

REQUESTING PENALTY ABATEMENT



Here's a step-by-step guide on how to request a penalty abatement:

1. **Understand the Types of Penalties:** Before requesting a penalty abatement, ensure you understand the specific type of penalty you seek relief from. The IRS imposes several different penalties, including failure to file, failure to pay, and accuracy-related penalties.
2. **Gather Documentation:** Collect all relevant documentation that supports your request for penalty abatement. This may include letters from the IRS, financial records, medical records (if applicable), and other documents demonstrating your reasonable cause for abatement.
3. **Write a Penalty Abatement Letter:**

Here's a step-by-step guide on how to request a penalty abatement:

- **Header:** Use your full name, address, and Social Security Number or Taxpayer Identification Number at the top of the letter.
- **Date:** Include the date in the letter.
- **Address:** Address the letter to the appropriate IRS office. You can typically find the address on the IRS notice that imposed the penalty.
- **Salutation:** Start the letter with a respectful salutation, such as "Dear Sir/Madam" or "To Whom It May Concern."
- **Introduction:** In the opening paragraph, briefly explain the purpose of your letter, which is to request a penalty abatement.
- **Reasons for Abatement:** In the body of the letter, explain why you believe your situation qualifies for penalty relief. Be specific, honest, and concise. Common reasons include serious illness, natural disasters, and IRS errors.
- **Supporting Documentation:** Attach copies of supporting documents validating your claim for penalty abatement.
- **Conclusion:** In the closing paragraph, express your hope for a favorable response and thank the IRS for considering your request.
- **Signature:** Sign the letter and include your contact information.

4. **Mail Your Request:** Send your penalty abatement request letter and all supporting documents to the IRS address specified on the penalty notice. Use certified mail with a return receipt to have proof of delivery.
5. **Wait for a Response:** The IRS will review your request and respond in writing. This may take several weeks or even months. Be patient during this process.
6. **Follow Up if Necessary:** If you do not receive a response within a reasonable time or your request is denied, you may need to follow up with the IRS. You can call the IRS at the phone number on your penalty notice or the correspondence you received.
7. **Appeal if Necessary:** You can appeal the decision if your penalty abatement request is denied. The IRS will provide instructions on how to appeal in their denial letter.

It's essential to be honest and provide accurate information when requesting a penalty abatement. If you have doubts about your eligibility or need assistance, consider consulting a tax professional or an attorney to guide you through the process. Keep copies of all correspondence with the IRS for your records.

The IRS takes penalty abatement requests on a case-by-case basis. If you are not applying for a **first-time penalty abatement**, generally, you need a good reason(s) why you paid or filed late. This is called reasonable cause, the most common reason for penalty abatement.

To qualify for reasonable cause, you must convince the IRS that you had a legitimate reason for not paying or filing on time. You also must prove that you were exercising ordinary care and prudence.

What Is Reasonable Cause?

Reasonable cause is any legitimate excuse for not paying or filing on time. The issue must be out of your control. Also, you must prove to the IRS that you tried to file, but it was impossible.

Here are some common examples of reasonable cause:

- Death of a family member or someone very close to you.
- Unavoidable absences such as being in rehab or jail.
- Held hostage in another country.
- Destruction of your records due to fires, floods, or other casualties.
- Could not make payment or deposit due to civil disturbance such as a mail strike or a riot.
- Unable to determine the amount of tax for reasons beyond your control.
- Received incorrect advice from a competent and trustworthy tax professional.

Additional Information to Prove Reasonable Cause

If your situation is not listed above, the IRS will look deeper into your case. Here are some of the questions IRS agents may ask. These questions help determine if you should receive penalty abatement.

- What were the circumstances of the situation that caused your problem? Furthermore, why did these circumstances keep you from complying with tax laws?
- Do you have a history of paying late? If you have a history of being delinquent, your chances of abatement go down dramatically.
- How were other financial problems handled during this time? The IRS wants to know if the tax bill was the only one or if other bills were ignored.
- Do the issue dates match the time of the tax due date or filing deadlines?
- Was the situation anticipated?
- Were the circumstances outside of your control? Did you have any control over the situation?
- How strong is your support? Do you have third-party documents? Doctors' notices? Hospital bills? News of abduction?

The requirements for penalty abatement are more open than almost all types of tax resolutions. The IRS puts an actual face on your case instead of a computer, and penalty abatement can be much easier to attain than other types of settlements.

As a rule of thumb, the most critical issue is whether the situation was out of your control. For the best results, you should work with a tax relief professional specializing in helping people with penalty abatement.

How to Apply for Penalty Abatement Due to Reasonable Cause

You can apply for penalty abatement due to reasonable cause over the phone or in writing, and the IRS allows you to submit a letter or use Form 843. Although calling the IRS can be very effective when applying for first-time penalty abatement, it does not work well with reasonable cause.

To increase the chances of having your penalties waived, you should apply in writing using **Form 843**. This form outlines all the details the IRS wants to know and helps ensure you don't forget to include any critical information.

