

# You May Soon Get a Tax Refund or Penalty Relief

August 25, 2022



The COVID-19 pandemic caused significant hardships for certain taxpayers, many of whom were unable to file their 2019 and 2020 tax returns on time. These late-filed returns became the subject of significant penalty assessments typically imposed at 5% per month up to 25% of the unpaid liability. Requests for abatements of these penalties under the reasonable cause provisions have largely gone unaddressed due to the extreme backlog in correspondence processing plaguing the IRS.

Thankfully, on August 24, 2022, the IRS announced that it will provide penalty relief for individuals and businesses who filed 2019 or 2020 tax returns late. To qualify for this relief, such tax returns must be filed no later than September 30, 2022. **As long as the returns in question, including individual, partnership and corporate income tax returns, are filed by the end of September, penalty relief will be automatically granted. Those who already paid a late filing penalty in connection with returns for those years will be automatically issued a refund or credit.** These refunds are targeted to go out by late September.

Additionally, 2019 and 2020 foreign disclosure filings relating to ownership interests in foreign corporations, transactions involving foreign trusts, and receipts of foreign gifts, will be deemed timely filed under this relief if submitted by September 30, 2022.

Finally, the IRS is also providing penalty relief for other information disclosure filings, such as 1099s. These filings are eligible for the late filing penalty relief if for 2019, they were filed by August 3, 2020, and for 2020, they were filed by August 2, 2021.

It should be noted that relief only applies to the late-filing penalties, however other assessed penalties, such as failure to pay penalties, will still be levied.

The IRS estimates that about 1.6 million taxpayers are entitled to penalty relief resulting in a savings of \$1.2 billion. To find out if you are eligible for this penalty waiver or if you will be receiving a refund, please contact your Anchin Relationship Partner.