

# Section 10 - Penalties and Interest Provisions

## 1 Nature of Changes

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## 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.

LINK	WEB ADDRESS
<a href="#">Office of Servicewide Penalties</a>	<a href="http://sbseservicewide.web.irs.gov/penalty/default.aspx">http://sbseservicewide.web.irs.gov/penalty/default.aspx</a>
<a href="#">Office of Servicewide Interest</a>	<a href="http://sbseservicewide.web.irs.gov/interest/default.aspx">http://sbseservicewide.web.irs.gov/interest/default.aspx</a>

## 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	Penalty Rate and Information
Failure to File IRC § 6651(a)(1)	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 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.

Type of Penalty	Penalty Rate and Information
Failure to Pay Tax Shown on the Return IRC § 6651(a)(2)	<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
	<p>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.</p> <p>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.</p> <p>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.</p>
Failure to File a Timely and/or Complete Form 1120S IRC § 6699	<p>For returns due after 12/20/2007 but before 1/1/2009, the penalty is \$85 per person (as defined in IRC 7702(a)(1)) 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.</p> <p>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.</p> <p>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.</p>
Failure to File an Exempt Organization Return IRC § 6652(c)(1)(A)	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.
Return Preparer Penalties IRC § 6695(a), 6695(b), 6695(c)	\$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.
Frivolous Tax Submissions IRC § 6702	\$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.	<p>A TC160 for zero amount may be input if penalty should not be changed.</p> <p>Interest Start Date: Return due date or extended due date (whichever is later).</p>	IRM 20.1.2 IRM 20.2.5.3

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Transaction Code	Definition	Must TC be addressed when adjusting tax	Conditions	Comments	IRM References
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 Penalty Manually Computed	Only under the following conditions	When there is a 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.	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.  Interest Start Date: 23C Date of penalty assessment.	IRM 20.1.3 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

Transaction Code	Definition	Must TC be addressed when adjusting tax	Conditions	Comments	IRM References
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
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	No	Computer-Generated	Computer-Generated from the appropriate	IRM 20.1.8 IRM 20.2.5.3

Transaction Code	Definition	Must TC be addressed when adjusting tax	Conditions	Comments	IRM References
	Assessment			<p>PRN (Penalty Reference Number) with a positive dollar amount.</p> <p>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.</p> <p>Input manually without PRN on MFT 02 and MFT 06 for respective assessment of penalties under IRC 6699 and IRC 6698.</p>	<p>IRM 20.1.2.3</p> <p>IRM 20.1.2.5</p>
241	Miscellaneous Civil Penalty Abatement	No	Computer-Generated	<p>Computer-Generated from the appropriate PRN (Penalty Reference Number) that corresponds to the penalty being abated, using a negative dollar amount.</p> <p>Input manually without PRN to abate TC 240 without PRN.</p>	<p>IRM 20.1.8</p> <p>IRM 20.1.2.3</p> <p>IRM 20.1.2.5</p>
270	Failure to Pay Tax Penalty	Yes	All conditions except: TC 290 for a zero amount. Manually Assessed.	<p>A TC270 for zero amount may be input if penalty should not be changed.</p> <p>Restricts penalty computation for the module unless input with Reason Code 62.</p> <p>Interest Start Date: 23C Date of penalty assessment.</p>	<p>IRM 20.1.2</p> <p>IRM 20.2.5.3</p>
271	FTP Penalty	yes	All conditions except: TC 290 for a zero amount. Manually Abated	Interest Start Date: 23C Date of penalty assessment.	<p>IRM 20.1.2</p> <p>IRM 20.2.5.3</p>
280	Bad Check Penalty	no	Manually Assessed	Interest Start Date: 23C Date of penalty assessment.	<p>IRM 20.1.10.4</p> <p>IRM 20.2.5.3</p>
281	Bad Check Penalty	no	Manually Abated	Abates previously posted TC 280 or 286.	IRM 20.1.10.4

Transaction Code	Definition	Must TC be addressed when adjusting tax	Conditions	Comments	IRM References
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
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 negotiating taxpayer's refund check including electronic deposit
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:

