



Robert W. Wood
THE TAX LAWYER

TAXES 08/25/22

IRS Cancels Millions Of Penalties And Will Issue Refunds To Taxpayers Who Already Paid Them

Given the pandemic, did you file your 2019 or 2020 tax returns late? It happened to millions of individuals and businesses. And now, on the same day that the Biden Administration announced wide student debt relief, the IRS has issued [Notice 2022-36](#) to provide sweeping penalty relief to most people and businesses who file certain 2019 or 2020 returns late.



The IRS is also refunding many penalties if you already paid. Nearly 1.6 million taxpayers will automatically receive more than \$1.2 billion in refunds or credits. Many of these payments will be completed by the end of September. The penalty relief is automatic for people or businesses who qualify, there is no need to call or write for a refund.

The relief applies to the failure to file penalty. The penalty is typically assessed at a rate of 5% per month and up to 25% of the unpaid tax when a federal income tax return is filed late. This relief applies to forms in both the Form 1040 and 1120 series, as well as others listed in [Notice 2022-36](#) on IRS.gov. To qualify, any eligible income tax return must be filed on or before Sept. 30, 2022. In addition, the IRS is providing penalty relief to banks, employers and other businesses required to file various information returns, such as those in the 1099 series. To qualify for relief, the notice states that eligible 2019 returns must have been filed by Aug. 1, 2020, and eligible 2020 returns must have been filed by Aug. 1, 2021.

Because both of these deadlines fell on a weekend, a 2019 return will still be considered timely for purposes of relief provided under the notice if it was filed by Aug. 3, 2020, and a 2020 return will be considered timely for purposes of relief provided under the notice if it was filed by Aug. 2, 2021. The notice provides details on the information returns that are eligible for relief. The notice also provides details on relief for filers of various international information returns, such as those reporting transactions with foreign trusts, receipt of foreign gifts, and ownership interests in foreign corporations. To qualify for this relief, any eligible tax return must be filed on or before Sept. 30, 2022.

The relief is automatic, and most of \$1.2 billion in refunds will be delivered to eligible taxpayers by next month. This means that eligible taxpayers need not

apply for it. If already assessed, penalties will be abated. If already paid, the taxpayer will receive a credit or refund. As a result, nearly 1.6 million taxpayers who already paid the penalty are receiving refunds totaling more than \$1.2 billion. Most eligible taxpayers will receive their refunds by the end of September.

But be careful, penalty relief is not available in some situations, such as where a fraudulent return was filed, where the penalties are part of an accepted offer in compromise or a closing agreement, or where the penalties were finally determined by a court. For details, see [Notice 2022-36](#) on IRS.gov. This relief is limited to the penalties that the notice specifically states are eligible for relief. Other penalties, such as the failure to pay penalty, are not eligible. But for these ineligible penalties, taxpayers may use existing penalty relief procedures, such as applying for relief under the reasonable cause criteria or the First Time Abate program. Visit [IRS.gov/penaltyrelief](https://www.irs.gov/penaltyrelief) for details.

Check out my [website](#).