

## Topic 653 - IRS Notices and Bills, Penalties and Interest Charges

April 15th is the deadline for most people to file their individual income tax return and pay any tax owed. If the due date falls on a Saturday, Sunday, or legal holiday, the due date is delayed until the next business day (i.e., Tax Year 2006 is due April 17, 2007). Tax returns are checked for mathematical accuracy. If there is any money owed, you will be sent a bill. Generally, interest is charged on any unpaid tax from the due date of the return until the date of payment. The interest rate is determined every three months and is the federal short-term rate plus 3 percent. Interest is compounded daily. If you file on time but don't pay all amounts due on time, you'll generally have to pay a late payment penalty of one-half of one percent of the tax owed for each month, or part of a month, that the tax remains unpaid from the due date, until the tax is paid in full or the 25% maximum penalty is applied. The one-half of one percent rate increases to one percent if the tax remains unpaid 10 days after the IRS issues a notice of intent to levy. For individuals, who file by the return due date, the one-half of one percent rate decreases to one-quarter percent for any month in which an installment agreement is in effect.

If you owe tax and don't file on time, the total late-filing penalty is usually four and one-half percent of the tax owed for each month, or part of a month, that your return is late up to five months. If your return is over 60 days late, the minimum penalty for late filing is the smaller of \$100 or 100 percent of the tax owed.

You must file your return and pay your tax by the due date to avoid interest and penalty charges. Often the funds necessary to pay your tax can be borrowed at a lower effective rate than the combined IRS interest and penalty rate.

To ensure your payment on a bill for tax is credited properly, be sure to return the tear-off stub on your bill and use our return envelope. Please make your check or money order payable to the United States Treasury. Enter the primary social security number or employer identification number, the tax year and form number and your telephone number on your check or money order.

The penalties for filing and paying late may be abated if you have reasonable cause. If you're billed for either penalty and feel you have reasonable cause, send your explanation along with the bill to your service center, or call the IRS at 1-800-829-1040 for assistance. Generally, interest charges may not be abated; they continue to accrue until all assessed tax, penalties, and interest are paid in full. Generally, any reasonable cause exception to the penalty for failure to pay tax cannot be determined until the tax is first paid in full.

If you believe there is an error on your notice or bill, write to the IRS office that sent it to you within the time frame given. You should provide photocopies of any records that may help correct the error. Also, you may call the number listed on your notice or bill for assistance. If you are correct, we will make the necessary adjustment to your account and send you a corrected notice.

For more information about IRS notices and bills, refer to [Publication 594](#) (PDF), *Understanding the Collection Process*. More information about penalty and interest charges is contained in Chapter 1, *Filing Information*, of [Publication 17](#), *Your Federal Income Tax*.