

# **Best Tax Practices – Federal Tax Return - Filing & Paying Late – 8 Facts**

For most individuals, April 15 is (usually) the tax-filing deadline for your individual federal tax return.

- If you are due a refund or you break even (you owe no taxes), there is NO penalty if you file your tax return late (you have 3 years to file the return and still receive your refund; state rules may vary)
- If you owe taxes AND you fail to file AND pay on time, you will usually owe interest and penalties on the taxes you pay late

Here are 8 facts about these penalties:

1. If you file late and owe federal taxes, two (2) penalties may apply
  - a. Failure-to-**FILE** (for late filing)
  - b. Failure-to-**PAY** (for paying late)
2. The failure-to-**FILE** penalty is usually much more than the failure-to-**PAY** penalty
  - a. In most cases, it is **10 times** more
    - i. **BEST TAX PRACTICE**: File the tax return **ON TIME** even if you cannot pay the amount due
3. The failure-to-**FILE** penalty is normally 5 percent (5%) of the unpaid taxes for each month or part of a month that the return is late; not to exceed 25% of your unpaid taxes
4. If you file your return more than 60 days (2 months) after the due date or the extended due date, the minimum for late filing is the smaller of \$135 or 100% of the unpaid tax
5. The failure-to-**PAY** penalty is generally 0.5 (½%) per month of your unpaid taxes
  - a. This applies for each month (or part of a month) your taxes remain unpaid
  - b. This starts accruing the day after taxes are initially due (usually April 16)
  - c. It can build up to as much as 25% of your unpaid taxes
6. If the 5% failure-to-**FILE** penalty and the 0.5 percent failure-to-**PAY** penalty both apply in any month, the maximum penalty amount charged for that month is 5%
7. If you requested an Extension (IRS Form 4868) by the original tax deadline (usually April 15) and you pay at least 90% of the taxes you will owe, you may not face a failure-to-**PAY** penalty if you pay the remaining balance by the Extension deadline
  - a. You will still owe interest on any taxes paid after the original (usually April 15) due date
8. You will not have to pay a failure-to-**FILE** or a failure-to-**PAY** penalty if you show reasonable cause for not filing or paying on time

Additional IRS Resources ([www.irs.gov](http://www.irs.gov)):

- Tax Topic 653 – IRS Notices and Bills, Penalties and Interest Charges
- Publication 594 – IRS Collection Process