<b>IRC 6721 - Large Businesses with Gross Receipts of More Than \$5 million</b>		
<b>Time of filing</b>	<b>Returns due before 01-01-2011</b>	<b>Changes effective 01-01-2011</b>
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
<b>IRC 6721 Small Businesses with Gross Receipts \$5 million or Less</b>		
<b>Time of filing</b>	<b>Returns due before 01-01-2011</b>	<b>Changes effective 01-01-2011</b>
Not more than 30 days late	\$15 per return / \$25,000 maximum	\$30 per return / \$75,000 maximum
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:

<b>IRC 6722 - Large Businesses with Gross Receipts of More Than \$5 million</b>		
<b>Time of filing</b>	<b>Returns due before 01-01-2011*</b>	<b>Changes effective 01-01-2011</b>
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
<b>IRC 6722 - Small Businesses with Gross Receipts \$5 million or Less</b>		
<b>Time of filing</b>	<b>Returns due before 01-01-2011*</b>	<b>Changes effective 01-01-2011</b>
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:

LINK

[Office of Servicewide Penalties](http://sbseservicewide.web.irs.gov/penalty/default.aspx)

WEB ADDRESS

<http://sbseservicewide.web.irs.gov/penalty/default.aspx>

**(1) Penalty Reference Numbers Table**

**Note:** Penalty was \$50 for all returns due on or before December 31, 2010.

PRN	Type of Penalty	Penalty Rate and Information	IRC
165	Failure to File Annual Registration and Other Notification by Pension Plan	\$1 per participant each day for failure to file a registration statement (Form 8955-SS), not to exceed \$5,000. (Note: Input via F5734 on MFT 74, CP-213, BMF, TEGE).	6652(d)(1)
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, BMF, and TEGE).	6692
500 - 514	IRP Civil penalties (returns due before January 1, 2016)  Note: Systemically assessed	Imposition of the Failure to Comply with Certain Information Reporting Requirements.  \$100 per failure/maximum = \$1,500,000 (\$500,000 for small businesses).  \$30 per failure/maximum \$250,000. \$75,000 for small businesses), the penalty is decreased if the failure is corrected within 30 days after the due date of the information return.  \$60 per failure/maximum = \$500,000. (\$200,000 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.  \$100 penalty per document type (increases to \$250 for returns due on or after January 1, 2016).  (Note: there are no dollar limitations for intentional disregard of the rules and regulations).	6721
500 - 514	IRP Civil penalties (returns due on or after January 1, 2016)  Note: Systemically assessed Magnetic Media	Imposition of the Failure to Comply with Certain Information Reporting Requirements.  \$260 per failure/maximum = \$3,178,500 (\$1,059,500 for small businesses).	6721

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PRN	Type of Penalty	Penalty Rate and Information	IRC
	Penalty	<p>\$50 per failure/maximum \$529,500 (\$185,000for small businesses), the penalty is decreased if the failure is corrected within 30 days after the due date of the information return.</p> <p>\$100 per failure/maximum = \$1,589,000 (\$529,500for 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.</p> <p>\$100 penalty per document type (increases to \$260 for returns due on or after January 1, 2016).</p> <p>(Note: there are no dollar limitations for intentional disregard of the rules and regulations).</p>	
500	Late Filing Penalty	Late Filing Penalty	6721
	Magnetic Media Penalty	<p>\$100 penalty per document type (increases to \$260 for returns due on or after January 1, 2016).</p> <p>(Note: there are no dollar limitations for intentional disregard of the rules and regulations).</p>	6721
502	Missing or Incorrect TIN Penalty	<p>\$100 penalty per document type (increases to \$260 for returns due on or after January 1, 2016).</p> <p>(Note: there are no dollar limitations for intentional disregard of the rules and regulations).</p>	6721
503	Improper Format Penalty	<p>\$100 penalty per document type (increases to \$260 for returns due on or after January 1, 2016).</p> <p>(Note: there are no dollar limitations for intentional disregard of the rules and regulations).</p>	6721
504	Late & Magnetic Media Penalty	<p>\$100 penalty per document type (increases to \$260 for returns due on or after January 1, 2016).</p> <p>(Note: there are no dollar limitations for intentional disregard of the rules and regulations).</p>	6721
505	Late & Missing or Incorrect TIN Penalty	<p>\$100 penalty per document type (increases to \$260 for returns due on or after January 1, 2016).</p> <p>(Note: there are no dollar limitations for intentional disregard of the rules and regulations).</p>	6721
506	Late & Missing or Incorrect TIN Penalty	<p>\$100 penalty per document type (increases to \$260 for returns due on or after January 1, 2016).</p> <p>(Note: there are no dollar limitations for intentional disregard of the rules and regulations).</p>	6721

