

# Section 10 - Penalty and Interest Provisions

## 1 Nature of Changes

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## 2 General Background

Section 10 provides penalty and interest policy guidelines, processing codes and additional information from the Office of Service wide Penalties (OSP) and the Office of Service wide Interest (OSI). The following websites provide additional penalty and interest information.

Web Addresses:

Penalties Knowledge Base <https://portal.ds.irsnet.gov/sites/vl015/Pages/default.aspx>

Interest Knowledge Base <https://portal.ds.irsnet.gov/sites/vl022/Pages/default.aspx>

## 3 Interest Rates

The statutory requirements for calculating interest on underpayments and overpayments are contained in IRC 6601 and IRC 6611, respectively. The payment of interest on underpayments and overpayments under these provisions is mandatory unless otherwise provided by law.

IRC 6621 provides the interest rates on overpayments and underpayments for corporate and non-corporate taxpayers. The interest rates, which are determined on a quarterly basis, appear in the Interest Rate Tables located on the Servicewide Electronic Research Program (SERP) website 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).

For all interest provisions, see [IRM 20.2. Interest](#).

## 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 all 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 amount is listed in IRM 20.1.2.3.7.4 is \$435* (\$210 on returns due between 01/01/2018 and 12/31/2019, \$205 for returns due between 01/01/2016 and 12/31/2017, \$135 for returns due between 01/01/2009 and 12/31/2015 and \$100 for returns due before 01/01/2009), or 100% of the unpaid tax, whichever is less.
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 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 Failure to Pay 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	For deposits required after December 31, 1989, there is a four-tiered penalty. The penalty is 2% for deposits 1-5 days late, 5% for deposits 6-15 days late, 10% 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% (actually, a 5% addition to the 10%) 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.
Failure to Pay Estimated Tax IRC 6654 & IRC 6655	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.
Bad Checks Dishonored Paper Checks or Money Orders/Insufficient Funds on Electronic Payments  IRC 6657	<p>The penalty is 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 <i>lesser</i> of \$25 or the amount of the payment.</p> <p>Effective July 2, 2010, the penalty includes all "instruments" (forms) of payment. 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.</p> <p>The penalty was 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 <i>lesser</i> of \$25 or the amount of the payment. Penalties were not assessed on checks less than \$5.00. See IRM 20.1.10, Miscellaneous Penalties.</p>
Failure to File a	For returns due before 12/21/2007, the penalty is \$50 per person (as defined in

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Type of Penalty	Penalty Rate and Information
Timely and/or Complete Form 1065 IRC 6698	<p>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> <p>Penalty rates are adjusted for inflation. See IRM 20.1.2.4.2, Penalty Computation for the applicable penalty rate.</p>
Failure to File a Timely and/or Complete Form 1120S IRC 6699	<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 (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>Penalty rates are adjusted for inflation. See IRM 20.1.2.6.2, Penalty Computation for the applicable penalty rate.</p>
Failure to File an Exempt Organization Return IRC 6652(c)(1)(A)	<p>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 of \$10,000* or 5% of the gross receipts unless gross receipts exceed 1,000,000*, then the penalty is \$100* per day not to exceed \$50,000*.</p>
Accuracy Related Penalty IRC 6662	<p>The general IRC 6662 penalty rate is 20% of the portion of the underpayment resulting from the misconduct. The penalty rate increases to 40% in certain circumstances involving gross valuation misstatements, nondisclosed noneconomic substance transactions, and undisclosed foreign financial asset understatements. See IRM 20.1.5, Return Related Penalties.</p>
Return Preparer Penalties IRC 6695(a), 6695(b), 6695(c)	<p>\$50* for each failure to:</p> <ul style="list-style-type: none"> <li>• Provide T/P with copy of prepared return;</li> <li>• Sign the prepared return or claim;</li> <li>• Include an identifying number preparer tax identification (PITN) on the prepared return or claim.</li> </ul> <p>Maximum (per subsection) is \$25,000* per calendar year and subject to annual inflationary adjustment.</p>
Frivolous Tax Submissions IRC 6702	<p>\$5,000 per frivolous tax return (6702(a)) or submission (6702(b)); \$5,000 for each signing taxpayer on married filing joint submissions returns. See IRM 20.1.10, Miscellaneous Penalties.</p>
Failure to File Correct Information Returns IRC 6721	<p>The penalty for information returns is \$50 per return with a maximum of \$250,000 (for large businesses) per calendar year for returns required to be filed before December 31, 2010. The penalty amount and maximum increase to \$100 and \$1,500,000 (for large businesses) respectively for returns required to be filed on or</p>

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Type of Penalty	Penalty Rate and Information
	after January 1, 2011, per the SBJA of 2010. The penalty amounts increase to \$250 per return with a maximum of \$3,000,000 (for large businesses) for returns required to be filed on or after January 1, 2016, per the TPEA of 2015 and also subject to annual inflationary adjustment. Refer to <a href="#">section 7</a> for rates and maximum amounts adjusted for inflation.
Failure Furnish Correct Payee Statements IRC 6722	The penalty is \$50 per return for returns required to be furnished by December 31, 2010 (\$100 for returns required to be furnished on or after January 1, 2011, and \$250 for returns required to be furnished on or after January 1, 2016 subject to annual inflationary adjustment). Refer to <a href="#">section 7</a> for rates and maximum amounts adjusted for inflation.

\* Identifies amount subject to an annual inflationary adjustment beginning with returns, statements, etc. due on or after Jan. 1, 2016. Refer to the following Revenue Procedures for adjusted amounts, if applicable:

- Tax Year 2015 – See Rev. Proc. 2016-11
- Tax Year 2016 – See Rev. Proc. 2015-53 (Section 3.48(3) of Rev. Proc. 2015-53 contains an incorrect rate. The correct rate is reflected in Section 4 of Rev. Proc. 2016-11.)
- Tax Year 2017 – See Rev. Proc. 2016-55
- Tax Year 2018 – See Rev. Proc. 2018-18
- Tax Year 2019 – See Rev. Proc. 2018-57
- Tax Year 2020 – See Rev. Proc 2019-44
- Tax Year 2021 – See Rev. Proc. 2020-45

## 5 Penalty and Interest Table

Certain penalties and interest must be specifically addressed when adjusting tax, credits or payments within a module. This Penalty and Interest Table contains the information needed to address these conditions. The table also contains the underpayment interest effective date for the transactions listed, when applicable.

TC	Definition	Must TC be addressed when adjusting tax, payments or credits within a module?	Conditions	Comments	Underpayment Interest Effective Date	IRM
160	Manual Assessment of Delinquency Penalty under IRC 6651(a)(1)	Yes	All conditions except: TC 290 for a zero amount.	A TC 160 for a zero amount may be input only if the penalty should not be changed.	Return due date or extended return due date (whichever is later).  See IRM 20.2.5.3 for returns due prior to 1/1/1990.	20.1.2  20.2.5.3
160	Manual Assessment of	No		Manual assessment of penalty for failure to file a partnership	23C date of the assessment	20.1.2.3

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TC	Definition	Must TC be addressed when adjusting tax, payments or credits within a module?	Conditions	Comments	Underpayment Interest Effective Date	IRM
	Delinquency Penalty under IRC 6698 or IRC 6699			return or S corporation return.  Assessed prior to cycle 202203. Use TC 240 PRN 722 or 723 for penalty assessments in cycle 202203 and later.		20.2.5.3
161	Manual Abatement of Delinquency Penalty under IRC 6651(a)(1)	Yes	All conditions except: TC 290 for a zero amount.	Abates previously posted TC 160 or 166 in whole or in part.	Same interest effective date as the transaction being abated.	20.1.2 20.2.5.3
161	Manual Abatement of Delinquency Penalty under IRC 6698 or IRC 6699	No		Manual abatement of penalty for failure to file a partnership return or S corporation return.  Prior to cycle 202203 assessed with TC 16X. If assessed with TC 16X abate with TC 161.	Same effective date as the assessment being abated.  <i>Note: When only a portion of the net total penalty is being abated and there are multiple TC 16Xs, abatements are applied in first-in, first-out (FIFO) order for interest computation purposes.</i>	IRM 20.1.2.3 IRM 20.1.2.5 IRM 20.2.5.3
166	Generated Assessment of Delinquency Penalty under IRC 6651(a)(1)	No			Return due date or extended return due date (whichever is later).	20.2.5.3 20.1.2
166	Generated Assessment of Delinquency Penalty under IRC 6698 or IRC 6699	No		Generated penalty for failure to file a partnership return or S corporation return. Assessed prior to cycle 202203. Use TC 240 PRN 722	23C date of the assessment	20.1.2 20.2.5.3

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TC	Definition	Must TC be addressed when adjusting tax, payments or credits within a module?	Conditions	Comments	Underpayment Interest Effective Date	IRM
				for penalty assessment in cycle 20203 and later.		
167	Generated Abatement of Delinquency Penalty under IRC 6651(a)(1)	No		Abates previously posted TC 166 in whole or in part.	Same interest effective date as the transaction being abated.	IRM 20.1.2 20.2.5.3
167	Generated Abatement of Delinquency Penalty under IRC 6698 or IRC 6699	No		Generated abatement of penalty for failure to file a partnership return or S corporation return.  For TC 166 used prior to cycle 202203	23C date of the earliest unreversed assessment being abated.  <i>Note: When only a portion of the net total penalty is being abated and there are multiple TC 166s, abatements are applied in first-in, first-out (FIFO) order for interest computation purposes.</i>	20.1.2 IRM 20.2.5.3
170	Manual Assessment of Estimated Tax Penalty	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 TC 29X 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 a zero amount to bypass UPC 158/328 check when adjusting withholding when there is no change to the penalty.  <i>Note: A prev. posted TC 170/171 with these Doc. Codes restricts the module from automatic recomputation.</i>	Transaction (23C) date of penalty assessment.	20.1.3 20.2.5.3

