

Selected Taxpayer Penalties

Violation	Section	Penalty
Failure to disclose foreign financial assets	6038D	\$10,000 penalty (increased if failure continues after notification).
Failure to file return (Late filing penalty)	6651(a)(1)	5% of unpaid balance for each month or part of a month the return is late. Maximum 25%. If the return is more than 60 days late, the minimum penalty is the lesser of \$135 or tax due. There is no penalty if the return shows no tax due. If the taxpayer is subject to failure to file and failure to pay penalties for the same month, the failure to file penalty is reduced by the failure to pay penalty.
Failure to pay tax (Late payment penalty)	6651(a)(2)	0.5% of unpaid balance for each month or part of a month there is an unpaid balance. Maximum 25%. The penalty is half the usual rate for any months an installment agreement is in effect.
Fraudulent failure to file tax return	6651(f)	Section 6651(a)(1) penalty is replaced with 15% of tax per month not to exceed 75% of tax.
Underpayment of estimated tax by individuals	6654	Interest at federal rate for underpayments applied to the underpaid amount for the number of days late. See Applicable Federal Rates for interest rates.
Bad check used to pay tax	6657	2% of check amount, subject to \$25 minimum (100% of check if less).
Accuracy-related penalty	6662 ¹	20% of underpayment attributable to any of the following: <ul style="list-style-type: none"> • Negligence or disregard of rules or regulations—failure to make a reasonable effort to comply with the tax law, including failure to keep adequate records or to use ordinary and reasonable care in preparing a return. • Substantial understatement of income tax—generally an understatement that is more than 10% of the correct tax and greater than \$5,000. • Substantial valuation misstatement—generally a valuation that is 150% or more of the determined value and causes a tax understatement of more than \$5,000. (Penalty is 40% in the case of gross valuation misstatement.) • Substantial estate or gift tax valuation understatement—valuation that is 65% or less of the determined value and causes a tax understatement of more than \$5,000. Disallowance of claimed tax benefits due to a transaction lacking economic substance. • Undisclosed foreign financial asset understatement (penalty increased from 20% to 40%).
Accuracy-related penalty with respect to “reportable transactions”	6662A ¹	30% of the understatement for undisclosed “reportable transactions”; ¹ 20% of understatement for all other transactions.
Fraud	6663 ¹	75% of underpayment attributable to fraud.
Erroneous refund claim	6676	20% of disallowed portion for which taxpayer has no reasonable basis.
Frivolous or incomplete return	6702	\$5,000, regardless of actual tax liability. (\$500 if conditions of Rev. Proc. 2012-43 are satisfied.)
Willful attempt to evade or defeat tax	7201	Felony, up to \$100,000 fine, five years in prison or both; \$500,000 for corporations.
Willful failure to pay tax or file return	7203	Misdemeanor—up to \$25,000 fine, one year in prison or both; \$100,000 for corporations.
Willful making and subscribing to false return	7206(1)	Felony—up to \$100,000 fine, three years in prison or both; \$500,000 for corporations.

¹ No penalty imposed if taxpayer can show a reasonable cause for the underpayment unless transaction lacks economic substance.