PRN	Type of Penalty	Penalty Rate and Information	IRC
		regulations).	
507	Magnetic Media & Missing or Incorrect TIN Penalty	\$100 penalty per document type (increases to \$260 for returns due on or after January 1, 2016).  (Note: there are no dollar limitations for intentional disregard of the rules and regulations).	6721
508	Magnetic Media & Improper Format Penalty	\$100 penalty per document type (increases to \$260 for returns due on or after January 1, 2016).  (Note: there are no dollar limitations for intentional disregard of the rules and regulations).	6721
509	Missing or Incorrect TIN Penalty & Improper Format Penalty	\$100 penalty per document type (increases to \$260 for returns due on or after January 1, 2016).  (Note: there are no dollar limitations for intentional disregard of the rules and regulations).	6721
510	Late, Magnetic Media & Missing or Incorrect TIN Penalty	\$100 penalty per document type (increases to \$260 for returns due on or after January 1, 2016).  (Note: there are no dollar limitations for intentional disregard of the rules and regulations).	6721
511	Late, Magnetic Media & Improper Format Penalty	\$100 penalty per document type (increases to \$260 for returns due on or after January 1, 2016) *Note-there are no dollar limitations for intentional disregard of the rules and regulations).	6721
512	Late, Missing or Incorrect TIN, & Improper Format Penalty	\$100 penalty per document type (increases to \$260 for returns due on or after January 1, 2016) *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	\$100 penalty per document type (increases to \$260 for returns due on or after January 1, 2016) *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	\$100 penalty per document type (increases to \$260 for returns due on or after January 1, 2016) *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)
531	Failure to File Form W-2	The penalty is \$50 per form up to a	6721

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PRN	Type of Penalty	Penalty Rate and Information	IRC
(BMF)	on Magnetic Media	maximum of \$100,000 per calendar year. <b>Note:</b> Prompt assessments only (2001).	
533 (BMF)	Failure to File Timely Form W-2 on Magnetic Media	The penalty is \$50 per form up to a maximum of \$100,000 per calendar year. <b>Note:</b> Prompt assessments only (2001).	6721
535 (BMF)	Failure to File Form W-2 in the Proper Format	The penalty is \$50 per form up to a maximum of \$100,000 per calendar year. <b>Note:</b> Prompt assessments only (1987).	6721
537	Penalty in Case of Intentional Disregard	Refer to IRC section 6721(e). \$250 per return (returns due before January 1, 2016)  \$520 per return (returns due on or after January 1, 2016)  No maximum	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)
547-	Failure to file correct information	Self-assessment <b>\$50</b> per form	6723
548	Failure to comply with other information reporting requirements	<b>\$50</b> per return up to a maximum of <b>\$100,000</b> per calendar year, except for in the case of intentional disregard, for which there is no maximum.	6723
549	Failure to File W-2s with intentional disregard (CAWR Penalty Program). Note: NOT manually assessed using Form 8278	The greater of \$250 per form or 10% of the aggregate amount of items required to be reported (returns due before January 1, 2016)  The greater of \$520 per form or 10% of the aggregate amount of items required to be reported (returns due on or after January 1, 2016)  No maximum <b>IRM 4.19.4.3.1.1 The Intentional Disregard Failure to File Penalty (PRN 549)</b>	6721(e)
550	Failure to File Forms W-2 Timely (CAWR Penalty Program). Note: NOT manually assessed using Form 8278	\$100 per failure(returns due before January 1, 2016)  \$260 per failure (returns due on or after January 1, 2016)  See <b>IRM 4.19.4.3.1.2 Late Filed Forms W-2 Penalty (PRN 550)</b>	6721(a)
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	\$25 per day Maximum = \$15,000.	6652(e)
553	Failure to File a Report	\$50 per failure	6693(a)(2)(B)