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TC	Definition	Must TC be addressed when adjusting tax, payments or credits within a module?	Conditions	Comments	Underpayment Interest Effective Date	IRM
171	Manual Abatement of Estimated Tax Penalty	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 TC 29X or 30X Adj. with TC 806/807 is input, or timely ES payments are transferred into or out of the module.	<p>Abates previously posted TC 170 or 176 in whole or in part.</p> <p>Priority Code 8 may be used in lieu of TC 170 for a zero amount to bypass UPC 158/328 check when adjusting withholding when there is no change to the penalty.</p> <p><b>Note:</b> A prev. posted TC 170/171 with these Doc. Codes restricts the module from automatic recomputation.</p>	<p>Same interest effective date as the transaction being abated.</p> <p><b>Note:</b> TC 171 is applied against a monetary match of TC 170 or TC 176. If a match is not found, TC 171 is first applied, in FIFO order, against TC 170 and then against TC 176.</p> <p><b>Note:</b> A reversed TC 170 is identified by reversal indicator "R" (e.g., TC 170R) in BMF, and by a transaction code conversion from TC 170 to TC 173 in IMF. TC 176 has no such reversal indicators (BMF or IMF).</p>	20.1.3 20.2.5.3
176	Generated Assessment of Estimated Tax Penalty				Transaction (23C) date of penalty assessment.	20.1.3
177	Generated Abatement of Estimated Tax Penalty			Abates previously posted TC 176 in whole or in part.	<p>Same interest effective date as the transaction being abated.</p> <p><b>Note:</b> TC 177 is first applied against a monetary match of TC</p>	20/1.3 20.2.5.3

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TC	Definition	Must TC be addressed when adjusting tax, payments or credits within a module?	Conditions	Comments	Underpayment Interest Effective Date	IRM
					<p><i>176. When only a portion of the net total penalty is being abated and there are multiple TC 176s, abatements are applied in first-in, first-out (FIFO) order for interest computation purposes.</i></p>	
180	Manual Assessment of Failure to Deposit (FTD) Penalty	Yes	All conditions except: TC 290 for a zero amount.	<p>Use the information in the new ROFTL to determine the new penalty amount and input TC 180 (or a TC 180 for a zero amount if the penalty should not be changed) along with the TC 29X.</p> <p>If TC 298 is timely paid, input TC 180 for .00. If TC 298 is not timely paid, input TC 180 for 10% of tax not paid timely.</p>	Transaction (23C) date of penalty assessment.	<p>20.1.4</p> <p>20.2.5.3</p>
181	Manual Abatement of FTD Penalty	Yes	All conditions except: TC 290 for a zero amount.	<p>Abates previously posted TC 180 or 186 in whole or in part.</p> <p>Use the information in the new ROFTL to determine the new penalty amount and input TC 181 (or a TC 180 for a zero amount if the penalty should not be changed) along with the TC 29X.</p> <p>See above. New ROFTL is not</p>	<p>Same interest effective date as the transaction being abated.</p> <p><i>Note: When only a portion of the net total penalty is being abated and there are multiple TC 18Xs, abatements are applied in first-in, first-out (FIFO) order for interest computation</i></p>	<p>20.1.4 20.2.5.3</p>



TC	Definition	Must TC be addressed when adjusting tax, payments or credits within a module?	Conditions	Comments	Underpayment Interest Effective Date	IRM
				needed for TC 298.  See IRM 20.1.4.21.3(13) for instructions with TC 291.	<i>purposes.</i>	
186	Generated Assessment of FTD Penalty	Yes, for tax or credits.  No, for payments (if no TC 180 or TC 181).	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.  See Above. New ROFTL amount not needed for TC 298.	Transaction (23C) date of penalty assessment.	20.1.4 20.2.5.3
187	Generated Abatement of FTD Penalty	Yes, for tax or credits.  No, for payments (if no TC 180 or TC 181).	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).	Abates previously posted TC 186 in whole or in part.  Use the information in the new ROFTL to determine the new penalty amount and input TC 18X (or a TC 180 for a zero amount if the penalty should not be changed) along with the TC 29X.  See Above. New ROFTL amount not needed for TC 298.	Same interest effective date as the transaction being abated.  <i>Note: When only a portion of the net total penalty is being abated and there are multiple TC 186s, abatements are applied in first-in first-out (FIFO) order for interest computation purposes.</i>	20.1.4 20.2.5.3
190	Manual Assessment of Interest (Account Transfer-In TC 370)	No	If Master File is not prevented from computing underpayment interest, use TC 190 to	See IRMs 20.2.1. and 20.2.5.6.1 for conditions to manually compute underpayment interest.	Not applicable to interest computation.	20.2.5.6.2

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TC	Definition	Must TC be addressed when adjusting tax, payments or credits within a module?	Conditions	Comments	Underpayment Interest Effective Date	IRM
			post interest on a quick or prompt assessment document.			
191	Manual Abatement of TC 190 Interest Assessment	No	Usually accompanying an Account Transfer-In (TC 370).  None, unless a condition is present that would prevent systemic calculation of underpayment interest.	Abates previously posted TC 190 in whole or in part.  See IRMs 20.2.1.4.2 and 20.2.5.6.1 for conditions to manually compute underpayment interest.	Not applicable to interest computation.	20.2.5.2
196	Generated Assessment of Interest	No	None, unless a condition is present that would prevent systemic calculation of underpayment interest.	See IRMs 20.2.1.4.2 and 20.2.5.6.1 for conditions to manually compute underpayment interest.	Not applicable to interest computation.	20.2.1.4.120.2.5
197	Generated Abatement of Interest Assessment	No	None, unless a condition is present that would prevent systemic calculation of underpayment interest.	Abates previously posted TC 190 or 196 in whole or in part.  See IRMs 20.2.1.4.2 and 20.2.5.6.1 for conditions to manually compute underpayment interest.	Not applicable to interest computation.	20.2.1.4.120.2.5
234	Manual Assessment of Daily Delinquency Penalty	No	Manually Assessed		Transaction (23C) date of penalty assessment.	20.1.8 20.2.5.3
235	Manual Abatement of Daily Delinquency Penalty	No	Manually Abated	Abate previously posted TC 234 or 238 in whole or in part.	Same interest effective date as the transaction being abated.  <i>Note: When only a portion of the net total</i>	20.1.8 20.2.5.3

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TC	Definition	Must TC be addressed when adjusting tax, payments or credits within a module?	Conditions	Comments	Underpayment Interest Effective Date	IRM
					<i>penalty is being abated and there are multiple TC 23Xs, abatements are applied in first-in first-out (FIFO) order for interest computation purposes.</i>	
238	Generated Assessment of Daily Delinquency Penalty	No	Computer-Generated		Transaction (23C) date of penalty assessment.	20.1.8 20.2.5.3
239	Generated Abatement of Daily Delinquency Penalty			Abates previously posted TC 238 in whole or in part.	<p><i>Same interest effective date as the transaction being abated.</i></p> <p><b>Note:</b> <i>When only a portion of the net total penalty is being abated and there are multiple TC 238s, abatements are applied in first-in first-out (FIFO) order for interest computation purposes.</i></p>	20.1.8 20.2.5.3
240	Miscellaneous Civil Penalty Assessment	No	Computer-Generated	<p>Computer-Generated from the appropriate PRN (Penalty Reference Number) with a positive dollar amount.</p> <p>Input manually without PRN on MFT 02 and MFT 06 for respective assessment of penalties under IRC 6699 and IRC</p>	<p>For PRNs 680, 681, 683, 686, 786-792, return due date or extended due date (whichever is later). All others 23C date of the penalty assessment.</p> <p>See IRM 20.2.5.3 for returns due prior to</p>	<p><a href="#">20.1.8</a></p> <p>20.2.5.3</p> <p>20.1.2.3</p> <p>20.1.2.5</p>

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TC	Definition	Must TC be addressed when adjusting tax, payments or credits within a module?	Conditions	Comments	Underpayment Interest Effective Date	IRM
				6698.  Assessed prior to cycle 202203. Use TC 240 PRN 723 for penalty assessment in cycle 202203 and later.	1/1/1990.	
241	Miscellaneous Civil Penalty Abatement	No	Computer-Generated	Abates previously posted TC 240 or 246 for MFT 06 (Form 1065, BMF only) in whole or in part.  Computer-Generated from the appropriate PRN (Penalty Reference Number) that corresponds to the penalty being abated, using a negative dollar amount.  Input manually without PRN to abate TC 240 without PRN.	Same interest effective date as the transaction with a matching PRN being abated. (See IRM 5.19.14.4.3 for TFRP adjustments.)	<a href="#">20.1.8</a>  20.1.2.3  20.1.2.5  20.2.5.3
246	Generated Assessment of Form 8752, Form 1065, or Form 1120S Penalty			Assessed prior to cycle 202203. TC 246 PRN 723 for penalty assessments in cycle 202203 and later.	Transaction (23C) date of penalty assessment.	20.1.2  20.2.5.3
247	Generated Abatement of Form 8752, Form 1065, or Form 1120S Penalty			Abates previously posted TC 246 in whole or in part.	Same interest effective date as the transaction being abated.	20.1.2  20.2.5.3
270	Manual Assessment of Failure to Pay Tax Penalty	Yes	All conditions except: TC 290 for a zero amount. Manually Assessed.	A TC 270 for a zero amount may be input if penalty should not be changed.  Restricts penalty	Transaction (23C) date of penalty assessment.	20.1.2 20.2.5.3

