

Relief from Additions to Tax for Certain Taxpayers' Failure to Timely Pay Income Tax for Taxable Years 2020 and 2021

Notice 2024-7

SECTION I. PURPOSE

This notice provides relief for certain taxpayers from additions to tax for the failure to pay income tax with respect to certain income tax returns for taxable years 2020 and 2021. These additions to tax for the failure to pay income tax will be waived or, to the extent previously assessed or paid, will be abated, refunded, or credited to other outstanding tax liabilities, as described in section III of this notice. Section III.D of this notice describes situations in which the relief provided in this notice does not apply.

SECTION II. BACKGROUND

Section 6651(a)(2) of the Internal Revenue Code (Code)¹ generally imposes an addition to the tax owed by a taxpayer for the failure to pay the amount shown as tax on a return required to be filed by the taxpayer, on or before the date prescribed for payment of such tax, including any extension of time for payment. Section 6651(a)(3) generally imposes an addition to the tax owed by the taxpayer for the failure to pay the amount required to be shown on a return that is not so shown within 21 calendar days from the date of notice and demand or 10 business days if the amount in the notice and demand is \$100,000 or greater. Sections 6651(a)(2) and 6651(a)(3) apply to returns required to be filed under the authority of any provision of subchapter A of chapter 61 of the Code, (for example, §§ 6012 through 6017 requiring the filing of income tax returns) and do not apply to information returns required to be filed or furnished under part III of such subchapter (that is, §§ 6031 through 6056 of the Code). Sections 6651(a)(2) and 6651(a)(3) do not apply if the taxpayer can show that the failure to pay the tax shown or required to be shown on the return is due to reasonable cause and not due to willful neglect.

When a taxpayer does not fully pay a tax liability, the Internal Revenue Service (IRS) sends an initial balance due notice, which includes Notices CP14 and CP161.² An initial balance due notice informs the taxpayer of the amount of tax owed and instructs the taxpayer how to pay the tax liability. If the taxpayer does not pay the tax liability after receiving the initial notice, the IRS normally sends the taxpayer certain automated reminder notices.

On March 13, 2020, the President of the United States declared a national emergency in response to the ongoing Coronavirus Disease 2019 (COVID-19) pandemic.³ The same day, the President also issued an emergency declaration under the Robert T. Stafford Disaster Relief and Emergency Assistance Act, 42 U.S.C. 5121 et seq. (Emergency Declaration).⁴ The Emergency Declaration instructed the Secretary of the Treasury "to provide relief from tax deadlines to Americans who have been adversely affected by the COVID-19 emergency, as appropriate, pursuant to 26 U.S.C. 7508A(a)." In response, the Department of the Treasury (Treasury Department) and the IRS issued a series of notices and other guidance to provide relief to affected taxpayers.

On February 9, 2022, the IRS announced in IRS News Release IR-2022-31 (IR-2022-31) the temporary suspension of the mailing of certain automated reminder notices. The IRS did not suspend the mailing of initial balance due notices. The additions to tax for the failure to pay taxes owed under §§ 6651(a)(2) and 6651(a)(3) continued to accrue for taxpayers who did not fully pay their balance due.

The IRS will fully resume issuing automated reminder notices in calendar year 2024 for balances due for taxable years 2021 and earlier, thereby resuming the normal notice process for these taxable years. The Treasury Department and the IRS have determined that the relief described in section III of this notice will help certain taxpayers, who were not sent reminder notices during the temporary suspension of certain automated reminder notices, meet their Federal tax obligations.

SECTION III. GRANT OF RELIEF

Taxpayers described in section III.A of this notice (eligible taxpayers) who have filed tax returns specified in section III.B of this notice (eligible returns) will have the accrual of additions to tax for the failure to pay taxes owed for taxable year 2020 or 2021 waived for the relief period described in section III.C (relief period) or, to the extent previously assessed or paid, will have such additions to tax automatically abated, refunded, or credited to other outstanding tax liabilities, as appropriate, for the relief period. There is no need for taxpayers to request this relief. The IRS will issue a notice to each eligible taxpayer that reflects the updated amount owed and any refund or credit resulting from the automatic abatement. The relief granted in this notice applies to additions to tax under §§ 6651(a)(2) and 6651(a)(3) for the failure to pay taxes owed, but does not apply to any amount of interest that accrues as a result of any underpayment.

