

## Penalty for failure to file Tax Forms

The following penalties generally apply to the person required to file information returns. The penalties apply to paper filers as well as to electronic filers.

### Failure To File Correct Information Returns by the Due Date

If you fail to file a correct information return by the due date and you cannot show reasonable cause, you may be subject to a penalty. The penalty applies if you fail to file timely, you fail to include all information required to be shown on a return, or you include incorrect information on a return. The penalty also applies if you file on paper when you were required to file electronically, you report an incorrect TIN or fail to report a TIN, or you fail to file paper forms that are machine readable.

The amount of the penalty is based on when you file the correct information return. The penalty is:

- \$30 per information return if you correctly file within 30 days (by March 30 if the due date is February 28); maximum penalty \$250,000 per year (\$75,000 for small businesses, defined below).
- \$60 per information return if you correctly file more than 30 days after the due date but by August 1; maximum penalty \$500,000 per year (\$200,000 for small businesses).
- \$100 per information return if you file after August 1 or you do not file required information returns; maximum penalty \$1,500,000 per year (\$500,000 for small businesses).

**CAUTION:** *If you do not file corrections and you do not meet any of the exceptions to the penalty described below, the penalty is \$100 per information return.*

**Lower maximum penalties for Small businesses:** You are a small business if your average annual gross receipts for the 3 most recent tax years (or for the period you were in existence, if shorter) ending before the calendar year in which the information returns were due are \$5 million or less.

### Exceptions to the penalty

The following are exceptions to the failure to file penalty.

1. The penalty will not apply to any failure that you can show was due to reasonable cause and not to willful neglect. In general, you must be able to show that your failure was due to an event beyond your control or due to significant mitigating factors. You must also be able to show that you acted in a responsible manner and took steps to avoid the failure.
2. An inconsequential error or omission is not considered a failure to include correct information. An inconsequential error or omission does not prevent or hinder the IRS from processing the return, from correlating the information required to be shown on the return with the information shown on the payee's tax return, or from otherwise putting the return to its intended use. Errors and omissions that are never inconsequential are those related to (a) a TIN, (b) a payee's surname, and (c) any money amount.

3. De minimis rule for corrections. Even though you cannot show reasonable cause, the penalty for failure to file correct information returns will not apply to a certain number of returns if you:
  - a. Filed those information returns,
  - b. Either failed to include all the information required on a return or included incorrect information, and
  - c. Filed corrections by August 1.

If you meet all the conditions in a, b, and c above, the penalty for filing incorrect returns (but not for filing late) will not apply to the greater of 10 information returns or 1/2 of 1% of the total number of information returns you are required to file for the calendar year.

**Intentional disregard of filing requirements.** If any failure to file a correct information return is due to intentional disregard of the filing or correct information requirements, the penalty is at least \$250 per information return with no maximum penalty.

### **Failure To Furnish Correct Payee Statements**

If you fail to provide correct payee statements and you cannot show reasonable cause, you may be subject to a penalty. The penalty applies if you fail to provide the statement by January 31 (February 15 for Forms 1099-B, 1099-S, and 1099-MISC (boxes 8 and 14 only), you fail to include all information required to be shown on the statement, or you include incorrect information on the statement. "Payee statement" has the same meaning as "statement to recipient".

The amount of the penalty is based on when you furnish the correct payee statement. It is a separate penalty, and is applied in the same manner as the penalty for failure to file correct information returns by the due date.

**Exception.** An inconsequential error or omission is not considered a failure to include correct information. An inconsequential error or omission cannot reasonably be expected to prevent or hinder the payee from timely receiving correct information and reporting it on his or her income tax return or from otherwise putting the statement to its intended use. Errors and omissions that are never inconsequential are those relating to (a) a dollar amount, (b) a significant item in a payee's address, (c) the appropriate form for the information provided (that is, whether the form is an acceptable substitute for the official IRS form), and (d) whether the statement was furnished in person or by "statement mailing," when required.

**Intentional disregard of payee statement requirements.** If any failure to provide a correct payee statement is due to intentional disregard of the requirements to furnish a correct payee statement, the penalty is at least \$250 per payee statement with no maximum penalty.

### **Failure To File Electronically**

If you are required to file electronically but fail to do so, and you do not have an approved waiver, you may be subject to a penalty of up to \$100 per return for failure to file electronically unless you establish reasonable cause. However, you can file up to 250 returns on paper; those returns will not be subject to a penalty for failure to file electronically.

The penalty applies separately to original returns and corrected returns.

### **Civil Damages for Fraudulent Filing of Information Returns**

If you willfully file fraudulent information return for payments you claim you made to another person, that person may be able to sue you for damages. You may have to pay \$5,000 or more.

The article is for information purpose only and should not be considered as legal or financial advice. Please contact your tax preparer if you need to take action on any of these issues or if you have any questions. For further information please see [General Instructions for Certain Information Returns](#).

If you need to file tax forms you can buy the printed forms and fill out and mail the forms to all the parties concerned. Alternatively, you can go online and fill out your forms. There are many tax form service providers online.