

## IRS Announces Penalty Relief for Nearly Five Million Eligible Taxpayers Totaling \$1 Billion



# Client Alert

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As looming collection action efforts against delinquent taxpayers intensifies, the Internal Revenue Service is attempting to increase voluntary compliance and payment for outstanding liabilities. The IRS announced *automatic* abatement of penalties for [failure to pay](#) for the 2020 and 2021 tax years on December 19, 2023. The relief will grant \$1 billion dollars in abatements for eligible individuals, trusts, estates, corporations and certain tax-exempt organizations. The relief will be available for various income tax forms, including forms 1040, 1041, 1120, and 990-T.

The IRS has promised to automatically abate these penalties and refund them to taxpayers or apply a credit to additional tax periods with outstanding balances due. The IRS announcement provided specific parameters on who is eligible. To be eligible, the Taxpayer must:

- 1. Have a tax liability assessed as of December 7, 2023, that is less than \$100,000;
- 2. Have been issued an initial balance due notice on or before December 7, 2023; and

ii. Have failure to pay penalties on 2020 and/or 2021 tax years.

The relief period will be from the “initial balance due notice to the eligible taxpayer, or February 5, 2022, whichever is later, and ends on March 31, 2024. Eligible taxpayers will remain liable for any addition to tax for the failure to pay tax that accrued before or after the relief period. Eligible taxpayers will also remain liable for interest that accrues during the relief period as a result of any underpayment of tax for taxable year 2020 or 2021”. ([IRS Notice 2024-7](#))

The IRS will begin to process these abatements and refunds will be issued now through January 2024. If there is a balance due the IRS will issue a notice stating the updated balance due.

Previously, [collection notices were paused during the pandemic](#) as IRS attempted to process a large backlog of returns. IRS has been sending CP500 series letters to taxpayers who owe larger balances for 2022. These collection notices become more aggressive if a collection alternative is not executed such as, Installment Agreement, Offer in Compromise or Currently not Collectible. A Final Notice of Intent to Levy on property will be issued when taxpayers fail to be proactive and voluntarily enter into a valid agreement with the Internal Revenue Service.

The automatic abatement of failure to pay penalties for eligible taxpayers will reduce their balance due. Unfortunately, interest is statutory, and therefore cannot be abated and continues to compound. Likewise, other penalties, such as failure to file or late file penalties will not be abated as part of this initiative but may be eligible for abatement upon request by the Taxpayer for other basis previously approved by the IRS. The attorneys at Lippes Mathias can help (1) ensure you receive all of the penalty abatements you are entitled to, and (2) strategize the best collection alternative available based on your individual circumstances to eliminate or reduce your liability to the lowest possible amount. For more information, please contact the firm’s tax collection defense team leader, [Justin J. Andreozzi](#), via email at [jandreozzi@lippes.com](mailto:jandreozzi@lippes.com), or via telephone at 716-565-1100 x1837.