



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

SMALL BUSINESS/SELF-EMPLOYED DIVISION

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MEMORANDUM FOR AREA DIRECTORS, FIELD EXAMINATION

FROM: Heather J. Yocum /s/ *Heather J. Yocum*
Director, Examination Field and Campus Policy

SUBJECT: Supervisory Approval for Penalty Abatement

This memorandum issues guidance on supervisory approval for penalty abatements until IRM 4.10.6, Penalty Considerations, is published. It supersedes IGM SBSE-04-0922-0063, *Supervisory Approval for Penalty Abatement*, dated 09/28/2022. Please ensure this information is distributed to all affected employees within your organization.

Background: To increase managerial involvement in case actions and ensure a more consistent application of penalty abatement, examiners must obtain written approval to abate a penalty when IRC 6751(b) or IRS policy (fraudulent failure to file) required supervisory approval to assert the penalty.

Procedural Change: Updated procedures are found on Attachment – Interim Guidance SBSE-04-1024-0061.

Effect on Other Documents: This guidance will be incorporated into IRM 4.10.6 by a date not to exceed two years from the date of this memo.

Contact: Cathy Demetra, Program Manager, Examination Field and Campus Policy, Field Examination General Processes.

Attachment

Distribution: IRS.gov

Attachment1 – Interim Guidance: SBSE-04-1024-0061

The following changes are hereby effective as of the date of this memorandum for IRM 4.10.6.

4.10.6.X

Supervisory Approval for Penalty Abatement

- (1) If written supervisory approval was required to **assert** under IRC 6751(b) (see IRM 20.1.1.2.3, *Approval Prerequisite to Penalty Assessments*), or IRS policy (see IRM 20.1.2.3.7.5.1(8), *FFTF Penalty Assessment - Procedural Requirements*), written supervisory approval must also be secured to **abate** the penalty, unless the penalty abatement is computational only (e.g., recomputed due to an abatement of the underlying tax, correction of an IRS error, etc.). The written supervisory approval should be obtained prior to issuing a report reflecting the penalty abatement and must be documented on the specific penalty lead sheet or workpaper, or the activity record.

Note: Abatement of preparer penalties must be coordinated with the Return Preparer Coordinator (RPC) prior to obtaining supervisory approval.

Example: During an audit reconsideration, the examiner abates a portion of the previous tax liability, which was subject to an accuracy-related penalty. The examiner recalculates the accuracy-related penalty based on the corrected tax and abates the penalty proportionately. Supervisory approval for the abatement of the penalty is not required.

Example: A taxpayer requests complete abatement of a previously assessed accuracy-related penalty, stating reasonable cause. The examiner considers the taxpayer's request and determines the penalty should be abated. The examiner must obtain supervisory approval to abate the penalty.