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TC	Definition	Must TC be addressed when adjusting tax, payments or credits within a module?	Conditions	Comments	Underpayment Interest Effective Date	IRM
				computation for the module unless input with Reason Code 062.		
271	Manual Abatement of Failure to Pay Tax Penalty	Yes	All conditions except: TC 290 for a zero amount. Manually Abated.  TC 271 need not be addressed if posted with Reason Code 062.	Abates previously posted TC 270 or 276 in whole or in part.	Same interest effective date as the transaction being abated.  <i>Note: When only a portion of the net total penalty is being abated and there are multiple TC 27Xs, abatements are applied in first-in first-out (FIFO) order for interest computation purposes.</i>	20.1.2 20.2.5.3
276	Generated Assessment of Failure to Pay Tax Penalty				Transaction (23C) date of penalty assessment.	20.1.2 20.2.5.3
277	Generated Abatement of Failure to Pay Tax Penalty			Abates previously posted TC 276 in whole or in part.	Same interest effective date as the transaction being abated.  <i>Note: When only a portion of the net total penalty is being abated and there are multiple TC 276s, abatements are applied in first-in first-out (FIFO) order for interest computation purposes.</i>	20.1.2 20.2.5.3
280	Manual Assessment	No	Manually Assessed		Transaction (23C) date of	20.1.10.4 20.2.5.3

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TC	Definition	Must TC be addressed when adjusting tax, payments or credits within a module?	Conditions	Comments	Underpayment Interest Effective Date	IRM
	of Bad Check Penalty				penalty assessment.	
281	Manual Abatement of Bad Check Penalty	No	Manually Abated	Abates previously posted TC 280 or 286 in whole or in part.	Same interest effective date as the transaction being abated.  <i>Note: When only a portion of the net total penalty is being abated and there are multiple TC 28Xs, abatements are applied in first-in first-out (FIFO) order for interest computation purposes.</i>	20.1.10.4 20.2.5.3
286	Generated Assessment of Bad Check Penalty				Transaction (23C) date of penalty assessment.	20.1.10 20.2.5.3
287	Generated Abatement of Bad Check Penalty			Abates previously posted TC 286 in whole or in part.	Same interest effective date as the transaction being abated.  <i>Note: When only a portion of the net total penalty is being abated and there are multiple TC 286s, abatements are applied in first-in first-out (FIFO) order for interest computation purposes.</i>	20.1.10 20.2.5.3
320	Manual Assessment of Fraud Penalty				Return due date or extended return due date (whichever is	20.1.5 20.2.5.3

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TC	Definition	Must TC be addressed when adjusting tax, payments or credits within a module?	Conditions	Comments	Underpayment Interest Effective Date	IRM
					later).  See IRM 20.2.5.3 for returns due prior to 1/1/1989.	
321	Manual Abatement of Fraud Penalty			Abates previously posted TC 320 in whole or in part.	Same interest effective date as the transaction being abated.  <i>Note: For returns due prior to 1/1/1989, if a portion of the tax is being reduced, the additional 50% interest component must also be recomputed.</i>	20.1.5 20.2.5.3
336	Generated Assessment of Interest on Additional Tax or Deficiency	No	None, unless a condition is present that would prevent systemic calculation of underpayment interest.	See IRMs 20.2.1.4.220.2.1.5.2 and 20.2.5.6.1 for conditions to manually compute underpayment interest.	Not applicable to interest computation.	20.2.1.4.120.2.5
337	Generated Abatement of Interest on Additional Tax or Deficiency	No	None, unless a condition is present that would prevent systemic calculation of underpayment interest.	Abates previously posted TC 190, 196 or 336 in whole or in part.  See IRMs 20.2.1.4.2 and 20.2.5.6.1 for conditions to manually compute underpayment interest.	Not applicable to interest computation.	20.2.1.4.1
340	Manual Assessment of Interest	Yes	All conditions.	After posting, underpayment interest cannot be assessed or abated by computer for the applicable tax module.	Not applicable to interest computation.	20.2.5.6.2  20.2.14

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TC	Definition	Must TC be addressed when adjusting tax, payments or credits within a module?	Conditions	Comments	Underpayment Interest Effective Date	IRM
				<p>Underpayment interest must be computed manually and input with TC 340 or 341, unless posting of TC 342 or a non-restricting TC 340 is appropriate.</p> <p>TC 340 also represents net rate interest netting when accompanied with a Correspondence Date of 07221998, and TC 971 AC 355 (BMF) or TC 971 AC 660 (IMF).</p>		
341	Manual Abatement of Interest Assessment	Yes	All conditions.	<p>Abates previously posted TC 190, 196, 336 or 340 in whole or in part.</p> <p>After posting, underpayment interest cannot be assessed or abated by computer for the applicable tax module.</p> <p>Underpayment interest must be computed manually and input with TC 340 or 341, unless posting of TC 342 or a non-restricting TC 340 is appropriate.</p> <p>TC 341 also represents net rate interest netting when accompanied with a Correspondence Date of 07221998, and TC 971 AC 355 (BMF) or TC 971 AC 660 (IMF).</p>	Not applicable to interest computation.	20.2.5.6.2 20.2.14
342	Interest	No	TC 342 need	Removes restriction	Not applicable	20.2.5.6.2

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TC	Definition	Must TC be addressed when adjusting tax, payments or credits within a module?	Conditions	Comments	Underpayment Interest Effective Date	IRM
	Restriction Deletion		not be addressed unless it was input in error.	<p>on the computer computation of underpayment interest set by a previously posted TC 340 or 341, allowing the computer to systemically calculate interest.</p> <p><i>Caution: TC 342 may not be input without first securing the source document for the TC 340/341 and making the determination that the TC 340/341 was unnecessary.</i></p>	to interest computation.	
350	Manual Assessment of Negligence Penalty under IRC 6653			This penalty was replaced by IRC 6662 for returns due after 12/31/1989. This penalty should only be used for returns due before 1/1/1990.	<p>Transaction (23C) date of penalty assessment.</p> <p>See IRM 20.2.5.3 for returns due after 12/31/1988 and before 1/1/1990.</p>	20.1.5 20.2.5.3
351	Manual Abatement of Negligence Penalty under IRC 6653			Abates previously posted TC 350 in whole or in part.	<p>Same interest effective date as the transaction being abated.</p> <p><i>Note: For returns due after 12/31/1981 and prior to 1/1/1989, if a portion of the tax is being reduced, the additional 50% interest component must also be recomputed.</i></p>	20.1.5 20.2.5.3

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TC	Definition	Must TC be addressed when adjusting tax, payments or credits within a module?	Conditions	Comments	Underpayment Interest Effective Date	IRM
360	Manual Assessment of Fees and Collection Costs				Transaction (23C) date of penalty assessment.	20.2.5.3
361	Manual Abatement of Fees and Collection Costs			Abates previously posted TC 360 in whole or in part.	<p>Same interest effective date as the transaction being abated.</p> <p><b>Note:</b></p> <p><i>When only a portion of the net total penalty is being abated and there are multiple TC 360s, abatements are applied in first-in first-out (FIFO) order for interest computation purposes.</i></p>	20.2.5.3
770	Manual Interest Due on Overpayment or Interest Netting (i.e., Within Module or Net Rate Netting)	Yes	I- freeze present on module or prior interest netting (i.e., within module or net rate netting).	<p>Within module netting is identified by TC 777, which carries the 23C date of a prior refund and a "999" in the Julian Date of the DLN. TC 772 may also be an identifier.</p> <p>Net rate interest netting is identified by TC 77X or TC 340/341 with a Correspondence Date of 07221998, and TC 971 AC 355 (BMF) or TC 971 AC 660 (IMF).</p>	Not applicable to interest computation.	20.2.4 20.2.14
772	Correction of TC 770 Processed in	Yes	I- freeze present on module or	Reverses a TC 770 or 776 transaction	Not applicable to interest computation.	20.2.4 20.2.14

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TC	Definition	Must TC be addressed when adjusting tax, payments or credits within a module?	Conditions	Comments	Underpayment Interest Effective Date	IRM
	Error or Interest Netting (i.e., Within Module or Net Rate Netting)		prior interest netting (i.e., within module or net rate netting).	<p>in whole or in part.</p> <p>Within module netting is identified by TC 777, which carries the 23C date of a prior refund and a "999" in the Julian Date of the DLN. TC 772 may also be an identifier.</p> <p>Net rate interest netting is identified by TC 77X or TC 340/341 with a Correspondence Date of 07221998, and TC 971 AC 355 (BMF) or TC 971 AC 660 (IMF).</p>		
776	Generated Interest Due on Overpayment	No	None, unless a condition is present that would prevent systemic calculation of overpayment interest.	See IRM 20.2.4 for conditions to manually compute overpayment interest.	Not applicable to interest computation.	IRM 20.2.4
777	Reverse Generated Interest Due on Overpayment or Within Module Interest Netting	No	None, unless a condition is present that would prevent systemic calculation of overpayment interest or within module netting.	<p>Reverses a TC 776 transaction in whole or in part.</p> <p>See IRM 20.2.4 for conditions to manually compute overpayment interest.</p> <p>Within module netting can be identified by TC 777, which carries the 23C date of a prior refund and a "999" in the Julian Date of the DLN.</p> <p>See IRM 20.2.14.4.2 for Master File limitations in</p>	Not applicable to interest computation.	20.2.4 20.2.14

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TC	Definition	Must TC be addressed when adjusting tax, payments or credits within a module?	Conditions	Comments	Underpayment Interest Effective Date	IRM
				computing within module netting.		

## 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 Number (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 MFT 13 for violations by a firm tax return preparer. Tax return preparer penalty PRNs are listed below. See IRM 20.1.6, Preparer/Promoter/Material Advisor Penalties for additional information.

