

About Late Filing (Penalties & Interest)

April 15 is the annual deadline for most people to file their federal income tax return and pay any taxes they owe. This date may be extended nationally (as was the case for 2019 tax returns due to the COVID-19 pandemic) or regionally (as was the case in Texas and surrounding states for Winter Storm Uri for 2020 tax returns).

If taxpayers are due a refund, there is no penalty if they file a late tax return.

For taxpayers who owe taxes and fail to file and pay on time, interest and penalties will be levied on the taxes that are delinquent, or late. A taxpayer who files a tax return by the filing deadline (usually April 15th) but fails to fully pay all taxes owed by the deadline will be liable for interest and penalties.

- Generally, **interest** accrues on any unpaid tax from the due date of the return until the date of payment in full. The interest rate is determined quarterly and is the federal short-term rate plus 3 percent. Interest compounds daily.
- If a taxpayer files a return but doesn't pay all tax owed on time, they will generally have to pay a late payment penalty. This **failure-to-pay penalty** is 1/2 of 1% for each month, or part of a month (up to a maximum of 25%) of the amount of tax that remains unpaid from the due date of the return until the tax is paid in full. The 1/2 of 1% rate increases to 1% if the tax remains unpaid 10 days after the IRS issues a notice of intent to levy property.

Note: If a taxpayer files a return by its due date and requests an installment agreement, the 1/2 of 1% rate decreases to 1/4 of 1% rate for any month in which an installment agreement is in effect. Be aware that the IRS applies payments to the tax first, then any penalty, then to interest. Any penalty amount that appears on an IRS bill is generally the total amount of the penalty up to the date of the notice, not the penalty amount charged each month.

- If a taxpayer owes tax and doesn't file a tax return on time, there is also a penalty for not filing on time. The **failure-to-file penalty** is usually 5% of the tax owed for each month, or part of a month that your return is late, up to a maximum of 25%. If your return is over 60 days late, there is also a minimum penalty for late filing; this is the lesser of \$485 (for tax returns required to be filed in 2024) or 100% of the tax owed.

Foundation Communities Policy

Tax Help Program volunteers should avoid offering specific advice to taxpayers about resolution of tax debt issues. Volunteers should not attempt to calculate the amount of penalties and interest that may be assessed by the IRS for delinquent taxpayers.

How to Assist the Taxpayer

To keep interest and penalties to a minimum, taxpayers should file their tax returns and pay any tax owed as soon as possible. Taxpayers should file even if they cannot pay. Filing and paying as soon as possible will keep interest and penalties to a minimum.

Taxpayers should make any payment that they are able to. Taxpayers who cannot pay their full balance should contact the IRS to set up a payment installment plan or make other arrangements.

Refer to:

How To Make a Payment - a bilingual handout

[Resources for Taxpayers Who Need Tax Relief](#) bilingual handout

[IRS Paying Your Taxes](#) website

[Topic No. 653 IRS Notices and Bills, Penalties, and Interest Charges.](#)

Note: Late payment penalties may not apply. If a taxpayer requested an extension of time to file their income tax return by the original due date and has paid at least 90 percent of the taxes they owe, they may not face a failure-to-pay penalty. However, the taxpayer must pay the remaining balance by the extended tax return due date. Taxpayers may still owe interest on any taxes they pay after the April 15 due date.

Note: There is no penalty for reasonable cause. In responding to an IRS notice or letter about a failure to file a tax return, taxpayers may be able to claim “reasonable cause” for failing to file the tax return if they qualify. If the IRS accepts that reasonable cause prevented the taxpayer from filing, they will not owe penalties and/or interest on their past-due balance. See [Penalty Relief Due to Reasonable Cause](#).