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Tax Regs in Plain English

IRS Restructuring and Reform Act of 1998

3303 - Mitigation of Penalty on Individual's Failure to Pay for Months During Period of Installment Agreement

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Section 3303

A. Provision covered: Section 3303 (Mitigation of Penalty on Individual's Failure to Pay for Months During Period of Installment Agreement) (I.R.C. § 6651(h))

B. Background: Present law imposes a penalty for a failure to timely pay tax equal to .5% per month on the unpaid amount, up to a maximum of 25%.

C. Changes: In the case of a timely filed individual return, section 6651(h) will reduce the failure to pay penalty to half the usual rate for any month in which an installment agreement with the Service is in effect.

D. Impact: This provision will reduce the failure to pay penalty by 50% for individuals who timely filed returns and pay by installment agreements. The provision will require the Service to amend penalty notices for taxpayers entering into installment agreements with the Service. In addition, the Service will have to train employees in Exam, Collection, Appeals, and Customer Service in order to familiarize them with the new provision.

E. Necessary Actions:

1. The Service must revise the IRM to reduce the failure to pay penalty for installment agreements.

2. The Service must revise the computer programs to ensure that the .25% rate of an addition to tax is used.

F. Other Special Comments: None.

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