**Note:** Return Preparer Penalties under IRC 6695 (a) – (g) are subject to annual inflationary adjustments as a result of P.L. 113-295, effective starting tax year 2015. Rates are included in the table below showing historical and current rates as adjusted for inflation, if applicable.

### Sections Impacted by Inflation

	IRC Section 6695 (a), (b), (c), (d), (e)  Other Assessable Penalties with Respect to the Preparation of Tax Returns for Other Persons  PRN 624	IRC Section 6695 (f)  Preparers negotiating taxpayer's refund check including electronic deposit  PRN 626	IRC Section 6695 (g)  Failure to be Diligent in Determining Eligibility for Certain Tax Benefits  PRN 627
Base Rate for Tax years 2014 and earlier	\$50 per return or claim  \$25,000 maximum	\$500 per return or item in return  No maximum	\$500 per return or item in return  No maximum
Tax Year 2015	\$50 per return or claim  \$25,000 maximum	\$505 per return or item in return  No maximum	\$505 per return or item in return  No maximum
Tax Year 2016	\$50 per return or claim  \$25,500 maximum	\$510 per return or item in return  No maximum	\$510 per return or item in return  No maximum
Tax Year 2017	\$50 per return or claim  \$25,500 maximum	\$510 per return or item in return  No maximum	\$510 per return or item in return  No maximum
Tax Year	\$50 per return or claim	\$520 per return or item in return	\$520 per return or item in return

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2018	\$26,000 maximum	No maximum	No maximum
Tax Year 2019	\$50 per return or claim	\$530 per return or item in return	\$530 per return or item in return
	\$26,500 maximum	No maximum	No maximum
Tax Year 2020	\$50 per return or claim	\$540 per return or item in return	\$540 per return or item in return
	\$27,000 maximum	No maximum	No maximum

### Sections Not Impacted by Inflation

PRN	IRC Section	Description	Tax Years 2014 and Earlier	Tax Year 2015 and Later
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.	\$250 per unauthorized disclosure  \$10,000 maximum	\$250 per unauthorized disclosure  \$10,000 maximum
645	6694(a)	Return Preparer Understatement Due to unreasonable position for prepared tax returns.	\$1,000 or 50% of income derived from the return or claim  No maximum	\$1,000 or 50% of income derived from the return or claim  No maximum
650	6694(b)	Return Preparer Understatement Due to willful or reckless conduct for prepared tax returns.	\$5,000 or 50% of income derived from the return or claim  No maximum	\$5,000 or 75% of income derived from the return or claim  No maximum

## 7 Information Return Penalties

Field compliance functions use Form 3645, Computation of Information Return Penalty, in conjunction with Form 8278, Assessment and Abatement of Miscellaneous Civil Penalties, to compute penalties for failure to file correct information returns, failure to furnish correct payee statements, and failure to comply with other information reporting requirements.

For more information related to information return penalties including procedures for working these penalties, refer to Document 13267, Field Procedures for Securing and Processing Information Return Penalties. See IRM 20.1.7, Information Return Penalties.

Safe harbor for certain de minimis errors on information returns and payee statements: Section 202 of the PATH Act (P.L. 114-113) added IRC 6721(c)(3) and IRC 6722(c)(3) with respect to an information return filed with the Secretary, if no single amount in error differs from the correct amount by more than \$100, and no single amount reported for tax withheld on an information return differs from the correct amount by more than \$25, then no correction shall be required and, for purposes of IRC 6721 and IRC 6722, such return shall be treated as having been filed/furnished with all of the correct required information. This safe harbor applies to returns required to be filed, and payee statements required to be furnished, after December 31, 2016. The safe harbor shall not apply if the person to whom such statement is required to be furnished makes an election to opt out of the safe harbor. See Notice 2017-09, 2017-4 I.R.B. 542.

Various legislative changes have increased the penalty rates and maximum amounts for IRC sections 6721-Failure to File Correct Information Returns and 6722-Failure to Furnish Correct Payee Statements, beginning with returns required to be filed and statements required to be furnished on or after January 1, 2011.

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Beginning with returns required to be filed and statements required to be furnished on or after January 1, 2016, the penalty rates and maximum amounts are subject to annual inflationary adjustments required by IRC sections 6721(f) and 6722(f). The reflected amounts in the tables below for this year and subsequent years include inflation adjustment, if applicable. Where the amount is the same as referenced in the IRC, then the inflationary calculation did not meet the minimum adjustment required under IRC sections 6721(f)(2) or 6722(f)(2).

For additional information regarding IRC 6721 and IRC 6722 rates and legislative changes, refer to the IRC 6721/6722 Penalty Rate Overview and Legislative Information page at

<https://portal.ds.irsnet.gov/sites/vl015/lists/informationreturns/DispltemForm.aspx?ID=36>

**IRC 6721 & IRC 6722 - Large Businesses with Gross Receipts of More Than \$5 Million**  
(Average annual gross receipts for the most recent 3 taxable years)

Time of correct filing	Not more than 30 days late	31 days late - August 1	After August 1	Intentional disregard
Due 01-01-2021 thru 12-31-2021 (with inflation adjustments-Rev. Proc. 2019-44)	\$50 per return or statement \$565,000 maximum	\$110 per return or statement \$1,696,000 maximum	\$280 per return or statement \$3,392,000 maximum	\$560 per return or statement No maximum
Due 01-01-2020 thru 12-31-2020 (with inflation adjustments-Rev. Proc. 2018-57)	\$50 per return or statement \$556,500 maximum	\$110 per return or statement \$1,669,500 maximum	\$270 per return or statement \$3,339,000 maximum	\$550 per return or statement No maximum
Due 01-01-2019 thru 12-31-2019 (with inflation adjustments-Rev. Proc. 2018-18)	\$50 per return or statement \$545,500 maximum	\$100 per return or statement \$1,637,500 maximum	\$270 per return or statement \$3,275,500 maximum	\$540 per return or statement No maximum
Due 01-01-2018 thru 12-31-2018 (with inflation adjustments-Rev. Proc. 2016-55)	\$50 per return or statement \$536,000 maximum	\$100 per return or statement \$1,609,000 maximum	\$260 per return or statement \$3,218,500 maximum	\$530 per return or statement No maximum
Due 01-01-2017 thru 12-31-2017 (with inflation adjustments-Rev. Proc. 2015-53)	\$50 per return or statement \$532,000 maximum	\$100 per return or statement \$1,596,500 maximum	\$260 per return or statement \$3,193,000 maximum	\$530 per return or statement No maximum
Due 01-01-2016 thru 12-31-2016 (with inflation adjustments-Rev. Proc. 2016-11)	\$50 per return or statement \$529,500 maximum	\$100 per return or statement \$1,589,000 maximum	\$260 per return or statement \$3,178,500 maximum	\$520 per return or statement No maximum
Due 01-01-2011 thru	\$30 per return or statement	\$60 per return or statement	\$100 per return or statement	\$250 per return or statement

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<b>12-31-2015</b>	\$250,000 maximum	\$500,000 maximum	\$1,500,000 maximum	No maximum
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→Note: Increased penalty amounts may apply for certain failures in the case of intentional disregard. See IRC 6721(e)(2) and IRC 6722(e)(2). The penalty amounts above apply separately to each IRC 6721 and IRC 6722.


**IRC 6721 & IRC 6722- Small Businesses with Gross Receipts \$5 million or Less  
(Average annual gross receipts for the most recent 3 taxable years)**

<b>Time of correct filing</b>	<b>Not more than 30 days late</b>	<b>31 days late - August 1</b>	<b>After August 1</b>	<b>Intentional disregard</b>
<b>Due 01-01-2021 thru 12-31-2021 (with inflation adjustments Rev. Proc. 2019-44)</b>	\$50 per return or statement \$197,500 maximum	\$110 per return or statement \$565,000 maximum	\$280 per return or statement \$1,130,500 maximum	\$560 per return or statement No maximum
<b>Due 01-01-2020 thru 12-31-2020 (with inflation adjustments Rev. Proc. 2018-57)</b>	\$50 per return or statement \$194,500 maximum	\$110 per return or statement \$556,500 maximum	\$270 per return or statement \$1,113,000 maximum	\$550 per return or statement No maximum
<b>Due 01-01-2019 thru 12-31-2019 (with inflation)</b>	\$50 per return or statement \$191,000 maximum	\$100 per return or statement \$545,500 maximum	\$270 per return or statement \$1,091,500 maximum	\$540 per return or statement No maximum

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<b>adjustments- Rev. Proc. 2018- 18)</b>				
<b>Due 01-01-2018 thru 12-31-2018 (with inflation adjustments- Rev. Proc. 2016- 55)</b>	\$50 per return or statement \$187,500 maximum	\$100 per return or statement \$536,000 maximum	\$260 per return or statement \$1,072,500 maximum	\$530 per return or statement No maximum
<b>Due 01-01-2017 thru 12-31-2017 (with inflation adjustments- Rev. Proc. 2015- 53)</b>	\$50 per return or statement \$186,000 maximum	\$100 per return or statement \$532,000 maximum	\$260 per return or statement \$1,064,000 maximum	\$530 per return or statement No maximum
<b>Due 01-01-2016 thru 12-31-2016 (with inflation adjustments- Rev. Proc. 2016- 11)</b>	\$50 per return or statement \$185,000 maximum	\$100 per return or statement \$529,500 maximum	\$260 per return or statement \$1,059,500 maximum	\$520 per return or statement No maximum
<b>Due 01-01-2011 thru 12-31-2015</b>	\$30 per return or statement \$75,000 maximum	\$60 per return or statement \$200,000 maximum	\$100 per return or statement \$500,000 maximum	\$250 per return or statement No maximum

→Note: Increased penalty amounts may apply for certain failures in the case of intentional disregard.