A. Eligible Taxpayers

The relief granted in this notice is available only to eligible taxpayers for accruals of additions to tax under §§ 6651(a)(2) and 6651(a)(3) for the failure to pay during the relief period. An “eligible taxpayer” is any taxpayer:

- Whose assessed income tax for taxable year 2020 or 2021, as of December 7, 2023, is less than \$100,000, excluding any applicable additions to tax, penalties, or interest;
- Who was issued an initial balance due notice (including, but not limited to Notice CP14 or Notice CP161) on or before December 7, 2023, for taxable year 2020 or 2021; and
- Who is otherwise liable during the relief period for accruals of additions to tax for the failure to pay under § 6651(a)(2) or 6651(a)(3) with respect to an eligible return for taxable year 2020 or 2021.

B. Eligible Returns

The relief granted in this notice is available only to eligible taxpayers who have filed an eligible return. An “eligible return” is one of the following income tax returns:

1. *Income Tax Returns of Individuals:*

- *Form 1040, U.S. Individual Income Tax Return*
- *Form 1040-C, U.S. Departing Alien Income Tax Return*
- *Form 1040-NR, U.S. Nonresident Alien Income Tax Return*
- *Form 1040-PR, Declaración de la Contribución Federal sobre el Trabajo por Cuenta Propia*
- *Form 1040-SR, U.S. Tax Return for Seniors*
- *Form 1040-SS, U.S. Self-Employment Tax Return*

2. *Income Tax Returns of Trusts, Estates, Certain Taxable Corporations, and Certain Tax-Exempt Organizations:*

- *Form 1120, U.S. Corporation Income Tax Return*
- *Form 1120-C, U.S. Income Tax Return for Cooperative Associations*
- *Form 1120-F, U.S. Income Tax Return of a Foreign Corporation*
- *Form 1120-FSC, U.S. Income Tax Return of Foreign Sales Corporation*
- *Form 1120-H, U.S. Income Tax Return for Homeowners Associations*
- *Form 1120-L, U.S. Life Insurance Company Income Tax Return*
- *Form 1120-ND, Return for Nuclear Decommissioning Funds and Certain Related Persons*
- *Form 1120-PC, U.S. Property and Casualty Insurance Company Income Tax Return*
- *Form 1120-POL, U.S. Income Tax Return for Certain Political Organizations*
- *Form 1120-REIT, U.S. Income Tax Return for Real Estate Investment Trusts*
- *Form 1120-RIC, U.S. Income Tax Return for Regulated Investment Companies*
- *Form 1120-S, U.S. Income Tax Return for an S Corporation*
- *Form 1120-SF, U.S. Income Tax Return for Settlement Funds (Under Section 468B)*
- *Form 1041, U.S. Income Tax Return for Estates and Trusts*
- *Form 1041-N, U.S. Income Tax Return for Electing Alaska Native Settlement Trusts*
- *Form 1041-QFT, U.S. Income Tax Return for Qualified Funeral Trusts*
- *Form 990-T, Exempt Organization Business Income Tax Return*

C. Relief Period

For purposes of the relief granted in this notice, the “relief period” is the period that begins on the date the IRS issued an initial balance due notice to the eligible taxpayer, or February 5, 2022, whichever is later, and ends on March 31, 2024. Eligible taxpayers will remain liable for any addition to tax for the failure to pay tax that accrued before or after the relief period. Eligible taxpayers will also remain liable for interest that accrues during the relief period as a result of any underpayment of tax for taxable year 2020 or 2021.

D. Exceptions to Relief

The relief described in this notice does not apply to any addition to tax, penalty, or interest that is not specifically listed in the grant of relief under section III of this notice. In addition, the relief described in section III of this notice is not available with respect to any return for which the penalty for fraudulent failure to file under § 6651(f) or the penalty for fraud under § 6663 applies. The relief described in section III of this notice also does not apply to any addition to tax for the failure to pay in an offer in compromise under § 7122 that is accepted by the IRS because acceptance of the offer conclusively settles all of the liabilities in the offer under § 301.7122-1(e)(5) of the Procedure and Administration Regulations (26 CFR part 301). Finally, the relief described in section III of this notice does not apply to any addition to tax for the failure to pay that is settled in a closing agreement under § 7121 or finally determined in a judicial proceeding.