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Tax Regs in Plain English

# IRS Restructuring and Reform Act of 1998

## 3305 - Suspension of Interest and Penalties where Secretary Fails to Contact Individual Taxpayer

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### Section 3305

**A. Provision covered:** Section 3305 (Suspension of Interest & Penalties Where Secretary Fails to Contact Individual Taxpayer) (Amends § 6404 of the Code).

**B. Background:** Currently, interest and penalties accrue during periods for which taxes are unpaid without regard to whether the taxpayer is aware that there is tax due.

**C. Changes:** The provision amends § 6404 of the Code to provide that in the case of an individual who files an income tax return on or before the due date for the return (including extensions), if the IRS does not provide a notice to the taxpayer specifically stating the taxpayer's liability and the basis for the liability before the suspension period begins, the IRS must suspend the imposition of any interest, penalty, addition to tax, or additional amount with respect to any failure relating to the return which is computed by and which is properly allocable to the suspension period. The suspension period begins 18 months (12 months for taxable years beginning after December 31, 2003) after the later of (1) the date on which the return is timely filed, or (2) the due date of the return without regard to extensions. The suspension period ends 21 days after the date on which the required notice is issued by the IRS. The provision does not apply to

1. any penalty imposed by section 6651,
2. any interest, penalty, addition to tax, or additional amount in a case involving

fraud,

3. any interest, penalty, addition to tax, or additional amount with respect to any tax liability shown on to the return, or
4. any criminal penalty.

**D. Impact:** The IRS must take necessary actions to ensure that it does not impose any interest, penalty, addition to tax, or additional amount with respect to any failure relating to the return, during the suspension period.

**E. Necessary Actions:**

1. Submit RIS to automatically suspend any non-exempt interest, penalty, addition to tax, or additional amount with respect to any failure relating to the return, during the suspension period.
2. Revise IRM procedures and interest programs to reflect the suspension period beginning 18 months after the later of the (1) date a return is timely filed or (2) the due date for the return without extensions, and ending 21 days after the IRS issues the required notice.
3. Revise forms and publications.

**F. Other Special Comments:** None.

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