See IRC 6721(e)(2) and IRC 6722(e)(2). The penalty amounts above apply separately to each IRC 6721 and IRC 6722.

## **8 Penalty Reference Numbers (PRN) – 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), MFT 55 (IMF) and MFT 35 (IRC section 5000A relating to the Individual Shared Responsibility Payment under the Affordable Care Act) accounts. Always use the current Form 8278, which is available at the IRS Publishing website using the following link:

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<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, all civil penalties and return-related penalties are available through the Office of Servicewide Penalties, IRS website:

LINK

WEB ADDRESS

[Penalties Knowledge Base](#)

<https://portal.ds.irsnet.gov/sites/vl015/Pages/default.aspx>

## 8 Penalty Reference Numbers Table

**Note:**

- Penalty sections under the PRNs that are notated with an asterisk (\*) are subject to annual inflationary adjustments per [the Tax Increase Prevention Act \(P.L. 113-295\)](#), effective for returns required to be filed on or after January 1, 2016.
- The penalty sections subject to annual inflationary adjustments are IRC sections 6651(a)(1), 6652(c), 6698(b), 6699(b), 6695(a)-(g), 6721, and 6722.
- [Rev. Proc. 2016-11](#) announced the inflationary penalty amounts for tax year 2015 returns, statements, etc.
- [Rev. Proc. 2015-53](#) announced the inflationary penalty amounts for tax year 2016 returns, statements, etc.
  - Section 3.48(3) of Rev. Proc. 2015-53 contains an incorrect rate. The correct rate is reflected in Section 4 of Rev. Proc. 2016-11.
- [Rev. Proc. 2016-55](#) announced the inflationary penalty amounts for tax year 2017 returns, statements, etc.
- [Rev. Proc. 2018-18](#) (supersedes [Rev. Proc. 2017-58](#)) announced the inflationary penalty amounts for tax year 2018 returns, statements, etc.
- [Rev. Proc. 2018-57](#) announced the inflationary penalty amounts for tax year 2019 returns, statements, etc.
- [Rev. Proc. 2019-44](#) announced the inflationary penalty amounts for tax year 2020 returns, statements, etc.
- [Section 10.6](#) of Document 6209 also provides inflationary penalty amounts for Return Preparer Penalties (IRC 6695).
- [Section 10.7](#) of Document 6209 also provides inflationary penalty amounts for Information Return Penalties (IRC 6721 and IRC 6722).

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.  <b>Note:</b> 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;	\$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).	6652(e)

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PRN	Type of Penalty	Penalty Rate and Information	IRC
	etc.	<b>Note:</b> Input via F5734 on MFT 74, CP-213, BMF, TEGE.	
168	Fraudulent statement or failure to furnish statement to plan participant	A penalty of \$50 is imposed on the person required to furnish the statement for each willful failure to furnish the statement to each affected participant or a willful furnishing of a false statement. (TEGE)	6690
169	Failure to file actuarial report	\$1,000 per failure and no maximum in penalty amount.  <b>Note:</b> Input via F5734 on MFT 74, BMF, and TEGE.	6692
500-514*	IRP civil penalty program. (campus)	See <u>Section 10.7</u> of Document 6209 for rates on information return penalties, depending on when the returns are due to be filed.	6721
500*	Failure to timely file information returns	A penalty is charged for each information return defined under IRC 6724(d) that was not timely filed.  See <u>Section 10.7</u> of Document 6209 for rates on information return penalties, depending on when the returns are due to be filed.	6721
501*	Failure to file information returns electronically when required	A penalty is charged for each information return defined under IRC 6724(d) not filed electronically as required by IRC 6011(e)(2)(A).  See <u>Section 10.7</u> of Document 6209 for rates on information return penalties, depending on when the returns are due to be filed.	6721
502*	Failure to include correct TINs on information returns	A penalty is charged for each information return defined under IRC 6724(d) submitted with missing or incorrect TINs. See <u>Section 10.7</u> of Document 6209 for rates on information return penalties, depending on when the returns are due to be filed.	6721
503*	Failure to file information returns in proper format	A penalty is charged for each information return defined under IRC 6724(d) submitted in an improper format as provided for in the IRC, Treas. Regs or Social Security Administration (SSA) procedures.  See <u>Section 10.7</u> of Document 6209 for rates on information return penalties, depending on when the returns are due to be filed.	6721
504*	Failure to timely file information returns and failure to file electronically when required	A penalty is charged for each information return defined under IRC 6724(d) that was not filed: <ul style="list-style-type: none"> <li>• Timely, and</li> <li>• Electronically as required by IRC 6011(e)(2)(A).</li> </ul> See <u>Section 10.7</u> of Document 6209 for rates on information return penalties, depending on when the returns are due to be filed.	6721
505*	Failure to timely file information returns and failure to include correct TINs	A penalty is charged for each information return defined under IRC 6724(d) that was: <ul style="list-style-type: none"> <li>• Not timely filed, and</li> </ul>	6721

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PRN	Type of Penalty	Penalty Rate and Information	IRC
		<ul style="list-style-type: none"> <li>• Submitted with a missing/incorrect TIN.</li> </ul> See Section 10.7 of Document 6209 for rates on information return penalties, depending on when the returns are due to be filed.	
506*	Failure to timely file information returns and failure to file in proper format	A penalty is charged for each information return defined under IRC 6724(d) that was: <ul style="list-style-type: none"> <li>• Not timely filed, and</li> <li>• Submitted in an improper format as provided for in the IRC, Treas. Regs or SSA procedures.</li> </ul> See Section 10.7 of Document 6209 for rates on information return penalties, depending on when the returns are due to be filed.	6721
507*	Failure to file electronically when required and failure to include correct TINs	A penalty is charged for each information return defined under IRC 6724(d) that was: <ul style="list-style-type: none"> <li>• Not filed electronically as required by IRC 6011(e)(2)(A), and</li> <li>• Filed with missing/incorrect TINs.</li> </ul> See Section 10.7 of Document 6209 for rates on information return penalties, depending on when the returns are due to be filed.	6721
508*	Failure to file electronically when required and failure to file in proper format	A penalty is charged for each information return defined under IRC 6724(d) that was not: <ul style="list-style-type: none"> <li>• Filed electronically as required by IRC 6011(e)(2)(A), and</li> <li>• Submitted in the proper format as provided for in either the IRC, Treas. Regs. or SSA procedures.</li> </ul> See Section 10.7 of Document 6209 for rates on information return penalties, depending on when the returns are due to be filed.	6721
509*	Failure to include correct TINs and failure to file in proper format	A penalty is charged for each information return defined under IRC 6724(d) that was filed: <ul style="list-style-type: none"> <li>• With a missing/incorrect TIN, and</li> <li>• In an improper format as provided for in either the IRC, Treas. Regs. or SSA procedures.</li> </ul> See Section 10.7 of Document 6209 for rates on information return penalties, depending on when the returns are due to be filed.	6721
510*	Failure to timely file, failure to file electronically when required, and failure to include correct TINs	A penalty is charged for each information return defined under IRC 6724(d) that was: <ul style="list-style-type: none"> <li>• Not timely filed,</li> <li>• Not filed electronically as required by IRC 6011(e)(2)(A), and</li> <li>• Filed with missing or incorrect TINs.</li> </ul> See Section 10.7 of Document 6209 for rates on information return penalties, depending on when the returns are due to be filed.	6721
511*	Failure to timely file, failure to file electronically when required, and failure to file in proper format	A penalty is charged for each information return defined under IRC 6724(d) that was: <ul style="list-style-type: none"> <li>• Not timely filed,</li> </ul>	6721

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PRN	Type of Penalty	Penalty Rate and Information	IRC
		<ul style="list-style-type: none"> <li>• Not filed electronically as required by IRC 6011(e)(2)(A), and</li> <li>• Not submitted in a proper format as provided for in either the IRC, Treas. Regs or SSA procedures.</li> </ul> <p>See <u>Section 10.7</u> of Document 6209 for rates on information return penalties, depending on when the returns are due to be filed.</p>	
512*	Failure to timely file, failure to include correct TINs, and failure to file in proper format	<p>A penalty is charged for each information return defined under IRC 6724(d) that was:</p> <ul style="list-style-type: none"> <li>• Not timely filed,</li> <li>• Filed with missing/incorrect TINs, and</li> <li>• Not submitted in a proper format as provided for in either the IRC, Treas. Regs. or SSA procedures.</li> </ul> <p>See <u>Section 10.7</u> of Document 6209 for rates on information return penalties, depending on when the returns are due to be filed.</p>	6721
513*	Failure to file electronically when required, failure to include correct TINs, and failure to file in proper format	<p>A penalty is charged for each information return defined under IRC 6724(d) that was:</p> <ul style="list-style-type: none"> <li>• Not filed electronically as required by IRC 6011(e)(2)(A),</li> <li>• Filed with missing/incorrect TINs, and</li> <li>• Not submitted in a proper format as provided for in either the IRC, Treas. Regs. or SSA procedures.</li> </ul> <p>See <u>Section 10.7</u> of Document 6209 for rates on information return penalties, depending on when the returns are due to be filed.</p>	6721
514*	Failure to timely file, failure to file electronically when required, failure to include TINs, and failure to file in proper format	<p>A penalty is charged for each information return defined under IRC 6724(d) that was:</p> <ul style="list-style-type: none"> <li>• Not timely filed,</li> <li>• Not filed electronically as required by IRC 6011(e)(2)(A),</li> <li>• Filed with missing/incorrect TINs, and</li> <li>• Not submitted in proper format as provided for in either the IRC, Treas. Regs. or SSA procedures.</li> </ul> <p>See <u>Section 10.7</u> of Document 6209 for rates on information return penalties, depending on when the returns are due to be filed.</p>	6721
519	Failure to provide notices with respect to qualified small employer health reimbursement arrangements	\$50 for each failure to provide a written notice as required by IRC section 9831(d)(4). The maximum penalty in any calendar year is \$2,500.	6652(o)
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 527(j) and IRC 6104(d) requirements.	6652(c)(1)(C)