PRN	Type of Penalty	Penalty Rate and Information	IRC
	relating to Archer MSAs required under IRC section 220(h)	No maximum	
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)
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. Apply to claim for refund or credit filed on or submitted after May 25, 2007. (MFT 13 and MFT 55). See PRN 687 for Married Filing Joint assessments/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
568	Failure to File a Report relating to the ABLE Act as required by IRC section 529A.	\$50 per failure. No maximum	6693(a)(2)(E)
570	Failure to File Notice of Foreign Tax	5% of deficiency per month up to a maximum of 25% of the deficiency.	6689

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PRN	Type of Penalty	Penalty Rate and Information	IRC
	Redetermination		
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 <b>or</b> (B) \$1,000 <b>or</b> (2) 125% of the gross income received from the preparation of the appraisal.	6695A
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)

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PRN	Type of Penalty	Penalty Rate and Information	IRC
589	Split-Interest Trust	\$100 per failure per day. Maximum = \$50,000.	6652(c)(2)(C)(ii)
590	Failure to File a Return for Payments of Dividends aggregating less than \$10 under IRC section 6942(a)(2) or 6652(a)(2) – Failure to File Returns for Payments of Dividends aggregating less than \$10 under IRC section 6044(a)(2)	\$1 per failure per statement. Maximum = \$1,000.	6652(a)
591	Failure to Comply with Notice of Demand by Manager of any Organization	\$10 per failure per day. Maximum = \$5,000.	6652(c)(1)(B)(ii)
592	Failure to comply with 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
594	Voluntary Disclosure – Failure to File Certain Information Return	27.5% of the highest aggregate account/asset value in all foreign bank account/entities for the tax year	various
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 File Certain Information Return	20% of the highest aggregate account/asset value in all foreign bank account/entities for the tax year.	various
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	Systemically asserted: Failure to File Form 5471 in conjunction with Failure to File Corporate Return (Refer to PRN 623 for manual assessments)	\$10,000 per annual accounting period plus FTC reduction.	6038
600	Failure to File Correct Information Returns (returns due before January 1, 2016)	\$100 per failure/Maximum = \$1,550,000. (\$500,000 for small businesses). \$30 per failure/Maximum = \$250,000 (\$75,000 for small businesses), The penalty is decreased if the failure is corrected within 30 days after the due date of the information return. \$60 per failure/Maximum = \$500,000 (\$200,000 for small businesses), The	6721

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PRN	Type of Penalty	Penalty Rate and Information	IRC
		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.	
600	Failure to File Correct Information Returns (returns due on or after January 1, 2016)	\$260 per failure/maximum = \$3,178,500(\$1,059,500for small businesses).  \$50 per failure/maximum \$529,500 (\$185,000 for small businesses), the penalty is decreased if the failure is corrected within 30 days after the due date of the information return.  \$100 per failure/maximum = \$1,589,000 (\$529,500for 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.	6721
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	\$100 per failure/Maximum = \$1,500,000 (returns due before January 1, 2016).  \$260 per failure/Maximum = \$3,178,500 (returns due on or after January 1, 2016).	6721
609	Failure to File a Completed and Correct Form 8300	\$100 per failure/Maximum=\$1,500,000(returns due before January 1, 2016).  \$260 per failure/Maximum = \$3,178,500 (returns due on or after January 1, 2016).	6721
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 (returns due before January 1, 2016)	\$100 per failure. Statements are not reduced if returns are corrected or filed after the due date. Only one penalty per statement, regardless the total penalty for all such failures during any calendar year shall not exceed \$1,500,000.	6722
612	Failure to Furnish Correct Payee Statement (returns due on or after January 1, 2016)	\$260 per failure/maximum = \$3,178,500 (\$1,059,500 for small businesses).  \$50 per failure/maximum	6722



PRN	Type of Penalty	Penalty Rate and Information	IRC
		\$529,500(\$185,000 for small businesses), the penalty is decreased if the failure is corrected within 30 days after the due date of the information return.  \$100 per failure/maximum = \$1,589,000 (\$529,500for 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.	
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. Note: PRN 614 (BMF) replaced PRN 671 (BMF) for the same penalty effective 7/15/2009	6714
616	False information with respect to withholding (W-4 Penalty)	\$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
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	Information Reporting with Respect to Certain Foreign Corporations and 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
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 Penalties	PRN 624 was replaced with PRNs 714-718 effective Jan. 2014. Refer to PRNs 714-718 for the effective penalty rates.	6695(a)-(e)
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	Preparer Negotiating Taxpayer Refund Check	On or before December 31, 2011 the penalty is \$100 per failure. There is no maximum amount. See IRM 20.1.6	6695(f)

