



IRS provides penalty relief for 2020 and 2021 tax returns; help paying taxes

FS-2023-28, Dec. 2023

Taxpayers who had a balance due for tax years 2020 and/or 2021 and did not receive balance due reminder notices due to the pandemic-related pause, may be eligible for automatic penalty relief.

What this means

The Internal Revenue Service will automatically waive failure to pay penalties on assessed taxes less than \$100,000 for tax years 2020 or 2021.

Individual, business, estate, trust or tax-exempt taxpayers are eligible for automatic failure to pay penalty relief if they:

- filed a Form 1040, 1041, 1120 series or Form 990-T tax return for years 2020 and/or 2021,
- were assessed taxes of less than \$100,000, and
- received an initial balance due notice, typically the CP14 or CP161, between Feb. 5, 2022, and Dec. 7, 2023.

They do not have to take any additional actions to receive this relief:

- If they made payments on their account or their balance is paid in full, they are eligible for automatic failure to pay penalty relief on assessed taxes less than \$100K per year.
- A credit will automatically be applied to any other tax year with a balance due, otherwise they will receive a refund.
- If their address has changed, they'll need to update their account to make sure they receive any IRS refunds or notices.

Taxpayers with assessed taxes of \$100,000 or more are not eligible for automatic relief and can apply for penalty relief under the reasonable cause criteria or the First-Time Abate program. Visit IRS.gov/penaltyrelief for details.

Taxpayers can find details about their penalty relief by viewing their transcript. Taxpayers with questions on penalty relief can contact the IRS after March 31, 2024.

Taxpayers who can't full pay their taxes

Notices and letters provide taxpayers with information about the actions they need to take. Many notices have QR codes that help direct taxpayers to their online tax accounts. In addition, these letters inform the taxpayer of the status of their unpaid balance or unfiled return, options for resolution and their rights in the collection process.

The IRS also urges people not to wait to respond to a notice. Tax bills quickly get worse with time as fees, penalties and interest accumulate. In addition, if a taxpayer doesn't respond, it can lead to more serious IRS collection activity such as liens or levies.

The IRS encourages taxpayers who owe taxes or have an overdue unfiled tax return to review IRS payment options and file all outstanding tax returns. The IRS website has online resources with helpful information, including details on making payments and payment programs as well as unfiled returns.

For taxpayers who can't pay their tax bill, the IRS offers several options to help them meet their obligations. Taxpayers struggling to meet their tax obligation may consider these options.



Options for those who can't pay in full

- **Payment plans** – Taxpayers who owe but cannot pay in full when they file don't have to wait for a tax bill to set up a payment plan. They can apply for a payment plan at IRS.gov/paymentplan. Most taxpayers who owe can set up a payment plan through the [Online Payment Agreement tool](#) as well as by using the IRS text/voice bots. There's no paperwork and no need to call, write or visit the IRS. [Setup fees may apply for some types of plans](#).
- **Offer in Compromise** – An Offer in Compromise allows qualifying taxpayers to settle their tax liabilities for less than the total amount they owe. To help determine eligibility, taxpayers can use the [Offer in Compromise Pre-Qualifier tool](#). To help them prepare their own valid Offers in Compromise, the IRS created an [OIC video playlist](#) – also available in Spanish and Simplified Chinese – that walks them through the necessary paperwork.
- **Temporarily delaying collection** – Taxpayers can contact the IRS to request a temporary delay of the collection process. If the IRS determines a taxpayer is unable to pay, it may delay collection until the taxpayer's financial condition improves. Penalties and interest continue to accrue until the taxpayer pays the full amount.

What happens if taxpayers don't make arrangements to pay their taxes?

It's important to contact the IRS and make arrangements to voluntarily pay the tax due. If taxpayers don't contact the IRS, the IRS may take one or more of the following actions to collect the taxes.

Federal tax lien

[A federal tax lien](#) is the government's legal claim against a taxpayer's property when they neglect or fail to pay a tax debt. The lien protects the government's interest in all taxpayer's property, including real estate, personal property and financial assets.

A federal tax lien occurs after the IRS:

- Assesses their tax liability;
- Sends them a bill that explains how much they owe (Notice and Demand for Payment); and
- The taxpayer neglects or refuses to fully pay the debt in time.

The best way to get rid of a federal tax lien is to pay the taxes. When conditions are in the best interest of both the government and the taxpayer, other options exist for reducing the impact of a lien.

Notice of Federal Tax Lien

The IRS files a public document, the Notice of Federal Tax Lien, to alert creditors that the government has a legal right to a taxpayer's property.

Levy

A levy is a legal seizure of property, or rights to property, to satisfy a tax debt. When property is levied, it will be sold to help pay the taxpayers tax debt. If wages or bank accounts are seized, the money will be applied to the taxpayer's tax debt.

Notice of Intent to Levy and Notice of Right to a Hearing

This notice is typically one of the [actions the IRS must take before a levy can be issued](#).

Generally, before property is seized, the IRS will send a taxpayer this type of notice. If they don't pay their overdue taxes, make other arrangements to satisfy the tax debt or request a hearing within 30 days of the



date of this notice, the IRS may seize the taxpayer's property.

Summons

A summons legally compels a taxpayer or a third party, to meet with the IRS and provide information, documents or testimony for an IRS investigation.

Passport actions

The Department of State will not issue or renew a passport to anyone who has been certified by the IRS as having a seriously delinquent tax debt. Seriously delinquent tax debts are legally enforceable, unpaid federal tax debt (including assessed penalties and interest) totaling more than \$59,000 (adjusted yearly for inflation). They may also revoke a passport previously issued to these taxpayers. For information on passports, refer to [Revocation or Denial of Passport in Cases of Certain Unpaid Taxes](#).

Taxpayers have rights and protections throughout the collection process. For more information, refer to [Taxpayer Bill of Rights](#), [Publication 1, Your Rights as a Taxpayer](#), [Publication 594, The IRS Collection Process](#), and [Publication 1660, Collection Appeal Rights](#).