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10 TIPS ON PENALTIES FOR LATE FILING/PAYING YOUR TAXES

By Victor Sy, CPA

1. The **failure-to-file penalty** is generally more than the failure-to-pay penalty. If you cannot pay all the taxes you owe, file to prevent that failure-to-file penalty.
2. The **failure-to-file** penalty is **5% per month** of the unpaid taxes. This penalty will not exceed 25% of the taxpayer's unpaid taxes.
3. The **failure-to-pay** penalty is **only ½%** per month, **not to exceed 25%..** Compared to the failure-to-file penalty, this is small. You really should file on time.
4. If you file your return more than 60 days after the due date or extended due date, the minimum penalty is the smaller of \$135 or 100 percent of the unpaid tax.
5. You will not have to pay a failure-to-file penalty if you can show that you failed to file on time because of **reasonable cause and not because of willful neglect**.
6. If you filed an extension and you paid at least 90% of your actual tax liability by the due date, you will not be faced with a failure-to-pay penalty.
7. If both the failure-to-file penalty and the failure-to-pay penalty apply in any month, the 5% failure-to-file penalty is reduced by the failure-to-pay penalty, meaning the maximum combined penalty tops at 5%.
8. In summary, if you can't pay, **file**. Reduce your penalties by filing on time and saving the bigger late filing penalty.
9. Request a payment plan. Use form 9465.
10. IRS may ask you to provide financial information (Form 433-A for individuals or Form 433-B for businesses) if you owe over a certain amount or if you have some issues such as delinquencies in paying or filing.