

Penalty Relief for 2020 and 2021 Tax Returns

Cross References

- Notice 2024-7

IRC section 6651(a) generally imposes a penalty for failure to pay tax equal to 0.5% of the unpaid tax per month up to a maximum penalty of 25% of the unpaid tax. On March 13, 2020, the President of the United States declared a national emergency in response to the ongoing Coronavirus Disease 2019 (COVID-19) pandemic. On February 9, 2022, the IRS announced a temporary suspension of the mailing of certain automated reminder notices. The IRS did not suspend the mailing of initial balance due notices. The penalties under IRC section 6651(a) continued to accrue for taxpayers who did not fully pay their balance due. In 2024 the IRS will resume issuing automated reminder notices for tax years 2021 and earlier, thereby resuming the normal notice process for these tax years.

The IRS has determined that the penalty relief for the failure to pay income tax with respect to certain income tax returns for 2020 and 2021 is appropriate. To the extent a penalty was previously assessed or paid, it will be abated, refunded, or credited to other outstanding tax liabilities.

Taxpayers eligible for relief from the penalty under IRC section 6651(a)(2) and section 6651(a)(3) for the failure to pay during the relief period include the following:

- Taxpayers whose assessed income tax for tax year 2020 or 2021, as of December 7, 2023, is less than \$100,000, excluding any applicable additions to tax, penalties, or interest,
- Taxpayers who were issued an initial balance due notice (including, but not limited to Notice CP14 or Notice CP161) on or before December 7, 2023, for tax year 2020 or 2021, and
- Taxpayers who are otherwise liable during the relief period for accruals of additions to tax for the failure to pay under IRC section 6651(a)(2) or 6651(a)(3) with respect to an eligible return for tax years 2020 or 2021.

This relief is available only to eligible taxpayers who have filed one of the following eligible income tax returns:

- Form 1040, *U.S. Individual Income Tax Return*
- Form 1040-C, *U.S. Departing Alien Income Tax Return*
- Form 1040-NR, *U.S. Nonresident Alien Income Tax Return*
- Form 1040-PR, *Declaracion de la Contribucion Federal sobre el Trabajo por Cuenta Propia*
- Form 1040-SR, *U.S. Tax Return for Seniors*
- Form 1040-SS, *U.S. Self-Employment Tax Return*
- Form 1120, *U.S. Corporation Income Tax Return*
- Form 1120-C, *U.S. Income Tax Return for Cooperative Associations*
- Form 1120-F, *U.S. Income Tax Return of a Foreign Corporation*

- Form 1120-FSC, *U.S. Income Tax Return of Foreign Sales Corporation*
- Form 1120-H, *U.S. Income Tax Return for Homeowners Associations*
- Form 1120-L, *U.S. Life Insurance Company Income Tax Return*
- Form 1120-ND, *Return for Nuclear Decommissioning Funds and Certain Related Persons*
- Form 1120-PC, *U.S. Property and Casualty Insurance Company Income Tax Return*
- Form 1120-POL, *U.S. Income Tax Return for Certain Political Organizations*
- Form 1120-REIT, *U.S. Income Tax Return for Real Estate Investment Trusts*
- Form 1120-RIC, *U.S. Income Tax Return for Regulated Investment Companies*
- Form 1120-S, *U.S. Income Tax Return for an S Corporation*
- Form 1120-SF, *U.S. Income Tax Return for Settlement Funds (Under Section 468B)*
- Form 1041, *U.S. Income Tax Return for Estates and Trusts*
- Form 1041-N, *U.S. Income Tax Return for Electing Alaska Native Settlement Trusts*
- Form 1041-QFT, *U.S. Income Tax Return for Qualified Funeral Trusts*
- Form 990-T, *Exempt Organization Business Income Tax Return*

The relief period is the period that begins on the date the IRS issued an initial balance due notice to the eligible taxpayer, or February 5, 2022, whichever is later, and ends on March 31, 2024. Eligible taxpayers will remain liable for any addition to tax for the failure to pay tax that accrued before or after the relief period. Eligible taxpayer will also remain liable for interest that accrues during the relief period as a result of any underpayment of tax for tax years 2020 or 2021.

The relief does not apply for any return for which the penalty for fraudulent failure to file under IRC section 6651(f) or the penalty for fraud under IRC section 6663 applies. The relief also does not apply to any addition to tax for the failure to pay in an offer in compromise that was accepted by the IRS under IRC section 7122. The relief also does not apply to any addition to tax that is settled in a closing agreement under IRC section 7121.