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PRN	Type of Penalty	Penalty Rate and Information	IRC
		After December 31, 2011 the penalty is \$500 per failure. There is no Maximum amount. See IRM 20.1.6	
627	Preparer EIC due diligence	\$100 per failure for tax years ending before Dec. 31, 2011. \$500 per failure for tax years ending on or after Dec. 31, 2011. No Maximum.	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. There is no maximum amount of penalty.	6700
629	Failure to File Returns by Exempt Organizations and by Certain Trust	\$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	Acknowledgement Regarding Vehicle Donation	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	Disclosure or Use of Information by Return Preparer	\$250 per disclosure or use Maximum = \$10,000 in any calendar year	6713
634	Failure to Furnish Information Regarding Tax Shelters	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.	6707
635	Fraudulent Failure to File	PRN 635 is no longer used to assess IRC 6651(f) penalties effective July 2, 2013. See IRM 20.1.2.2.7.5. Refer to PRN 686 for IRC 6651(f).	6651(f)
636	Failure to Maintain List of Investors/Advisees Relating to Reportable Transactions	\$10,000 per day from the 20th day after failure to provide a list and continues until the requested list is submitted. No maximum. See IRC section 6112 requirements.	6708
637	Failures for Returns Relating to Higher Education Tuition and Related Expenses	\$100 per failure to file return (returns due before January 1, 2016). Maximum = \$1,500,000 (\$500,000 for small business)  \$260 per failure to file return (returns due	6721(a)(1) or 6722(a)

PRN	Type of Penalty	Penalty Rate and Information	IRC
		on or after January 1, 2016) Maximum = \$3,178,500 (\$1,059,500 for small businesses).  See IRC section 6050S requirements.	
638	Failures Relating to Form 8027 (Employer's Annual Information Return of Tip Income and Allocated Tips)	\$100 per failure to file return (returns due before January 1, 2016). Maximum = \$1,500,000 (\$500,000 for small business)  \$260 per failure to file return (returns due on or after January 1, 2016) Maximum = \$3,178,500 (\$1,059,500 for small businesses).  Intentional disregard: The greater of \$250 (\$520 on or after January 1, 2016) per document or 10% of aggregate amount of items required to be reported See IRC section 6053 requirements.	6721
639	Failure to Keep Required Records	\$50 multiplied by the number of individual in relation to whom such failure occurred, but not exceed \$50,000 per calendar year.	6704(b)
642	Failure to Furnish Payee Statements – Intentional Disregard	\$100 (\$250 for returns required to be filed on or after January 1, 2011) for each payee statement required to be filed, or if greater:  1. Ten percent of the amount of income required to be reported on payee statements for dividends, patronage dividends, interest, fishing boat operators, royalties, and wage and tax statements, or 2. Five percent of the amount required to be reported on the payee statements for brokers, exchange of partnership interest, or disposition of donated property payments.	6772(e)
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	Understatement of Taxpayer's Liability by Return Preparer Due to Unrealistic Position	\$250 for each income tax return prepared on or before May 25, 2007 No maximum The greater of \$1000 or 50% of the income derived by the preparer for each tax return prepared after May 25, 2007 No maximum	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)	Reportable Transaction: \$10,000 natural person or \$50,000 other taxpayer Listed Transaction: \$100,000 natural person or \$200,000 other taxpayer	6707A
649	Failure to File Form 8806	\$500 per day. Maximum = \$100,000. See IRC section 6043(c) requirements.	6652(l)
650	Preparer's Willful or Reckless Conduct	\$1,000 for each return or claim prepared on or before May 25, 2007 No maximum	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 No maximum	
651	Failure to Comply with Certain Information Reporting Requirements (Form 8300)	\$100 per failure. Maximum = \$1,500,000 (returns due before January 1, 2016).  \$260 per failure Maximum = \$3,178,500 (returns due on or after January 1, 2016).  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 \$3,178,500 yearly limitation does not apply.	6721(e)(2)(c)
653	Failure to Furnish Correct Payee Statements (Form 8300)	\$100 per failure. Maximum = \$1,500,000 (returns due before January 1, 2016).  \$260 per failure Maximum = \$3,178,500 (returns due on or after January 1, 2016).	6722(a)
654	Failure to Provide Correct Payee Statement - Intentional Disregard (Form 8300)	The greater of \$250 (\$520 for returns due on or after January 1, 2016) 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	Dyed Fuel Sold for Use or Used in Taxable Use	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 Report Transactions with Foreign Trusts or Receipt of Certain Foreign Gifts (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 Report Transaction of Foreign Trust 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

