
penalty removal

Posted by abigei - 2008/07/23 18:53

I filed my tax return while on extension and I paid my taxes while on extension. There is a penalty and interest on the payment because the payment was paid after April 15.

How can I get the penalties and interest removed?

Is there a form or standard letter to attach?

Thanks in advance for your help.

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Re:penalty removal

Posted by Sumo - 2008/08/04 16:06

How much did you owe when you paid? I believe that there is interest on the amount not paid by April 15th but interest is only imposed if the amount you didnt pay is over \$1g

Not sure if what form to attach, maybe there are CPAs on this forum to let us know.

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Re:penalty removal

Posted by abigei - 2008/08/13 07:07

I actually owed \$1,439 on the 1040.

They just sent me a letter demanding payment or they would lien my property. So, what should I do?

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Re:penalty removal

Posted by steve - 2008/08/13 07:40

The penalty was probably two parts. Part one - penalty for underpayment of estimated taxes, and part two underpayment of tax due at the due date.

What was the reason for the underpayment of taxes? Was the income earned in the last quarter of 07? Were you out of the country around April 15th?

In order to get a penalty abated or removed you must should good faith and reasonable cause.

Filing Late Penalty: The penalty for filing late is generally 5 percent per month, or part of a month, up to 25 percent of the amount of the tax shown due on the return.

Paying Late Penalty: The penalty for paying late is 0.5 percent per month, up to 25 percent of the unpaid amount due.

Waiver of Penalties: The IRS recognizes many people drop out of the system because of personal problems, including serious illness, a death in the family, or loss of financial records in a natural disaster. Depending on the situation, informing the IRS why returns have not been filed could result in a waiver of penalties.

Important Facts: Taxes paid in a timely manner reduces the amount of penalties and interest a taxpayer may owe. Interest is calculated on the unpaid balance, penalties, and interest that have been charged to the tax account. While making payments on a tax debt through an installment agreement, penalties and interest continue on the unpaid portion of that debt.

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