tax return prepared after May 25, 2007. See IRM 20.1.6.	6694(a)
647	Failure to Disclose Nondeductible Contribution	\$1,000 for each day on which such a failure occurred, but not to exceed \$10,000 during any calendar years.	6710(a) & (c)
648	Failure to Disclose Reportable Transaction with Return (Form 8886)	For each failure the penalty is 75% of the decrease in tax shown on the return as a result of such transaction. a) Maximum for failure to report a listed is \$200,000 for an entity or \$100,000 for an individual. b) Maximum for failure to report any other reportable transaction is \$50,000 for an entity or \$10,000 for an individual. c) The minimum penalty for failure to report any reportable transaction is \$10,000 for an entity or \$5,000 for an individual. See IRM 20.1.6.	6707A
649	Failure to File Form 8806	\$500 per day. Maximum = \$100,000. See IRC section 6043(c) requirements.	6652(l)
650	Return Preparer Understatement Due to willful or reckless conduct for prepared tax returns	\$1,000 for each return or claim prepared on or before May 25, 2007.	6694(b)

PRN	Type of Penalty	Penalty Rate and Information	IRC
		Greater of \$5,000 or 50% of the income derived by the preparer for each return or claim prepared after May 25, 2007. See IRM20.1.6.	
651	Failure to Comply with Certain Information Reporting Requirements (Form 8300)	\$50 per failure. Maximum = \$250,000. See IRC section 6050I requirements.	6721(a)
652	Failure to File Form 8300 - Intentional Disregard	The greater of \$25,000 or the amount of cash received in such transaction. Maximum = \$100,000 on a 6050I(d) transaction. The \$250,000 yearly limitation does not apply.	6721(e)(2)(c)
653	Failure to Furnish Correct Payee Statements (Form 8300)	\$50 per failure. Maximum = \$100,000.	6722(a)
654	Failure to Provide Correct Payee Statement - Intentional Disregard (Form 8300)	The greater of \$100 per failure or 10% of the aggregate amount of items required to be reported correctly. No maximum.	6722(e)
655	Refusal of Entry or Inspection	\$1,000 for each refusal to admit entry or to permit examination. \$1,000 for each refusal to admit entry or to permit examination if the refusal is related to any place where taxable fuel is stored or produced. See IRC section 4083(d)1 requirements.	6717(a)
656	Violations with Respect to Dyed Fuel	The greater of \$1,000 or \$10 per gallon of the dyed fuel used, plus multiply the number of prior violations times the greater of \$10 per gallon per prior violation or \$1,000 per prior violation.	6715
657	Failure to Display Tax Registration on Vessels	\$500 per vessel for the initial one month failure to display. For multiple monthly violations: \$500, plus the amount derived by multiplying \$500 times the number of monthly penalties previously imposed. See IRC section 4101(a) requirements.	6718
658 (BMF)	Failure to File Information Return (Form 1041-A, etc.)	\$10 per day. Maximum = \$5,000. See IRC sections 6034 and 6043(b) requirements.	6652(c)(2)(A)
659	Failure to File Information with Respect to Certain Foreign Trusts (Form 3520)	35% of gross reportable amount, plus \$10,000 for each 30-day period if failure continues after 90 days from notification. See IRC section 6048 requirements.	6677
660	Failure to File Information with Respect to Certain Foreign Trusts with U.S. Owner (Form 3520A)	5% of gross reportable amount, plus \$10,000 for each 30-day period if failure continues after 90 days from notification. See IRC section 6048(b) requirements.	6677
661	Excessive Claims with Respect to the use of Certain Fuels. (not for income tax purposes)	The greater of \$10 or two times the excessive amount. See IRC section 6427 requirements.	6675
662 (BMF)	Failure to File Required Disclosure of Expenditures and Contributions (Form 8872)	35% of amount relating to failure. See IRC section 6652(c)(1)(C). Requirements.	527(j)(1)
663 (BMF)	Failure to File Timely, Complete or Correct Return by Exempt Organization or Political	Gross receipts \$1,000,000 and less: \$20 per day during which such failure continues/maximum is the lesser of	6652(c)(1)(A)

