



OBJECTIVE

The objective of this proposal is to provide a general overview of incurring a penalty when filing taxes late.

This information bulletin provides general information, regulations and minimum penalties which apply when filing taxes late.

PENALTY 1 – FAILURE TO FILE

Section 6651(a)(1) provides that if you fail to file your return by April 15th, that for each month or fraction of a month the return is late, you must pay a penalty equal to 5% of the net tax liability due for the year.

The failure to file penalty is limited, however, to a maximum of 25% of the outstanding tax, so the total penalty would be capped at \$25,000 (subject to additional limitation when the penalty is coupled with the failure to pay penalty, as described below).

PENALTY 2 – FAILURE TO PAY

April 15th is more than the filing deadline; it is also the date by which your tax liability must be paid. Fail to pay your balance due by that date, and you will become subject to a second penalty.

Section 6651(a)(2) provides that if you fail to pay your net liability due by April 15th, a penalty of 0.5% will be added to the tax due for each month or fraction of a month the tax is outstanding, with the total penalty once again capped at 25%

A six-month extension only defers the period of time you have to file the return, not to pay the underlying tax liability.



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