PRN	Type of Penalty	Penalty Rate and Information	IRC
661	Excessive Claims Relating to Fuels not Used for 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 a Return - Exempt Organizations	Gross receipts \$1,000,000 and less: \$20 per day during which such failure continues/maximum is the lesser of \$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.	6652(c)(1)(A)
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	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 (after 3/16/07) \$500 per failure (before 3/17/07) CAUTION: Only PRN 666 assesses IRC section 6702(a) after 1/24/2005	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	\$100 per failure to file return (returns due before January 1, 2016). Maximum = \$1,500,000 (\$500,000 for small business).  \$260 per failure to file return (returns due on or after January 1, 2016) Maximum = \$3,178,500 (\$1,059,500 for small businesses).  \$250 (\$520 for returns due on or after January 1, 2016) per failure for intentional disregard.	6721

PRN	Type of Penalty	Penalty Rate and Information	IRC
		See IRC section 6043A requirements.	
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)	\$50 per instrument (IRC 6706(a)) 1% of the aggregate issue price of debt instrument amount. (IRC 6706(b)) Maximum = \$50,000.	6706(b)
679 (IMF)	Failure to Provide Information on Residence Status	\$500 per failure.	6039E
680	Accuracy-Related Penalties (as assessed prior to 2015, and for court ordered assessments)	The penalty is 20% of the applicable underpayment, or 40% of the applicable underpayment in the case of subsection (h)	6662(b), (c), (d), (e), (f), (g) & (h)
681	Accuracy-Related Penalty on Reportable Transactions	The penalty is 20% or 30% of the reportable transaction underpayment.	6662A
683	Undisclosed Foreign Financial Asset Understatement	40% if any portion of an underpayment is attributable to any undisclosed foreign financial asset	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	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. Apply to claim for refund or credit filed on or submitted after May 25, 2007. Use Form 3870 and PRN 687 for MFJ assessments and abatements with MFT 30. NOTE: See PRN 565 for MFT 13 and MFT 55.	6676
688	Failure to File Partnership Returns on Magnetic Media	For returns due before 1/1/ 2016, the penalty is \$100 per partner over 100.  For returns due on or after 1/1/ 2016, the penalty is \$260 per partner over 100.  <i>See IRM 20.1.2.4, Failure to File Partnership Return Using Electronic Media.</i>  The penalty is assessed systemically with TC 246 or manually with TC 240. It is abated with TC 241.	6721
689	Failure to comply with certification requirements	Penalty of \$100 for each failure to comply with Section 142(d)(7) certification	6652(j)