PRN	Type of Penalty	Penalty Rate and Information	IRC
	Organization	\$10,000 or 5% of gross receipts. Gross receipts more than \$1,000,000: \$100 per day during which such failure continues. Maximum = \$50,000. See IRC sections 6033 and 6012(a)(6) requirements.	
664	Failure to Disclose Treaty-Based Return Position	\$1,000 per failure, or \$10,000 per failure for C corporations. See IRC section 6114 requirements.	6712
665	Tampering with or Failing to Maintain Security Requirements for Mechanical Dye Injection Systems	For IRC section 6715A(a)(1) (Tampering), the penalty is the greater of: \$25,000, or \$10 for each gallon of fuel involved. For IRC section 6715A(a)(2) (Failure to Maintain Security Requirements), the penalty is: \$1,000 per failure, and \$1,000 per day for failing to correct the violation for each day after which such violation was discovered, or such person should have reasonably known of such violation.	6715A
666	Frivolous Tax Submissions	\$5,000 per failure <i>after</i> 3-16-2007. \$500 per failure <i>before</i> 3-17-2007.	6702(a)
667	Failure to Report a Vessel/Facility	\$10,000 per failure. See IRC section 4101(d) requirements.	6725
668	Failure to Report Receipt of Foreign Gifts (Form 3520)	5% of amount of gift per month. Maximum = 25% of the amount of the gift.	6039F(c)
669 (IMF)	Failure to File Report regarding Residence in a U.S. Possession (Form 8898)	\$1,000 per failure.	6688
670	Failure to Register/Re-register	\$10,000 per initial failure, plus \$1,000 per day for continuous failure. See IRC section 4101 requirements.	6719
671 (IMF)	Failure to File Expatriation (Form 8854)	\$10,000 per failure after 06-03-04.	6039G
672 (BMF)	Failure to File Return Relating to Taxable Mergers/Acquisitions	\$50 per failure. Maximum = \$250,000. \$100 per failure for intentional disregard. See IRC section 6043A requirements.	6721
673	Resale of Adulterated Diesel Fuels	\$10,000 for each transfer, sale, or holding out for resale. The penalty for retailers who knowingly hold out for sale of any liquid is \$10,000.	6720A
674	Failure to provide a notice of exchange of partnership interest	\$50 per failure. Maximum = \$100,000 per year. See IRC section 6050K requirements.	6723
676	Failure to File Information on Transfers and Distributions to Foreign Persons (Forms 926 and 8865/Sch O)	10% of the fair market value of property transferred at time of exchange. Maximum = \$100,000.	6038B
678 (BMF)	Failure to Furnish Information (Form 8281-OID)	1% of the aggregate issue price of debt instrument amount. Maximum = \$50,000.	6706(b)
679 (IMF)	Failure to Provide Information on Residence Status	\$500 per failure.	6039E
680	Accuracy-Related Penalties	The penalty is 20% of the applicable underpayment.	6662(c),(d), (e), (f) & (g)
680	Accuracy-Related Penalty	The penalty is 40% of the applicable	6662(h)