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PRN	Type of Penalty	Penalty Rate and Information	IRC
537*	Failure to file correct/timely information returns due to intentional disregard	The greater of \$250 per return (returns due before January 1, 2016), \$500 per return (returns due on or after January 1, 2016), or:  10% of the aggregate amount of the items required to be reported correctly in the case of a statement <b>other than</b> one required by IRC section 6045(a), 6041A(b), 6050H, 6050I, 6050J, 6050K, or 6050L.  or  Five percent (5%) of the aggregate amount of the items required to be reported correctly in the case of a statement required by IRC section 6045(a), 6050K, or 6050L.  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)
549*	Failure to file Forms W-2 due to intentional disregard (CAWR Penalty Program)  <i>Note: NOT manually assessed using Form 8278</i>	The greater of \$250 per form (returns due before January 1, 2016), \$500 per return (returns due on or after January 1, 2016), or: 10% of the aggregate amount of the items required to be reported.  No maximum  See <u>IRM 4.19.4.3.1.1, Intentional Disregard Failure to File Penalty (PRN 549)</u> .	6721(e)
550*	Failure to timely file Forms W-2 (CAWR Penalty Program)  <i>Note: NOT manually assessed using Form 8278</i>	\$100 per failure (returns due before January 1, 2016).  \$250 per failure (returns due on or after January 1, 2016).  See <u>IRM 4.19.4.3.1.2, Late Filed Forms W-2 Penalty (PRN 550)</u> .  See <u>Section 10.7</u> of Document 6209 for rates on information return penalties, depending on when the returns are due to be filed.	6721(a)
551	Fraudulent identification of exempt use property under IRC 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	\$25 per day. Maximum = \$15,000.	6652(e)

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PRN	Type of Penalty	Penalty Rate and Information	IRC
	required under IRC 6047(d) – Forms 1096 or 1099		
553	Failure to file a report relating to Archer MSAs required under IRC 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 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 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 530(h)	\$50 per failure No maximum	6693(a)(2)(E)
557	Failure to furnish information relating to nondeductible contribution required under IRC 408(o)(4)	\$100 per failure. No maximum.	6693(b)(1)
558	Failure to file a form relating to nondeductible contributions required under IRC 408(o)(4)	\$50 per failure. No maximum.	6693(b)(2)
562	Failure to make reports required under IRCs 3511, 6053(c)(8), and 7705.	\$50 per failure. \$100 per failure in the case of negligence or intentional disregard. No maximum.	6652(n)
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 taxpayer's 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. Used for non-deficiency cases and MFT 13 and 55 only. 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

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PRN	Type of Penalty	Penalty Rate and Information	IRC
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 the taxpayer 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 529A.	\$50 per failure.  No maximum.	6693(a)(2)(E)
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 408(i) or 408(l)(2)	\$50 per failure.  No maximum.	6693(c)
574	Failure to pay 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 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 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 from the preparation of the appraisal.	6695A
582	Penalty with respect to tax liability of regulated investment company	Penalty equals the amount of interest attributable to a deemed increase in tax determined under IRC 860(c) (1) (A); not to exceed one-half of the deduction allowed under IRC 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	\$100 per failure.	6652(i)

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PRN	Type of Penalty	Penalty Rate and Information	IRC
	explanation to recipients required under IRC 402(f)	Maximum = \$50,000.	
587	Failure to file certification with respect to certain residential rental projects required under IRC 142(d)(7)	\$100 per failure per calendar year.  No maximum.	6652(j)
588	Failure to make report required under IRC 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*	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 6942(a)(2) or 6652(a)(2) – Failure to file returns for payments of dividends aggregating less than \$10 under 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 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 -	25% of the highest aggregate account/asset	various

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PRN	Type of Penalty	Penalty Rate and Information	IRC
	Failure to file certain information return	value in all foreign bank account/entities for the tax year.	
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/timely information returns	A penalty is charged for each information return defined under IRC 6724(d) that was not correct/timely filed.  See <u>Section 10.7</u> of Document 6209 for rates on information return penalties, depending on when the returns are due to be filed.	6721
603	Failure of foreign corporation engaged in a U.S. business to furnish information or maintain records – Form 5472 – Initial Penalty	Initial penalty: \$10,000 per year.  After 90 days from notification: \$10,000 for each 30-day period (or fraction thereof).  Continuation penalty assessed with PRN 705.  For tax periods beginning on 1/1/2018 and later the penalty amount increases to \$25,000.  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 6011(c)(1): \$100 per failure, not to exceed \$25,000 for any calendar year.  Under IRC 6011(c) (2): \$1,000 for each return.	6686
607*	Failure to timely file information returns or registration statements (BSA Use)	A penalty is charged for each information return defined under IRC 6724(d) that was not correct/timely filed.  See <u>Section 10.7</u> of Document 6209 for rates on information return penalties, depending on when the returns are due to be filed.	6721
609*	Failure to file correct/timely Form 8300 (BSA Use)	See <u>Section 10.7</u> of Document 6209 for rates on information return penalties, depending on when the returns are due to be filed.	6721
611*	Failure to file a disclosure required of tax-exempt entity	\$100 per failure per day. Not to exceed \$50,000. See IRC 6033(a) (2) requirements.	6652(c)(3)(A)
612*	Failure to furnish correct/timely payee statements	A penalty is charged for each information return defined under IRC 6724(d) that was not correct/timely furnished.  See <u>Section 10.7</u> of Document 6209 for rates on information return penalties, depending on when the returns are due to be furnished.	6722
613	Failure to file foreign information returns (Form 5471 Sch O/Form 8865	\$10,000 per failure, plus \$10,000 for each 30-day period for continuous failure after notification.	6679

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PRN	Type of Penalty	Penalty Rate and Information	IRC
	Sch P)	Continuation penalty assessed with PRN 704. Maximum = \$50,000. See IRC 6046 and IRC 6046A requirements.	
614 (BMF)	Failure to disclose quid pro quo contribution	\$10 for each failure not to exceed \$5,000.	6714
616	False information with respect to withholding (W-4, W-9 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)	100% of the tax required to be collected, accounted for, and paid over.  <i>Note: Assessed via Form 2749.</i>	6672
619	Information reporting with respect to certain foreign corporations and partnerships— Form 5471 – Continuation penalty	Continued failure to provide information after 90-day period. The penalty is assessed at \$10,000 per 30-day period or fraction thereof. Initial penalty assessed with PRN 623.  Maximum = \$50,000.	6038
621	Failure to comply with other information reporting requirements	A penalty of \$50 per failure to comply with specified information reporting requirements.  Maximum = \$100,000 per year.	6723
623	Failure to furnish information with respect to certain foreign corporations and partnerships (Forms 5471/8865 – Initial penalty)	\$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. Continuation penalty assessed with PRN 619.  Maximum = \$50,000.	6038
624*	Return preparer penalties	\$50 for each failure, not to exceed \$25,000 for any return period.	6695(a)-(e)
625	Failure to file information on foreign owned corporations (Form 5472 - Initial penalty)	\$10,000 per failure per year, plus \$10,000 for each 30-day period (or fraction thereof) for continuous failure after notification. Continuation penalty assessed with PRN 701.  For tax periods beginning on 1/1/2018 and later the penalty amount increases to \$25,000.	6038A
626*	Preparer negotiating taxpayer refund check	\$100 per failure for tax years ending before Dec. 31, 2011. After Dec. 31, 2011 the penalty is \$500 per failure. There is no maximum amount. See <u>IRM 20.1.6, Preparer, Promoter, Material Advisor Penalties.</u>	6695(f)
627*	Failure to exercise 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.  There is no maximum amount.	6695(g)
628	Promoting abusive tax	The penalty for activity described in IRC	6700

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PRN	Type of Penalty	Penalty Rate and Information	IRC
	shelter	6700(a)(1) is the lesser of \$1,000 or 100% 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 6700(a) (2) (A) is 50% of the gross income derived (or to be derived) from the activity. There is no maximum amount of penalty.	
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 6720(1) and IRC 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 payer	\$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 (inactive)	Fraudulent failure to file	PRN 635 is no longer used to assess IRC 6651(f) penalties effective July 2, 2013. Refer to PRN 686 for IRC 6651(f).  <u>See IRM 20.1.2.3.7.5, Fraudulent Failure to File – IRC 6651(f).</u>	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 6112 requirements.	6708
637*	Failure to file/furnish correct/timely returns relating to higher education tuition and expenses (Forms 1098-E and 1098-T)	See <u>Section 10.7</u> of Document 6209 for rates on information return penalties, depending on when the returns are due to be filed/furnished.  See IRC 6050S requirements.	6721(a)(1) or 6722(a)
638*	Failure to file correct/timely Form 8027 (Employer's Annual Information Return of Tip Income and Allocated	See <u>Section 10.7</u> of Document 6209 for rates on information return penalties, depending on when the returns are due to be filed.	6721

