



# Common Penalties for Individuals

Penalties and interest stop accruing as soon as you [pay your balance in full](#).

If you can't pay your balance in full, pay what you can now. You can apply for an [Installment Agreement](#) to pay the remaining balance. Entering into an Installment Agreement may reduce future failure to pay penalties.

We charge some penalties, such as the failure to pay penalty, on a monthly basis, until the tax owed is paid in full.

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## When do we charge penalties?

Common penalties include:

- **Failure to file** – when you don't file your tax return by the return due date, April 15, or extended due date if an extension to file is requested and approved
- **Failure to pay** – when you don't pay the taxes reported on your return in full by the due date, April 15. An extension to file doesn't extend the time to pay

- **Failure to pay proper estimated tax** - when you don't pay enough taxes due for the year with your quarterly estimated tax payments, or through withholding, when required
- **Dishonored check** - when your bank doesn't honor your check or other form of payment

See below and Notice 746: *Information about Your Notice, Penalty and Interest.*

## How do we calculate penalties?

**Failure to file:** Internal Revenue Code §6651(a)(1)

- 5% of unpaid tax required to be reported
- Reduced by the “failure to pay” penalty amount for any month where both penalties apply
- Charged each month or part of a month the return is late, up to 5 months
- Applies for a full month, even if the return is filed less than 30 days late
- Income tax returns are subject to a minimum late filing penalty when filed more than 60 days after the return due date, including extensions. The minimum penalty is the LESSER of two amounts – 100% of the tax required to be shown on the return that you didn't pay on time, or a specific dollar amount that is adjusted annually for inflation. The specific dollar amounts are:
  - \$435 for returns due on or after 1/1/2020\*
  - \$210 for returns due between 1/1/2018 and 12/31/2019



- \$205 for returns due between 1/1/2016 and 12/31/2017
- \$135 for returns due between 1/1/2009 and 12/31/2015
- \$100 for returns due before 1/1/2009

**\* NOTE: Provision 3201** of the Taxpayer First Act increased the minimum penalty for failure to file under Code Sec. 6651(a) from \$205 to \$330. However, the Setting Every Community Up for Retirement Enhancement Act, better known as the SECURE Act, was passed at the end of 2019 and increased the minimum again to \$435.

### **Failure to pay tax reported on return:** Internal Revenue Code §6651(a)(2)

- 0.5% of tax not paid by due date, April 15; 0.25% during approved installment agreement (if return was filed on time, and taxpayer is an individual); 1% if tax is not paid within 10 days of a notice of intent to levy
- Recurring charge on the remaining unpaid tax each month or part of a month following the due date, until the tax is fully paid or until 25% is reached
- Full monthly charge applies, even if the tax is paid before the month ends

**Failure to pay tax not reported** on original return and **not paid** in full within 21 days of the date of notice and demand; 10 business days if the amount in the notice and demand equals or exceeds \$100,000: Internal Revenue Code §6651(a)(3)

- 0.5% of tax not paid by due date in notice - generally 21 calendar days from notice date, 10 business days if the balance equals or exceeds \$100,000; 0.25% during approved installment agreement (if return was filed on time, and taxpayer is an individual); 1% if tax is not paid within 10 days of a notice of intent to levy
- Recurring charge on the remaining unpaid tax each month or part of a month following the due date, until the tax is fully paid
- Full monthly charge applies, even if the tax is paid before the month ends

**Failure to pay proper estimated tax:** Internal Revenue Code §6654

- Estimated tax payments are generally required, if you expect to owe \$1,000 or more when the return is filed. If your income is received unevenly during the year, you may be able to avoid or lower the penalty by annualizing your income and making unequal payments. Use Form 2210, Underpayment of Estimated Tax by Individuals, Estates and Trusts. We calculate the penalty separately for each required installment. The number of days late is first determined and then multiplied by the effective interest rate for the installment period.
- See Publication 505, Tax Withholding and Estimated Tax for more information.
- See IRS News Release IR-2019-55 or IRS News Release IR-2019-24 (Farmers and Fishermen) to



determine if you meet the criteria for a waiver of this penalty for your 2018 taxes.

**Dishonored check or other form of payment:** Internal Revenue Code §6657

- For payments of \$1,250 or more, the penalty is 2% of the amount of the payment.
- For payments less than \$1,250, the penalty is the amount of the payment or \$25, whichever is less.

## Removing penalties

You may qualify for relief from some penalties, if you tried to comply with the requirements of the law, but weren't able to meet your tax obligations. See [penalty relief](#) for more information.

## If you disagree with the balance

If you received a notice, call us at the toll free number on the top right corner of your notice. Otherwise, please call the IRS at 1-800-829-1040. See [telephone assistance](#) for additional information. Please have your paperwork (such as cancelled checks, amended return, etc.) ready, when you call.

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