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PRN	Type of Penalty	Penalty Rate and Information	IRC
		underpayment.	
681	Accuracy-Related Penalty on Reportable Transactions	The penalty is 20% or 30% of the reportable transaction underpayment.	6662A
683	Accuracy-Related Penalty on Undisclosed Foreign Financial Assets Understatement	The penalty is 20% or 40% of the applicable understatement.	6662(j)
684	Required Payments for Entities Electing Not to Have Required Taxable Year	10% of the underpaid tax assessable on MFT 15. See IRC section 444 elections.	7519(f)(4)
686	Increase in Penalty for Fraudulent Failure to File	15% per month for a maximum of 5 months, not to exceed 75% of the total tax.	6651(f)
687 (IMF)	Erroneous Claim for Refund or Credit Penalty	A penalty in an amount equal to 20% of the excessive amount. Applies to claim for refund or credit income tax returns filed on or submitted after May 25, 2007. <b>CAUTION:</b> Use PRN 687 on married filing joint returns only. Form 3870 with MFT 30 is required for assessments and abatements. See PRN 565 for all other IRC 6676 assessments and abatements.	6676
688	Failure to File Partnership Returns Using Required Media	A penalty is asserted for each partner in excess of 100. For returns due before 1/1/2011 the penalty is \$50. For returns due after 12/31/2010, the penalty is \$100. See Treas. Reg. 301.6011-3(c). The penalty is assessed as TC 246, and abated as TC 241.	6721
697	Trust Fund Recovery Penalty - Payment made by Related Business Entity	This is a credit for a PRN 618 assessment. See IRM 4.23.9 Employment Tax Penalty and Fraud Procedures. (NOT assessed on Form 8278).	6672
699	Trust Fund Recovery Penalty – adjustment to balance due by a Related Trust Fund Recover Penalty Taxpayer payment or reversal of payment	This is a credit for a PRN 618 assessment. See IRM 4.23.9 Employment Tax Penalty and Fraud Procedures. (NOT assessed on Form 8278).	6672

## 9 Penalty Reason Codes (PRC)

When a penalty is manually reduced, abated, or suppressed, a Penalty Reason Code (PRC) is required to be input with the penalty adjustment to indicate why the penalty is being reduced, abated, or suppressed. A PRC is input to the fourth RC position.

Document Code 54 (TC29X) — enter the appropriate PRC (for example 022, 024, 025, 026, or 030) in RC position four of ADJ54 when Reason Code 062 is used in RC position one. Do not use RC 062 in combination with any of the other PRC in RC position four (see exception for PRCs 018/020 in IRM 20.1.1.3.6.1(7)).

Document Code 47 (AIMS Adjustment) — A PRC is a required entry for abatement or suppression of penalties, TC 161, 171, 181, 201, 235, 241, 271, 281, 311, 321, 351 and Penalty Reference Numbers (Negative amounts only). The PRC may be entered for input with TC 300, 304 and 308. Enter the appropriate PRC on Form 5344, Form 5581, 5599 and 5650 in item #02 of AMCLS.

Refer to IRM 20.1.1.5.1, *Master File Penalty Reason Codes*, and IRM Exhibit 20.1.1-3, *Penalty Reason Code (PRC) Chart* for detailed information.