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PRN	Type of Penalty	Penalty Rate and Information	IRC
	Tips)		
639	Failure to keep required records	\$50 multiplied by the number of individuals in relation to whom such failure occurred, but not exceed \$50,000 per calendar year.	6704(b)
642*	Failure to furnish correct/timely payee statements – Intentional Disregard	The greater of \$250 per return (returns due before January 1, 2016), \$500 per return (returns due on or after January 1, 2016), or:  10% of the aggregate amount of the items required to be reported correctly in the case of a statement <b>other than</b> one required by IRC section 6045(a), 6041A(b), 6050H, 6050I, 6050J, 6050K, or 6050L.  or  5% of the aggregate amount of the items required to be reported correctly in the case of a statement required by IRC 6045(a), 6050K or 6050L.  No maximum.	6722(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.  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 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.  Greater of \$5,000 or 50% of the income derived by the preparer for each return or claim prepared after May 25, 2007.  Greater of \$5,000 or 75% of the income derived by the preparer for each return or claim prepared for tax years ending after December 18, 2015.	6694(b)

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PRN	Type of Penalty	Penalty Rate and Information	IRC
		No maximum.	
651*	Failure to file correct/timely Form 8300	See Section 10.7 of Document 6209 for rates on information return penalties, depending on when the returns are due to be filed.  See IRC 6050I requirements.	6721(a)
652*	Failure to file correct/timely Form 8300 - Intentional Disregard	The greater of \$25,000 or the amount of cash received in such transaction, does not exceed \$100,000.	6721(e)(2)(c)
653*	Failure to furnish correct/timely Form 8300 payee statements	See Section 10.7 of Document 6209 for rates on information return penalties, depending on when the returns are due to be furnished.	6722(a)
654*	Failure to furnish correct/timely Form 8300 payee statement - Intentional Disregard	The greater of \$250 (\$500 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 if the refusal is related to any place where taxable fuel is stored or produced.  See IRC 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 4101(a) requirements.	6718
658* (BMF)	Failure to file information return (Form 1041-A, etc.)	\$10 per day. Maximum = \$5,000. See IRC 6034 and IRC 6043(b) requirements.	6652(c)(2)(A)
659	Failure to report transactions with certain foreign trusts - Form 3520, Part I and/or Part III (Initial Penalty)	35% of gross reportable amount, plus \$10,000 for each 30-day period if failure continues after 90 days from notification. See IRC 6048 requirements. Continuation penalty assessed with PRN 702.	6677
660	Failure to file information with respect to certain foreign trusts with a U.S. owner - Form 3520-A (Initial Penalty)	5% of gross reportable amount, plus \$10,000 for each 30-day period if failure continues after 90 days from notification.  See IRC 6048(b) requirements. Continuation penalty assessed with PRN 703.	6677(b)
661	Excessive claims relating to fuels not used for tax	The greater of \$10 or two times the excessive amount.	6675

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PRN	Type of Penalty	Penalty Rate and Information	IRC
	purposes	See IRC 6427 requirements.	
662 (BMF)	Failure to file required disclosure of expenditures and contributions (Form 8872)	21% of amount relating to failure. See IRC 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 6033 and IRC 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 6114 requirements.	6712
665	Tampering with or failing to maintain security requirements for mechanical dye injection systems	For IRC 6715A (a) (1) (Tampering), the penalty is the greater of: \$25,000, or \$10 for each gallon of fuel involved. For IRC 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). <i>Caution: Only PRN 666 assesses IRC 6702(a) after 1/24/2005.</i>	6702(a)
667	Failure to report a vessel/facility	\$10,000 per failure. See IRC 4101(d) requirements.	6725
668	Failure to report receipt of foreign gifts (Form 3520 - Part IV)	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 4101 requirements.	6719
671 (IMF)	Failure to file expatriation (Form 8854)	\$10,000 per failure after 06-03-04.	6039G
672*	Failure to file correct/timely information returns relating to taxable mergers and acquisitions	See Section 10.7 of Document 6209 for rates on information return penalties, depending on when the returns are due to be filed.  See IRC 6043A requirements.	6721
673	Resale of adulterated diesel fuels	\$10,000 for each transfer, sale or holding out any liquid for resale.	6720A
674	Failure to comply with other information reporting requirements – Failure to provide notice of partnership exchange	\$50 per failure. Maximum = \$100,000 per year. See IRC 6050K(c) requirements.	6723

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PRN	Type of Penalty	Penalty Rate and Information	IRC
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
677	Failure to file part II of Form 3520 – Initial penalty	5% of the gross reportable amount.  If the failure continues for more than 90 days, a continuation rate of \$10,000 applies for each 30-day period the failure continues (continuation penalty assessed with PRN 706).  Total penalty cannot exceed the gross reportable amount.	6677(b)
678 (BMF)	Failure to furnish information (Form 8281-OID)	\$50 per instrument (IRC 6706(a)) or 1% of the aggregate issue price of debt instrument amount. (IRC 6706(b)). Maximum = \$50,000.	6706(a)&(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). Use for assessments prior to 2015 and for court ordered assessments. Use PRNs 786-792 for IRC 6662(c)-(h) assessments input after 2014. <b>Note:</b> For Substantial Understatement assessments under IRC 6662(d) with a secondary consideration of Negligence under IRC 6662(c), PRN 680 will be used. See <u>IRM 20.1.5.3.2, Penalty Assessments and Abatements</u> .	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
682	Self-computed civil penalties for BBA	The penalty is a taxpayer self-assessed penalty amount from line 16 Form 8978. <ul style="list-style-type: none"> <li>Partners file Form 8978 to report their share of adjustments and penalties shown on Form 8986, Partner's Share of Adjustments to Partnership-Related Items, Part V from partnerships that have elected to push out adjustments to partnership-related items to its partners. Form 8986 has several penalties with different rates.</li> <li>Taxpayer computes penalty on a statement attached to Form 8978. Form 8978 is filed with the taxpayer's income tax return.</li> <li>Penalty added to the fixed penalty data section for BMF/IMF notices.</li> <li>For quick, prompt or jeopardy adjustments via Form 2859.</li> </ul>	6662, 6663
683	Undisclosed foreign financial asset understatement	40% if any portion of an underpayment is attributable to any undisclosed foreign financial asset	6662(j), 6662(b)(7)
684	Required payments for	10% of the underpaid tax assessable on MFT	7519(f)(4)

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PRN	Type of Penalty	Penalty Rate and Information	IRC
	entities electing not to have required taxable year	15. See IRC 444 elections.	
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 for deficiency cases. Use Form 3870 and PRN 687 for MFJ assessments and abatements with MFT 30.  <b>Note:</b> See PRN 565 for non-deficiency cases and MFT 13 and MFT 55.	6676
688*	Failure to file partnership returns electronically when required	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 \$250 per partner over 100.  See <u>Section 10.7</u> of Document 6209 for rates on information return penalties, depending on when the returns are due to be filed.  <u>See IRM 20.1.2.4, Failure to File Partnership Return Using Electronic Media.</u>  The penalty is assessed systemically with TC 246 or manually with TC 240. It is abated with TC 247 or 241.	6721(a)(2)(A)
689	Failure to comply with certification requirements	Penalty of \$100 for each failure to comply with 142(d)(7) certification requirements.  <b>Note:</b> 689 is NOT a Penalty Reference Number. It is used by TEGE for sanction assessments pertaining to closing agreements. See <u>IRM 4.5.2.3.1.29 (19), Credit and Tax Computation Adjustment (Item 15)</u> , for additional information.	6652(j)
690	Insurance Provider Fee (IPF) – Late filing penalty	See IRM <u>25.21.2.10, Penalties</u> . Assessed by an ACA section 9010 team in LB&I, using MFT 79 (NOT assessed on Form 8278). <b>Note:</b> The annual fee on health insurance providers no longer applies to calendar years beginning AFTER December 31, 2020, per H.R. 1865, Sec. 502. Therefore, the late filing penalty is not applicable for calendar years beginning after December 31, 2020.	ACA Provision 9010
691	Insurance Provider Fee (IPF) - Accuracy-related penalty	See IRM <u>25.21.2.10, Penalties</u> . Assessed by an ACA section 9010 team in LB&I, using MFT 79 (NOT assessed on Form 8278).  <b>Note:</b> The annual fee on health insurance providers no longer applies to calendar years beginning AFTER December 31, 2020, per H.R. 1865, Sec. 502. Therefore, the accuracy related penalty is not applicable for calendar years beginning after December 31, 2020.	ACA Provision 9010
692	ACA Individual Shared	See IRM 20.1.11, Excise Tax and Estate and	5000A(c)

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PRN	Type of Penalty	Penalty Rate and Information	IRC
	Responsibility Payment (ISRP)	<u>Gift Tax Penalties.</u>  <i>Note: P.L. 115-97, Tax Cuts and Jobs Act of 2017, Sec. 11081, reduced the ISRP under IRC 5000A(c) to zero for months beginning after December 31, 2018.</i>	
693	Failure of qualified opportunity fund to maintain investment standard	Penalty for failure to meet the requirement to hold at least 90% of assets in qualified opportunity zone property. For each month that the 90% requirement is not met, the amount of the penalty is equal to the product of the excess of the amount equal to 90% of the funds aggregate assets over the aggregate amount of qualified opportunity zone property held by the fund, multiplied by the underpayment rate established under IRC 6621(a)(2) for such month, unless the failure is due to reasonable cause.  There is no maximum amount of the penalty.	1400Z-2(f)
694	Failure to provide notice under section 83(i)	The penalty is \$100 for each failure unless the failure is due to reasonable cause and not willful neglect.  The maximum penalty is \$50,000 per calendar year.	6652(p)
697	Trust fund recovery penalty balance due to payment by related business entity	See IRM 4.23.9, <u>Employment Tax Penalty and Fraud Procedures</u> (NOT assessed on Form 8278).	6672
699	Trust Fund Recovery Penalty –adjustment to balance due by a Related Trust Fund Recovery 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 – Initial penalty	\$10,000 initial penalty for failure to file a complete statement of foreign financial assets (Form 8938). Continuation penalty assessed with PRN 710.	6038D
701	Failure to file information with respect to certain foreign-owned corporations – Form 5472 – Continuation penalty	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. Initial penalty assessed with PRN 625.  For tax periods beginning on 1/1/2018 and later the penalty amount increases to \$25,000.	6038A
702	Failure to report transactions with certain foreign trusts - Form 3520, Part I and/or Part III (continuation penalty)	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. Initial penalty assessed with PRN 659.	6677
703	Failure to file information with respect to certain foreign trusts with a U.S. owner - Form 3520-A (continuation penalty)	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. Initial penalty assessed with PRN 660.	6677