PRN	Type of Penalty	Penalty Rate and Information	IRC
		requirements.	
690	Insurance Provider Fee (IPF) Late Filing penalty	See IRM 3.17.277.1.4.15 - Insurance Provider Fee. (NOT assessed on Form 8278)	
691	Insurance Provider Fee (IPF) Accuracy-related penalty	See IRM 3.17.277.1.4.15 - Insurance Provider Fee. (NOT assessed on Form 8278)	
692	ACA Individual Shared Responsibility Payment	See IRM 20.1.11 (MFT 35 only)	5000A
697	Trust Fund Recovery Penalty Balance Due to Payment by Related Business Entity	See <u>IRM 4.23.9, <i>Employment Tax Penalty and Fraud Procedures</i></u> . (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	See IRM 4.23.9 Employment Tax Penalty and Fraud Procedures. (NOT assessed on Form 8278)	6672
700	Information with Respect to Foreign Financial Assets	\$10,000 Initial Penalty for failure to file a complete statement of foreign financial assets (Form 8938).	6038D
701	Information with Respect to Certain Foreign-Owned Corporations	Continued failure to provide information after 90-day period. The penalty is assessed at \$10,000 per 30-day period or fraction thereof. No maximum amount.	6038A
702	Failure to File Information with Respect to Certain Foreign Trusts - Form 3520	Continued failure to provide information after 90-day period. The penalty is assessed at \$10,000 per 30-day period or fraction thereof. Maximum cannot exceed gross reportable amount.	6677
703	Failure to File Information with Respect to Certain Foreign Trusts - Form 3520-A	Continued failure to provide information after 90-day period. The penalty is assessed at \$10,000 per 30-day period or fraction thereof. Maximum cannot exceed gross reportable amount.	6677
704	Failure to File Returns, etc., 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.	6679
705	Information with Respect to Foreign Corporations Engaged in U.S. Business	Continued failure to provide information after 90-day period. The penalty is assessed at \$10,000 per 30-day period or fraction thereof. No maximum amount.	6038C
708	Self-Reported Voluntary Disclosure – Failure to File Certain Information Returns	5% of the highest aggregate balance of unreported foreign financial accounts for each of the six years ending with the most recent year covered by a Streamlined Filing Compliance Procedures submission, limited to \$60,000.	Various
709	Voluntary Disclosure – Failure to File Certain Information Returns	50% of the highest aggregate account/asset value in all foreign bank accounts/entities for the tax year.	Various
710	Information with Respect to Foreign Financial Assets	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.	6038D
711	Failure to File Form 5472 in conjunction with Failure	\$10,000 per failure per year, plus \$10,000 for each 30-day period (or fraction thereof)	6038A

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PRN	Type of Penalty	Penalty Rate and Information	IRC
	to File Corporate Return Corporate Return (Refer to PRN 625 for manual assessments)	for continuous failure after notification.	
712	Failure to File Form 5471 in conjunction with Failure to File Partnership 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
714	Return Preparer Penalties – Failure to furnish copy to taxpayer	(Formerly PRN 624) \$50 per failure. Maximum = \$25,000 during any calendar year.	6695(a)
715	Return Preparer Penalties – failure to sign return	(Formerly PRN 624) \$50 per failure. Maximum = \$25,000 during any calendar year.	6695(b)
716	Return Preparer Penalties – failure to furnish identifying number of tax return preparer	(Formerly PRN 624) \$50 per failure. Maximum = \$25,000 during any calendar year.	6695(c)
717	Return Preparer Penalties – failure to retain copy or list	(Formerly PRN 624) \$50 per failure. Maximum = \$25,000 to any return period.	6695(d)
718	Return Preparer Penalties – failure to satisfy reporting requirements for tax return preparers	(Formerly PRN 624) \$50 per failure. Maximum = \$25,000 to any return period.	6695(e)
721	Civil penalty assessed as part of criminal restitution order (non-return related penalties only)	Can be any one of many penalties ordered paid by the court as part of a criminal restitution order.	Various (see order)
780	Accuracy-Related Penalty on Underpayments Attributable to Noneconomic Substance Transactions	20 percent of the portion of the underpayment attributable to one or more noneconomic substance transactions.	6662(b)(6)
781	Accuracy-Related Penalty on Underpayments Attributable to Nondisclosed Noneconomic Substance Transactions	40 percent of the portion of the underpayment attributable to one or more nondisclosed noneconomic substance transactions.	6662(i)
786	Accuracy Related Penalty due to Negligence	20% of the underpayment attributable to negligence	6662(b)(1)
787	Accuracy Related Penalty for substantial understatement of tax	20% of the total underpayment that cannot be attributed to a treatment with reasonable basis or substantial authority	6662(b)(2)
788	Accuracy Related Penalty for substantial valuation misstatement	20% of the underpayment attributable to the misstatement	6662(b)(3)
789	Accuracy Related Penalty for substantial misstatement of pension liabilities	20% of the underpayment attributable to the misstatement	6662(b)(4)
790	Accuracy Related Penalty for Estate & Gift valuation understatement	20% of the underpayment attributable to the valuation understatement	6662(b)(5)

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PRN	Type of Penalty	Penalty Rate and Information	IRC
791	Accuracy Related Penalty for any undisclosed foreign asset understatement	20% of the underpayment attributable to the undisclosed foreign asset	6662(b)(7)
792	Accuracy Related Penalty in case of gross valuation misstatement.	40% of the underpayment attributable to the misstatement	6662(h)

## 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(9)).

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 5599 and 5650 in item #02 of AMCLS.

