

## FIRST TIME PENALTY ABATEMENT PROGRAM (FTA)

Taxpayer may qualify for administrative relief from penalties for failing to file a tax return, pay on time, and/or to deposit taxes when due under the Service's First Time Penalty Abatement (FTA) policy if the following are true:

- You didn't previously have to file a return or you have no penalties for the 3 tax years prior to the tax year in which you received a penalty.
- You filed all currently required returns or filed an extension of time to file.
- You have paid, or arranged to pay, any tax due.

The failure-to-pay penalty will continue to accrue, until the tax is paid in full. It may be to your advantage to wait until you fully pay the tax due prior to requesting penalty relief under the Service's first-time penalty abatement policy.

Other administrative relief: If you received incorrect oral advice from the IRS, you may qualify for administrative relief.

Since its inception in 2001, many taxpayers haven't taken advantage of this waiver. In 2012, the IRS's watchdog, the Treasury Inspector General for Tax Administration, [reported](#) that only 8 percent of individual taxpayers requested and received the FTA waiver. That means that more than a million taxpayers miss out on this [tax penalty relief](#) provision each year.

The IRS has taken steps to provide better FTA accessibility. In 2015, the service began accepting FTA requests by phone regardless of the penalty amount, making FTA more accessible for people who needed it. With a phone call, taxpayers with no penalties in the prior three years could get failure to file, failure to pay, or failure to deposit penalties waived for a single tax year or period.

Then the service made it even easier to get FTA. The IRS set up a penalty assistance hotline and started including a special penalty leaflet in IRS notices that explains taxpayers' right to request FTA.

According to a Feb. 8, 2018, [IRS Chief Counsel Technical Assistance memo](#), the IRS is now considering automating FTA for all taxpayers. The memo states that 1.35 million additional taxpayers would receive FTA under the new IRS proposal to automatically abate penalties when a taxpayer meets FTA rules.

If tax pros are contacting the IRS, especially by phone, to ask for reasonable cause relief, make sure the IRS has correctly classified the relief as due to reasonable cause—not FTA.

IRS representatives use an automated penalty abatement tool that looks to FTA first before applying reasonable cause. *If tax pros depend on the IRS order of operations*, their clients could be precluded from using FTA in the future when they really need it.