



Reasonable Cause: Penalty Avoidance and Abatement

- **Nationwide Tax Forum Presentation**
 - **Presented by NSA**



Sources of Penalties

- Filing of Returns
- Timely Payment of Tax
- Accuracy of Information



IRS Approach to Abatement

- Similar Cases Must be Treated Alike
- Taxpayers Provided Opportunity to be Heard
- Wrong Decisions Have Negative Impact on Voluntary Compliance



Requesting Relief

- May be Filed with Return or Subsequently
- May be Filed After Assessment
- Set Forth Events or Parties Involved
- Demonstrate Ordinary Care



Reasonable Cause

- Based on All Facts & Circumstances
- Not Available for All Penalties
- Match Wording to IRC Penalty Sections
- Demonstrate Proper Conduct



Showing of Cause

- Must be Reasonable
- Must not be Willful
- Taxpayer Must Have Acted Prudently
- Financial Situation



Common Reasons Advanced

- Unavoidable Postal Delays
- Death or Illness
- Reliance on Erroneous Competent Advice
- “Mistakes” or “Forgetfulness” not Adequate



Information to Consider

- What Happened and When?
- What Prevented Compliance?
- How Did Taxpayer Handle Other Affairs?
- How Did the Taxpayer Attempt to Comply?



Methods of Appealing Penalties

- Request Review Prior to Assessment
- Request Abatement After Assessment
- Request Abatement and Refund After Paid



Deficiency Procedures

- Required for add'l income, estate or gift tax
- Not Required for add'l employment taxes
- Not Required for non tax related penalties
- Not Required for estimated tax penalties
- Not Required for failure to file or pay



Non Deficiency Procedures

- If Proposed & Taxpayer Agrees, Penalty is Assessed
- If Proposed & Taxpayer Disagrees, 30 Day Letter is Issued – Taxpayer May File Protest
- If Appeals Sustains Penalty, They are Assessed



For Information

- National Society of Accountants
 - 800-966-6679
 - Booth in Vendor Area
 - nsacct.org