Refer to IRM 20.1.1.5.1, *Master File Penalty Reason Codes*, and IRM Exhibit 20.1.1-2, *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***		
Reasonable Cause (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

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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
		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 sustain 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.
	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 <b>IRM 20.1.1.3.3.3. 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.
<b>*** COMPUTER GENERATED ***</b>		
<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.
<b>*** MANUAL INPUT ***</b>		
<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).

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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
	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 *** ( <i>For reference only - Not used with penalty adjustments</i> )		
	047 / 048 / 049 / 050 / 051	User Fee reversals. See IRM 5.19.1.5.5.3.

## 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	\$500.00 or less	End of first, second or third quarter.	Not required but must be added to next quarter's liability.
		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.(periods ended on the 7 <sup>th</sup> ,15 <sup>th</sup> ,20 <sup>th</sup> and last day of each 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 20.1.4.10.4 through 20.1.4.10.7 for deposit rules.

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

If the TOTAL liability during the lookback period is . . .	And . . .	Accumulated Liability is under \$100,000	Accumulated Liability is \$100,000 or more
		<b>Then a deposit must be made:</b>	<b>Then a deposit must be made:</b>
\$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.

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<b>If the TOTAL liability during the lookback period is . . .</b>	<b>And . . .</b>	<b>Accumulated Liability is under \$100,000</b>	<b>Accumulated Liability is \$100,000 or more</b>
		<b>Then a deposit must be made:</b>	<b>Then a deposit must be made:</b>
	Payment date is: >Wednesday >Thursday >Friday	On or before the following  >Wednesday	The next day.

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

<b>Term</b>	<b>Definition or Example</b>	
<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 immediately preceding the tax year	For annual returns: the total original employment tax liability from the second previous year.
<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 periods are:  Sat., Sun., Mon. & Tues. *****and*****  Wed., Thur. and Friday
<b>Accumulated Liability</b> - 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).		
<b>Business Day</b> - 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.		
<b>Safe Harbor</b> - 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.		
<b>De Minimis Rule</b> - 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:		
<ul style="list-style-type: none"> <li>• Annual filers with a total return liability of less than \$2,500.</li> <li>• Form 940 filers with a total liability of \$500 or less.</li> </ul>		
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 10.9 *Penalty Reason Codes (PRC)* 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***
<p>*good TC 650 is a deposit made before 1-1-2011 as required: by coupon through an authorized depository or in the case of a mandated taxpayer, a deposit made via EFT.</p> <p>**bad TC 650 is a non-EFT deposit made by mandate (taxpayer required to deposit electronically prior to 01-01-2011).</p> <p>*** If averaged monthly tax liability is over \$100,000, use PCC 057.</p>			

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:

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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 liabilities.	\$100,000 liabilities.	\$100,000 liabilities.	\$100,000 liabilities.
7 computer generated	Not applicable.	Not applicable	Incomplete information, causing averaged liabilities of \$100,000 or more.	Incomplete information, causing averaged liabilities of \$100,000 or more.

## 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:

1. Trust Fund Recovery penalty
2. Fraud penalty
3. Negligence penalty
4. Jeopardy assessment
5. 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 Field Collection-(FC) employee who denied the abatement request. The employee will then prepare the appeal request for transmittal to Appeals and attach the following:
  1. The taxpayer's written request for appeal and other pertinent documents,
  2. A copy of the ICS history,
  3. Penalty appeals check sheet,
  4. A copy of the disallowance letter, Letter 2413 (P), and
  5. Prepare Form 3210, *Document Transmittal*.

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Forward the request to the group manager for review and concurrence. Refer to the Appeals Case Routing Guide available on the Appeals intranet site or click on this link <http://appeals.web.irs.gov/APS/caserouting.htm> , then click on "Case Routing and Instructions" on the left hand side on the page, and finally, click on "Case Routing by State and Zip Code" for Field Collection cases going to Appeals. 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 FC employee advising of the decision.

Campus Personnel who deny the abatement of a penalty should send the taxpayer Correspondex Letter 854C, *Penalty Waiver or Abatement Disallowed/ Appeals Procedure Explained* (or Correspondex 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

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