



# AMERICAN TAX RESCUE

## PENALTY ABATEMENT

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IRS penalties can get higher than the actual tax itself. It is important to understand when and how to abate your tax penalties.

Contact UCP Business with any questions you may have.

Penalty abatement is forgiveness of penalties associated with tax debt that have been added over the course of the debt. Sometimes the IRS will agree to remove such penalties when a tax payer has shown a desire to resolve the debt and has sound reasoning for the request.

#### **How do I ask the IRS to Abate Penalties?**

Form 843 is used to request an abatement of penalties. This form will ask for details such as name, address, SSN, tax years in question and reason for the abatement request. You can also send a penalty abatement letter along with the form, which acts as a cover letter for the form and outlines your reasons for the request.

It is wise, as a show of good faith, to pay the tax or set up a payment plan to resolve the debt prior to asking for abatement of penalties. This way it won't be taken as an attempt to dodge the debt, and anything you overpay by being proactive will be credited to you upon approval.

More on mailing the form in and certain limits can be found on the IRS website.

#### **Submitting a Penalty Abatement Request**

Submitting a request for abatement of tax penalties is telling the IRS you had a good reason for what led to said penalty being added in the first place. Claiming ignorance does little with the IRS, as it is the tax payer's responsibility to be aware of his or her tax situation.

If you had a serious hardship that precluded you from filing or paying on time you have a decent shot. Being hospitalized for a good portion of that tax year - particularly during tax season - would work as a reason for penalty abatement if you could prove it. Enduring a disaster or personal duress, being in prison that year, or receiving advice from a professional that resulted in IRS trouble may also work for abatement.

Unfortunately, getting bad advice from a tax preparer or CPA is not unheard of. Former clients of mine shared some of their stories with me of past mishaps from time to time. Some reported being assured further extensions to file would be sent, or even that they didn't need to worry about paying the tax due right away. Months went by before the late return was filed, and they were shocked to receive a balance due letter noting late filing as well as failure to pay penalties.

Note that the IRS will expect you to back up your reasons for the penalty abatement request; the



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more documentation you can produce the better. Each Penalty Abatement Year Is Separate. If you've got a few years that carry balances and want to pursue abatement on more than one, note that each year is independent of the others. You'll need a new form 843 for each tax period, meaning the merits of your reasoning may differ year by year. As such, don't be alarmed if some years are accepted and some are not.



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