PENALTY ABATEMENT/SUPPRESSION PRC CHART			
1 <sup>st</sup> , 2 <sup>nd</sup> , or 3 <sup>rd</sup> Reason Code (RC) position	PRC 4TH position	DEFINITION	
***MANUAL INPUT ***			
<b>Reasonable Cause</b> (RC 062)	022	Normal business care and prudence followed, but taxpayer was still unable to comply due to circumstances beyond their control. Generally used when the taxpayer establishes a single circumstance prevented compliance. See IRM 20.1.1.3.2.2.	
	024	IMF - Death, serious illness, or unavoidable absence of the taxpayer or a member of their immediate family. See IRM 20.1.1.3.2.2.1.	
	025	Records inaccessible / Unable to obtain records / Records destroyed by fire or other casualty. See IRM 20.1.1.3.2.2.3.	
	026	BMF - Death, serious illness, or unavoidable absence of the person responsible for filing and/or paying taxes (i.e., owner, corporate officer, partner, etc.) or a member of their immediate family. See IRM 20.1.1.3.2.2.1.	
	030	<b>Other - Combination of mistakes.</b> Normal business care and prudence followed, but documentation shows non-compliance was due to circumstances beyond the taxpayer's control. See IRM 20.1.1.3.2.1.	
	046	Y2K relief.	
	071	Limited to Form 990-PF (MFT 44) - Allows a private foundation reasonable cause for FTF & FTP 90 days after it received a determination letter from the Service stating the organization is a private foundation or it cannot be expected to be a public charity.	
	072	Membership organization (MFT 67) has no full-time employees responsible for administering finances and was unable to timely file due to little continuity or understanding of duties due to frequent officer changes. Normal business care and prudence.	
	073	Membership organization (MFT 67) has no full-time employees responsible for administering finances & has no prior history of late filing and claims ignorance of the requirement.	
<b>Appeals</b> (RC 065 on IMF accounts)	039	Appeals - Partial/Full abatement of penalty(s) based on Third Party (Bulk & Batch Filers or Payroll Tax Service Bureaus) Settlement.	
	040	Appeals Settlement based on 'Hazards of Litigation'. Complete removal of penalty(s).	
	041	Appeals sustains penalty(s).	
	042	Appeals partial abatement.	
<b>General Penalty Relief</b> (RC 065 on IMF accounts)	010	Amended/Corrected return or schedule. TP prepared original (For example, FTD – Schedule B/CP 207 replies).	
	013	Amended/Corrected return. Original prepared by IRS (SFR/IRC § 6020B).	
	014	Misdated FTD. After 01-01-2000, used only for manual abatement if the penalty is restricted from systemic abatement after TC 971 AC 301 to 308 is input to adjust a TC 186. Also used for misdated payments affecting FTF, FTP and Estimated Tax Penalty.	
	016	Estimated Tax Penalties – Taxpayer computational error (Forms 2210/2220).	
	017	Bank Error caused Dishonored Check Penalty (TC 286). Banking documentation provided showing credit availability.	
	018	First-time penalty relief. RCA not used – manual 3-year lookback for compliant behavior. See IRM 20.1.1.3.6.1.	
	019	Bulk/Batch Filer - Payroll Tax Service Bureau related penalty. Use restricted to the Penalty Prevention & Resolution Group (PPRG).	
	020	RCA used - Good History of Compliance. See IRM 20.1.1.3.6.1.	

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	021	Tolerance Criteria Met - FTD, FTF, FTP & Estimated Tax Penalties.	
	023	Taxpayer relied on practitioner or third party advice. See IRM 20.1.1.3.2.2.5.	
	027	Timely mailed/timely filed.	
	028	Official Disaster Area. See IRM 20.1.1.3.3.6.	
	029	Undue economic hardship/inability to pay (FTP). See IRM 20.1.1.3.3.3. <b>Rarely Allowed on Employment Tax Deposits.</b>	
	066	Cascading FTD Penalty Relief (1998 only).	
	067	Educational FTD Penalty Relief (i.e., ABC's of FTD).	
<b>Administrative Waiver</b> (RC 065 on IMF accounts)	043	Service provided relief for a valid penalty (i.e., RRA '98 Section 3304(b) change in FTD deposit frequency for 1st quarter only starting in 1999). See IRM 20.1.1.3.3.2.	
<b>Statutory Waivers</b> (RC 065 on IMF accounts)	012	Decrease to FTD penalty per RRA '98 Section 3304(a) Rev. Proc. 99-10, Taxpayer designated FTD applications; based on a valid ROFTL. See IRM 20.1.4.26.3.	
	044	Erroneous or Late Written Advice by IRS. Relief based on Revenue Procedures. See IRM 20.1.1.3.3.1.	
*** COMPUTER GENERATED ***			
<b>Systemic</b>	001	Suppressed/Abated - Due to Tolerance Criteria.	
	002	Penalty adjusted due to computational error.	
	003/066	Master File Recovery.	
	068	Systemic FTD penalty abatement per the EFTPS/FTD Penalty Refund Program.	
*** MANUAL INPUT ***			
<b>Service</b> (RC 065 on IMF accounts)	015	General IRS Error. Specific instruction for use of this code would be released in IRM updates or SERP Alerts.	
	031	Erroneous Oral Advice by IRS. See IRM 20.1.1.3.3.4.2.	
	032	Other Treasury Agency Errors (FMS or EFTPS Treasury Financial Agent (TFA) errors).	
	045	IRS Error. Math Error in computing penalties. Extensions to file not posted to Master File (TC 460 did not reverse penalty). Taxpayer complied with law but IRS did not recognize compliance. See IRM 20.1.1.3.4.	
*** User Fee Reversals *** ( <b>For reference only - Not used with penalty adjustments</b> )			
	047 / 048 / 049 / 050 / 051	User Fee reversals.	

