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# Look What the IRS Put In Your Stocking: Penalty Relief

**Posted on December 20, 2023**

On December 19, 2023, the Internal Revenue Service announced new penalty relief for approximately 4.7 million individuals, businesses and tax-exempt organizations that were not sent automated collection reminder notices because of the pandemic. The relief applies to taxes due for 2020 and 2021, will total approximately $1 billion, and primarily be available to those earning or receiving under $400,000 a year.

Due to the COVID-19 pandemic, the IRS temporarily suspended mailing reminders regarding the obligation to pay overdue tax bills. Notwithstanding the suspension of the reminder notices, the failure-to-pay penalty has continued to accrue for taxpayers who did not fully and timely pay their tax bills.

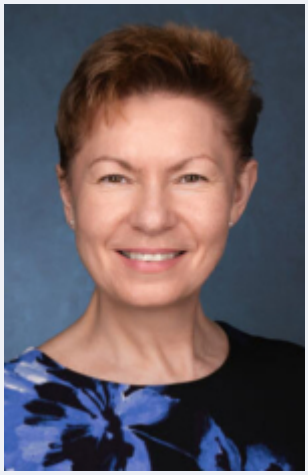
Beginning in January 2024, the IRS will be issuing a special reminder letter to advise taxpayers of their liability, ways to pay and, if applicable, the amount of penalty relief that may be available.

Initially, in January the IRS will address individual taxpayer accounts and will follow with adjustments to business accounts and then trusts, estates, and tax-exempt organizations in late February to early March 2024.

**IRS Notice 2024-7** explains the failure-to-pay penalty relief and which taxpayers may be eligible. Some highlights:

- **This penalty relief is automatic.**
- Eligible taxpayers do not need to take any action other than make payment of their tax liability.
- Eligible taxpayers who already paid their full balance will also benefit from the relief. If a taxpayer already paid failure-to-pay penalties related to their 2020 and 2021 tax years, the IRS will issue a refund or credit the payment toward another outstanding tax liability.
- The penalty relief only applies to eligible taxpayers with assessed tax under $100,000. Eligible taxpayers include individuals, businesses, trusts, estates and tax-exempt organizations that filed certain Forms 1040, 1120, 1041 and 990-T income tax returns for tax years 2020 or 2021, with an assessed tax of less than $100,000, and that were in the IRS collection notice process -- or were issued an initial balance due notice between Feb. 5, 2022, and Dec. 7, 2023.
- The IRS notes the $100,000 limit applies separately to each return and each entity.
- The failure-to-pay penalty will resume on April 1, 2024, for taxpayers otherwise eligible for relief.

If you have any questions about this Notice or other related matters, please contact **Nadia Havard**, or contact us at 814-459-2800.



## Nadia A. Havard

Nadia A. Havard concentrates her practice in all areas of qualified and nonqualified retirement plans and employee benefits; transfer taxes; fiduciary income tax and trust administration; business; as well as estate planning and administration. She also helps nonprofits obtain and maintain their tax-exempt status.

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