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PRN	Type of Penalty	Penalty Rate and Information	IRC
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. Initial penalty assessed with PRN 613.	6679
705	Failure of foreign corporation engaged in U.S. business to furnish information or maintain records – Form 5472 – continuation penalty	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. Initial penalty assessed with PRN 603.  For tax periods beginning on 1/1/2018 and later the penalty amount increases to \$25,000.	6038C
707	Failure to Annually Report Deferred S Corporation-Related Net 965 Tax Liability	5% of the deferred net 965 tax liability. It's assessed as an addition to tax on the return for the year where the reporting requirement was not met.  <b>Note:</b> assessed on the tax return module rather than the civil penalty module.	965(i)(7)(C)
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.	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 – continuation penalty	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. Initial penalty assessed with PRN 700.	6038D
711	Systemically asserted: Failure to file Form 5472 in conjunction with failure to file corporate return (Refer to PRN 625 for manual assessments)	\$10,000 per failure per year, plus \$10,000 for each 30-day period (or fraction thereof) for continuous failure after notification.  For tax periods beginning on 1/1/2018 and later the penalty amount increases to \$25,000.	6038A
712	Systemically asserted: Failure to file Form 5471 in conjunction with failure to file partnership return (Refer to PRN 623 for manual assessments)	\$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
713	Failure to submit a notice required under IRC 506(a)	\$20 per day not to exceed \$5,000	6652(c)(4)(A) & (B)
721	Civil penalty assessed as part of criminal restitution order (non-return related penalties only)	Used to assess a Failure to Deposit penalty associated with court ordered restitution. Valid for MFT 31 only.	Various (see order)
780	Accuracy-related penalty on underpayments attributable to noneconomic substance transactions	20% 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 non-	40% of the portion of the underpayment attributable to one or more non-disclosed noneconomic substance transactions.	6662(i)

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PRN	Type of Penalty	Penalty Rate and Information	IRC
	disclosed noneconomic substance transactions		
786	Accuracy related penalty due to negligence	20% of the underpayment attributable to negligence	6662(b)(1); IRC 6662(c)
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); IRC 6662(d)
788	Accuracy related penalty for substantial valuation misstatement	20% of the underpayment attributable to the misstatement	6662(b)(3); IRC 6662(e)
789	Accuracy related penalty for substantial misstatement of pension liabilities	20% of the underpayment attributable to the misstatement	6662(b)(4); IRC 6662(f)
790	Accuracy related penalty for Estate & Gift valuation understatement	20% of the underpayment attributable to the valuation understatement	6662(b)(5); IRC 6662(g)
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 20.1.1.3.3.2.1(13)).

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 Exhibit 20.1.1-2, Penalty Reason Code (PRC) Chart for detailed information. Refer to penalty relief criteria throughout IRM 20.1 to first determine if penalty relief criteria are met and if use of a specific PRC is reflected. The definitions in this chart are provided as general guidelines for selecting the most appropriate PRC where a PRC is not specified in the applicable IRM 20.1 subsection, or other functional IRM such as Part 4, 5 or 21, that contains specific penalty relief criteria.

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, Ordinary Business Care and Prudence.
	024	IMF - Death, serious illness or unavoidable absence of the taxpayer or a member of

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		their immediate family.  See <u>IRM 20.1.1.3.2.2.1, Death, Serious Illness, or Unavoidable Absence.</u>	
	025	Records inaccessible / Unable to obtain records / Records destroyed by fire or other casualty.  See <u>IRM 20.1.1.3.2.2.3, Unable to Obtain Records.</u>	
	026	<b>BMF</b> - 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 <u>IRM 20.1.1.3.2.2.1, Death, Serious Illness, or Unavoidable Absence.</u>	
	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 <u>IRM 20.1.1.3.2.1, Standards and Authorities.</u>	
	046	Specific criteria for use of this PRC will be provided in IRM 20.1 when applicable. Current criteria are contained in IRM 20.1.4.15.3, Statements From Unbanked Taxpayers (Unbanked Taxpayer Relief) and IRM 20.1.2.2.3.2.2, Extension of Time to Pay Voided (E-filed Form 2290).	
	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 and has no prior history of late filing and claims ignorance of the requirement.	
<b>Appeals (RC 065 on IMF accounts)</b>	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 (RC 065 on IMF accounts)</b>	010	Amended/Corrected return or schedule (includes amendments resulting from an examination). 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).  See <u>IRM 20.1.3.2.2, Manual Penalty Adjustments.</u>	
	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 <u>IRM 20.1.1.3.6.1, RCA and First Time Abate (FTA) Consideration.</u>	
	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 <u>IRM 20.1.1.3.3.2.1, First Time Abate</u>	

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		(FTA).	
	021	Tolerance Criteria Met - FTD, FTF, FTP & Estimated Tax Penalties.	
	023	Taxpayer relied on practitioner or third party advice.  See <u>IRM 20.1.1.3.2.2.5, Erroneous Advice or Reliance.</u>	
	027	Timely mailed/timely filed.	
	028	Official Disaster Area. See <u>IRM 20.1.1.3.3.6, Official Disaster Area.</u>	
	029	Undue economic hardship/inability to pay (FTP).  See <u>IRM 20.1.2.2.4.1(9), Penalty Abatements and Re-assessments, IRM 20.1.2.2.4.3(5), Notice 2015-09 Penalty Relief</u> and <u>IRM 20.1.1.3.3.3, Undue Hardship.</u> <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 (RC 065 on IMF accounts)</b>	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 <u>IRM 20.1.1.3.3.2, Administrative Waivers.</u>	
<b>Statutory Waivers (RC 065 on IMF accounts)</b>	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 <u>IRM 20.1.4.26.3, Statutory Penalty Relief.</u>	
	044	Erroneous or Late Written Advice by IRS. Relief based on Revenue Procedures. See <u>IRM 20.1.1.3.3.1, Statutory and Regulatory Exceptions.</u>	
<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 (RC 065 on IMF accounts)</b>	015	General IRS Error. Specific instruction for use of this code will be released in IRM updates or SERP Alerts.	
	031	Erroneous Oral Advice by IRS. See <u>IRM 20.1.1.3.3.4.2, Oral Advice From IRS.</u>	
	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 <u>IRM 20.1.1.3.4, Correction of Service Error.</u>	
<b>*** User Fee Reversals *** (For reference only - Not used with penalty adjustments)</b>			
	047 / 048 / 049 / 050 / 051	User Fee reversals. See <u>IRM 5.19.1.6.4.6.3, User Fee Payment Transfer/User Fee Abatements.</u>	

**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

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			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 15 <sup>th</sup> day of the following month, unless a 3-banking-day deposit was required during that month. Refer to <u>IRM 20.1.4.11.1, Deposit Requirements Form 1042.</u>
	\$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 <u>IRM 20.1.4.11.1, Deposit Requirements Form 1042.</u>
720			Refer to <u>IRM 20.1.4.10.4, Deposit Rules Form 720</u> through <u>IRM 20.1.4.10.7, Special Rules for Deposits in September Form 720</u> 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  Then a Deposit Must be Made:	Accumulated Liability is \$100,000 or More  Then a Deposit Must be Made:
\$50,000 or less		On or before the 15 <sup>th</sup> 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 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 <u>IRM 20.1.4.8.2, Lookback Periods for Employment Tax.</u>		
<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,		

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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.
- Form 940 filers with a total liability of \$500 or less.

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, De Minimus Exception to Deposit Requirements.

**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, unless the liability reaches \$100,000. The liability is due the next day and any remaining liabilities in the deposit period are combined. 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, Business Tax Returns and Non-Master File Accounts.

#### (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 Document 6209, IRS Processing Codes and Information, 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><i>*good TC 650 is a deposit made before 1-1-2011 as required: by coupon through an authorized depositary or in the case of a mandated taxpayer, a deposit made via EFT.</i></p> <p><i>**bad TC 650 is a non-EFT deposit made by mandate (taxpayer required to deposit electronically prior to 01-01-2011).</i></p> <p><i>*** If averaged monthly tax liability is over \$100,000, use PCC 057.</i></p>			

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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.	Unbanked taxpayer
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**

Reference IRMs:

- [20.1.1.3.5.1](#), Subsequent Requests for Penalty Relief
- [20.1.1.3.5.3](#), Taxpayer Not Entitled to Relief
- [20.1.1.4.1](#), The Appeals Function
- [5.1.15.16.4](#), Penalty Relief Denial and Appeals

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- a. 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
  
- b. 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, refer to [IRM 5.1.15.16.4, Penalty Relief Denial and Appeals](#), which in general provides that the statement or protest should be submitted within 15 days to the SB/SE Field Collection 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.

Forward the request to the group manager for review and concurrence. Refer to [IRM 5.1.15.16.4](#), Penalty Relief Denial and Appeals, for routing and other input procedures. 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.

- c. Campus Personnel who deny the abatement of a penalty per [IRM 20.1.1.3.5.3](#), Taxpayer Not Entitled to Relief, 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