## 10 Failure to Deposit (FTD) Penalty

### (1) FTD Penalties and Deposit Requirements

Below are the Deposit Requirements applicable for each form number. Because of the increasing complexity of this program and the various dates and amounts involved, refer to IRM 20.1.4, *Failure to Deposit Penalty (FTD)*, for detailed information.

Deposit Requirements Form	Undeposited Tax	Period	Deposit Required
940		End of first, second or third quarter.	Not required but must be added to next quarter's liability.

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Deposit Requirements Form	Undeposited Tax	Period	Deposit Required
		End of last quarter.	Not required. Either pay with return or make deposit by return due date.
	\$500.01 or more	End of any quarter.	By the last day of the following month.
1042	\$200.00 or less	End of any month other than December.	Not required, but must be added to next month's liability.
		End of December.	Not required. Either pay with return or make deposit by return due date.
	\$200.00 - \$1,999.99	End of any month.	By the 15th day of the following month, unless a 3-banking-day deposit was required during that month. Refer to IRM 20.1.4.11.1.
	\$2,000.00 or more	End of any quarter-monthly period.	Within 3 business days after the close of the quarter-monthly period. Refer to IRM 20.1.4.11.1.
720			Refer to IRM <a href="#">20.1.4.10.4</a> for deposit rules.

**(2) Forms 941, 943, 944, 945, and CT-1 Deposit Requirements**

If the TOTAL liability during the lookback period is . . .	And . . .	Then a deposit must be made:	Accumulated Liability is over \$100,000
\$50,000 or less		On or before the 15th of the following month.	The next day.
More than \$50,000	Payment date is: >Saturday >Sunday >Monday >Tuesday	On or before the following >Friday	The next day.
	Payment date is: >Wednesday >Thursday >Friday	On or before the following >Wednesday	The next day.

**(3) Glossary of Terms for Employment Taxes**

Term	Definition or Example	
<b>Lookback Period</b> - Is a period of historical return filing(s) used to determine which deposit schedule a taxpayer must follow when making current year payroll tax deposits.	For quarterly returns: the total original employment tax liabilities from tax periods between July 1 and June 30.	For annual returns: the total original employment tax liability from the second previous tax return period.
<b>Monthly or Semi-weekly Deposit Schedule</b> - The schedule an employer follows to determine the length of the deposit period over which liabilities are accumulated and when the deposit is due. Refer to IRM 20.1.4.8.2.		
<b>Deposit Period</b>	for taxpayers following a monthly deposit schedule, the deposit period covers:  a calendar month	for taxpayers following a semi-weekly deposit schedule, the deposit period is either:  Sat., Sun., Mon. & Tues. *****OR***** Wed., Thur. and Friday

**Accumulated Liability** - The sum of tax liabilities from each individual payroll(s) within a deposit period. The amount that must be deposited. (Also referred to as Deposit Liability).