Tips for Applying for Reasonable Cause

The IRS waives less than 10% of individual tax penalties every year, and the main reason for the low abatement rate is that taxpayers don't request penalty abatement. Additionally, most initial requests are automatically rejected by the IRS's computers, and most taxpayers don't appeal their denials.

Simply applying and appealing can go a long way, but you should also keep these tips in mind if you want your application to be successful:

1. Be detailed about your reason — When explaining why you couldn't pay or file your taxes on time, be very detailed.
2. Explain how your cause affected the rest of your life — The IRS doesn't want to be the only entity that was ignored, and the agency is more likely to remove your penalties if you explain how your situation affected the rest of your life. For example, if you didn't pay your taxes due to an illness, you should also explain how that illness prevented you from going to work, pursuing your hobbies, or paying other bills.

3. Provide evidence — Make sure you back up your claims with evidence. For instance, you may need to include medical records if an illness prevented you from paying your tax bill or insurance claims if a fire burnt your financial records and caused you to file late.
4. Draft a timeline of the situation — Create a timeline that shows how it affected your ability to comply with tax regulations and why you can get back into compliance now.
5. Show prior compliance — The IRS will more likely approve your request for reasonable cause if you comply with past filing and payment requirements. If you had a penalty in the past, be ready to explain why.

Aside from following these tips, make sure that you follow up on your application. The IRS's online system doesn't show the progress of penalty abatement requests, and the agency has a history of losing these requests. You may need to follow up by phone to ensure that your request is being processed.

Common Reasons for Reasonable Cause Rejections

Again, if you want to have your penalties abated, you need to convince the agency that a situation outside your control caused you to pay or file late, and a detailed application is critical to this process. However, it's important to note that the IRS usually rejects reasonable cause requests on failure-to-file penalties due to financial hardship and reliance on a tax pro.

The IRS's computer systems are programmed to reject these two reasons for failure to file penalties automatically. Even if you have additional reasons that you didn't file your return on time, the system will reject your request if it sees that you marked reliance on a tax pro.

Similarly, although financial hardship can be a successful angle when you're trying to get failure-to-pay penalties waived, the IRS doesn't see this as a valid reason for not filing your tax return on time. The agency offers several free filing options and assistance so taxpayers can submit a return despite financial hardship.

Usually, financial hardship has an underlying cause, and if you couldn't file due to financial hardship, consider explaining the reason for the hardship. For instance, if you

couldn't work due to being in jail, grieving a loved one, or being ill, you should highlight those reasons on your penalty abatement request instead of the financial hardship.

Why You Shouldn't Pay Penalties When Requesting Abatement

If you like, you can pay the penalties before you request abatement, and if your abatement request is successful, the IRS will send you a check. However, paying penalties before you request an abatement can work against you.

When you have an unpaid tax bill, the IRS allows you to request a Collection Due Process (CDP) hearing, and during this hearing, you can present your case directly to an IRS agent. You lose this avenue if you pay off your tax bill and all your penalties.

The Reasonable Cause Review Process

Request reasonable cause penalty abatement in writing. The IRS usually takes two to three months to make an initial decision, and if you appeal the agency's decision, the process can take six to 12 months.

Make sure you apply promptly — you only have three years from the date the return was filed or two years after the penalty was paid to request abatement.

Adapted by:



From: TaxCure

Letter If Requesting First Time Penalty Abatement (FTA)

The IRS does provide first-time penalty abatement for failing to pay, failing to file, and failing to deposit if the taxpayer meets certain conditions. It would be best if you read more about **first-time penalty abatement here**. After reading the previous article, you believe you qualify and request a 1st-time penalty abatement. You can call, send a letter, or even leverage a tax professional (recommended) to do it on your behalf.

Internal Revenue Service

Penalty Abatement Coordinator

[address provided on notice of tax amount due]

[indicate what tax form it is about, e.g., 1040, 1065, etc., and the tax period]

Re: Request for Penalty Abatement Under FTA Administrative Waiver

[taxpayer name(s)]

[address]

[SSN or TIN]

[Date]

To Whom It May Concern,

[I/We] [am/are] writing to request the [failure to file, failure to pay, or failure to deposit] penalty be abated based on **IRM 20.1.1.3.6.1** that discusses RCA and First Time Abate "First Time Abate (FTA)" administrative waiver. This is referring to the [enter specific penalty and penalty amount].

[I/We] believe [I/we] meet the criteria for requesting FTA regarding the [failure to file, failure to pay, or failure to deposit] because of the following reasons:

- 1) **Compliant with Filings** - [I/We] filed all required returns or extensions and do not have any outstanding tax return requests or abatements
- 2) **3-Year Clean Penalty History** - [I/We] have not incurred tax penalties for the three prior years [note: you can have estimated tax penalty though, as it is allowed]
- 3) **Compliant With Payments:** [I/We] have paid all my taxes due or set up an installment agreement which I am currently with.

I appreciate your consideration. Stay safe.

If you have any questions or need additional information, please reach me at [phone number].

Best,

[Your Name]