

Selected Preparer Penalties

Violation	Section	Penalty
Understatement of taxpayer's liability due to an unreasonable position ¹	6694(a)	Greater of \$1,000 or 50% of income derived from preparing the return.
Understatement due to preparer's willful or reckless conduct or intentional disregard of rules	6694(b)	Greater of \$5,000 or 50% of income derived from preparing the return, reduced by penalty paid under Section 6694(a).
Failure to furnish copy of return to taxpayer ²	6695(a)	\$50 per failure, up to \$25,000 per year.
Failure of preparer to sign return	6695(b)	\$50 per failure, up to \$25,000 per year.
Failure to furnish preparer's identifying number	6695(c)	\$50 per failure, up to \$25,000 per year.
Failure to maintain copies of returns prepared or a client listing ²	6695(d)	\$50 per failure, up to \$25,000 per year.
Failure to maintain information under Section 6060 on all preparers employed during a return period	6695(e)	\$50 per preparer or per item missing from required information, up to \$25,000 per year.
Earned income credit—failure to meet “due diligence” requirements	6695(g)	\$500 per failure.
Aiding and abetting an understatement of tax liability	6701	\$1,000 per taxpayer (\$10,000 for corporations) per taxable period.
Improper disclosure or use of return information	6713	Civil—\$250 for each disclosure or use up to \$10,000 per year.
Willful delivery or disclosure of fraudulent documentation to the IRS	7207	Maximum \$10,000 (\$50,000 for corporations) and/or one year imprisonment.
Interference with the administration of the Internal Revenue Code	7212	Maximum \$5,000 fine and/or three years imprisonment (unless only a threat of force involved, then the penalty is a maximum \$3,000 fine and/or one year imprisonment).
Improper disclosure or use of return information	7216	Misdemeanor—\$1,000, one year prison or both plus prosecution costs.
Misrepresentation of experience, education or eligibility to practice before the IRS; guaranteeing payment of tax refunds; other fraudulent or deceptive conduct; conduct subject to penalty under Section 6694 or 6695 or criminal penalty under the IRC	7407(b)	Court action to stop preparer from such conduct. Action to stop preparer from acting as a paid preparer for repeated violations.

¹ A position (other than a tax shelter or reportable transaction) is unreasonable if (a) the practitioner knew (or should have known) of the position, (b) there is not substantial authority for the position and (c) the position was not disclosed. A disclosed position is unreasonable if there is no reasonable basis for it.

² Electronic copies of tax returns can be used to satisfy the maintaining and providing copies of tax return requirements.