**Business Day** - Deposits are due only on business days. A business day is every calendar day that is not a Saturday, Sunday, or legal holiday under IRC section 7503. Additionally, the term "legal holiday" for FTD purposes includes only those legal holidays in the District of Columbia. The following days are currently legal holidays in the District of Columbia: New Year's Day, Birthday of Martin Luther King, Jr., Washington's Birthday, District of Columbia Emancipation Day, Memorial Day, Independence Day, Labor Day, Columbus Day, Veterans Day, Thanksgiving Day, Christmas Day, and the day of the inauguration of the President, every fourth year.

**Safe Harbor** - Use of the safe harbor rules has been expanded to all depositors. An employer is required to deposit 100% of the deposit liability on or before the deposit due date. Regulations provide a safe harbor, (safety net option) if the employer cannot deposit the full amount required. An employer will still be considered to have met their deposit obligation if the underpayment/shortfall (the difference between the required deposit liability amount and the actual amount of the deposit) is less than the greater of \$100 or 2% of the required deposit. The shortfall is treated as a new, unique, separate liability, arising from its own separate deposit period and carrying its own deposit due date. The shortfall due date is determined by the deposit schedule followed.

**De Minimis Rule** - Employers handling payroll taxes are required to deposit those monies. Failure to deposit in the correct manner will subject the employer to a FTD penalty equal to 10% of the amount incorrectly submitted. However, under the de minimis exception an employer may be relieved of the burden of making deposits and may submit a check (to the IRS) for the full amount of the tax liability with their return without incurring an FTD (failure to deposit in the correct manner) penalty if the following criteria is met:

- Annual filers with a total return liability of less than \$2,500.

Quarterly Form 941 filers with a total return liability of less than \$2,500 in the current quarter or a total return liability of less than \$2,500 in the previous quarter, with NO \$100,000 next-day deposit obligation in the current quarter. For de minimis thresholds (including prior years) see IRM 20.1.4.6.

**Application of Payments (FIFO)** - Credits are ordered by the date received. Multiple credits of the same transaction code received the same date are combined into one credit amount. Valid credits include TC 610, 650, 670, 700, 760, 710, 716 and 766 with CRN 296 and 299.

Liabilities are ordered by the due dates. Multiple liabilities arising from the same deposit period are combined into one liability. Multiple liabilities, from various deposit periods, with the same due date are further ordered by their incurred date.

For periods after December 31, 2001, deposits are applied to the most recently ended deposit period or periods within the specified tax period to which the deposit relates as provided for in Rev. Proc. 2001-58. The application of deposits to the most recently ended deposit period will, in some cases, prevent the cascading penalties where a depositor either fails to make deposits or makes late deposits. See the job aid on the "Most Recent Payment Allocation Method" located in SERP Job Aids Accounts Management, IRM 21.7

**(4) Penalty Computation Codes (PCC)**

The following PCCs are associated with the FTD Penalty and used to describe the reason(s) why the FTD penalty was assessed. See Section 8.16(4) *BMF Reason Codes/Penalty Computation Code* in this *IRS Processing Code and Information, Document 6209* for detailed information.

Transaction Code (TC)	Return with Good ROFTL Information	Return with Invalid or No ROFTL	Returns using monthly ROFTL instead of daily ROFTL
All *good TC 650	PCC 003	PCC 011/057***	PCC 054/057***
All TC 670 and/or **bad TC 650	PCC 041	PCC 043/057***	PCC 055/057***
Mix of TC 610, *good 650 and **bad 650 and 670	PCC 042	PCC 044/ 057***	PCC 056/ 057***
*good TC 650 is a deposit made as required: by coupon through an authorized depository or in the case of			



a mandated taxpayer, a deposit made via EFT.

\*\*bad TC 650 is a non-EFT deposit made by mandate (taxpayer required to deposit electronically prior to 01-01-2011).

\*\*\* If averaged monthly tax liability is over \$100,000, use PCC 057.

A PCC generating with a TC 186 is used to explain why Master File computed a penalty on the account. A PCC also dictates which penalty explanation language is printed on balance due notices.

A PCC is also required with the input of a manual TC 180 penalty assessment to explain why the penalty was assessed. Indicating the computation method used will continue the processing audit trail and reduce the need to request previous case files when responding to incoming correspondence or calculating subsequent adjustments. See IRM 2.4, *IDRS Terminal Input*, for input instructions for the PCCs.

When using Reason Code (RC) 062, the reasonable cause indicator is not affected by the input of the above codes and still must be input whenever reasonable cause applies. It may be used alone (for abatements) or with any of the above codes when reasonable cause is being denied and a penalty is manually assessed. RC 062 is entered in the first RC position; the applicable penalty reason code must be entered in the fourth RC position.

### (5) Schedule Indicator Codes (SIC)

A SIC 2 or 3 coded on the return during the return processing will prevent Master File from determining a penalty amount. Instead, Master File generates CP 194 Possible FTD Penalty Notice. The Campus manually reviews all CP 194 accounts.

The SIC applicable to FTD penalty processing are as follows:

SIC	199212 & prior	199312	199412 thru 200512	200512 & subsequent
0 computer generated	Return processed with good information.	Return processed with good information.	Return processed with good information.	Return processed with good information.
1	Missing information, penalty computed by averaging available information.	Missing information, penalty computed by averaging available information.	Missing information, penalty computed by averaging available information.	Missing information, penalty computed by averaging available information.
2	Safe Harbor checked or reasonable cause claimed.	Reasonable cause claimed.	Reasonable cause claimed.	Not applicable.
3	Backup withholding (BWH)/Church Social Security issue.	Schedule A attached (BWH)/Church Social Security issue.	Church Social Security issue.	Church Social Security issue.
4	1st time occurrence of 3 banking day requirement.	Not applicable.	Not applicable.	Not applicable.
5	Schedule B attached.	Not applicable.	Not applicable.	Not applicable.
6	\$100,000 account.	\$100,000 account.	\$100,000 account.	\$100,000 account.
7 computer generated	Not applicable.	Not applicable	Incomplete information, causing averaging on a \$100,000 account.	Incomplete information, causing averaging on a \$100,000 account.

## 11 Penalty Appeal Procedures

The Office of Appeals is responsible for processing appeals on previously denied penalty abatement requests. However, this procedure is not applicable to the following:

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1. Trust Fund Recovery penalty
2. Fraud penalty
3. Negligence penalty
4. Jeopardy assessment

Field Collection personnel who deny a taxpayer's request for abatement should personally notify the taxpayer of the denial and the appeal procedure. If the taxpayer wishes to appeal, it may be done with a verbal statement, if the proposed penalty does not exceed \$2,500; with a brief written statement of disputed issues, if the proposed penalty exceeds \$2,500 but does not exceed \$10,000, or with a formal written protest, if the proposed penalty exceeds \$10,000. The statement or protest should be submitted within 15 days to the SB/SE Collection Field function (Cf) employee who denied the abatement request. The employee will then prepare a Form 5580, Penalty Appeal Record, with supporting documentation, Form 3210 (or generated transmittal), and forward to the Advisory unit who will in turn forward to the Appeals Office. The employee should maintain the Bal Due in inventory and suspend collection action only on the penalty portion of the Bal Due. When the Appeals Officer has completed the review, adjustment action will be taken, if appropriate, and any pertinent paperwork copies will be submitted to the Cf employee advising of the decision.

Campus Personnel who deny the abatement of a penalty should send the taxpayer Correspondence Letter 854C, *Penalty Waiver or Abatement Disallowed/ Appeals Procedure Explained* (or Correspondence Letter 852C/853C if the Reasonable Cause Assistant (RCA) is used) and provides the reason(s) for denial. They should also provide the name, address and phone number of the local Campus Penalty Appeals Coordinator. This information is available at <http://serp.enterprise.irs.gov/databases/who-where.dr/campus-penalty-appeal-coordinators.htm>

## User Notes