

Information About Your Notice, Penalty and Interest

The interest rates on underpayment and overpayment of taxes are as follows:

Periods	Percentage Rates	
	Underpayment	Overpayment
January 1, 1999 through March 31, 1999	7	7
April 1, 1999 through March 31, 2000	8	8
April 1, 2000 through March 31, 2001	9	9
April 1, 2001 through June 30, 2001.....	8	8
July 1, 2001 through December 31, 2001.....	7	7
January 1, 2002 through December 31, 2002	6	6
January 1, 2003 through September 30, 2003	5	5
October 1, 2003 through March 31, 2004.....	4	4
April 1, 2004 through June 30, 2004.....	5	5
July 1, 2004 through September 30, 2004.....	4	4
October 1, 2004 through March 31, 2005.....	5	5
April 1, 2005 through September 30, 2005.....	6	6
October 1, 2005 through June 30, 2006.....	7	7
July 1, 2006 through December 31, 2007.....	8	8
January 1, 2008 through March 31, 2008.....	7	7
April 1, 2008 through June 30, 2008.....	6	6
July 1, 2008 through September 30, 2008.....	5	5
October 1, 2008 through December 31, 2008	6	6
January 1, 2009 through March 31, 2009.....	5	5
Beginning April 1, 2009.....	4	4

Beginning January 1, 1999, the interest rate we pay on any overpayment of taxes, except for corporate taxes, is the same as the rate of interest we charge on the underpayment of taxes. The law requires us to determine these interest rates quarterly. From January 1, 1987 through December 31, 1998, the interest rate we paid on an overpayment of taxes was one percent less than the rate of interest we charged on your underpayment of taxes. Effective January 1, 1995, we pay a reduced rate of interest on corporate overpayments that exceed \$10,000. This reduced rate is the short-term federal interest rate, plus ½%.

We compound interest daily, except on late or underpaid estimated taxes for individuals or corporations.

We charge a special interest rate of 120 percent of the underpayment rate if:

- The return, not including extensions, was due before January 1, 1990,
- The underpayment was more than \$1,000, and
- The underpayment came from a tax-motivated transaction.

We charge interest on penalties for filing late, paying late, over or understating valuations, and substantially understating the tax you owe. Also, we charge interest on fraud and negligence penalties if the tax returns, including extensions, are due after December 31, 1988. For returns due after December 31, 1989, the Accuracy-Related Penalty is charged interest from the later of the return due date or extended return due date.

We continue to charge interest until you pay the amount you owe in full. After December 31, 1990, the law allows us to charge interest at the underpayment rate plus two percent on large corporate underpayments of more than \$100,000.



Department of the Treasury
Internal Revenue Service

www.irs.gov

Notice 746 (Rev. 4-2009)
Catalog Number 63146F

About Your Notice

You may call your local IRS telephone number if the number shown on your notice is a long-distance call for you. All days mentioned in the paragraphs below are *calendar days*, unless *specifically* stated otherwise.

Removal of Penalties

Reasonable Cause. The law lets us remove or reduce the penalties we explain in this notice if you have an acceptable reason. If you believe you have an acceptable reason, you may send us a signed statement explaining your reason. We will review it and let you know if we accept your explanation as reasonable cause to remove or reduce your penalty. This procedure doesn't apply to interest and, in some cases, we may ask you to pay the tax in full before we reduce or remove the penalty for paying late.

Erroneous Written Advice from IRS

We will also remove your penalty if:

- you wrote to IRS and asked for advice on a specific issue,
- you gave IRS complete and accurate information,
- IRS wrote back to you and gave you a specific course of action to take or explained what actions not to take,
- you followed our written advice in the manner we outlined, and
- you were penalized for the written advice we gave you.

To have the penalty removed because of erroneous written advice from IRS you should:

- complete Form 843, *Claim for Refund and Request for Abatement*,
- request that IRS remove the penalty, and
- send Form 843 to the IRS Service Center where you filed your return for the year you relied on erroneous advice from the IRS.

The three documents you must attach to your Form 843 are:

- a copy of your original request for advice from IRS,
- a copy of the erroneous written advice from IRS, and
- a notice (if any) showing the penalty we charged that you now wish us to remove.

Deposit Penalties - IRC 6656

We may charge penalties if you do not make required deposits on time, make deposits for less than the required amount or if you do not use EFTPS when required. We will not charge penalties if you did not willfully neglect to make a proper and timely deposit and you have a reasonable cause. For amounts not properly or timely deposited, the penalty rates are:

- 2%** — deposits made 1 to 5 days late,
- 5%** — deposits made 6 to 15 days late,
- 10%** — deposits made 16 days or more late, but on or before the 10th day after the date of the first notice we sent you asking for the tax you owe.
- 10%** — deposits made to an unauthorized financial institution, or payments made directly to the IRS, or paid with your tax return.
- 10%** — Amounts subject to electronic deposit requirements but not deposited using EFTPS.

15% — Amounts still unpaid more than 10 days after the date of the first notice the IRS sent asking for the tax due or the day on which you receive notice and demand for immediate payment, whichever is earlier.

The law allows you to tell the IRS where to apply your deposits within the tax return period with a deposit penalty. You have 90 days from the date of the correspondence you received showing the deposit penalty to contact the IRS if you want to specify where to apply your deposits.

Also, the law allows the IRS to remove the deposit penalty if: (1) the penalty applies to the first required deposit after a required change to your frequency of deposits, and (2) you file your employment tax returns by the due date.

01 Filing and Paying Late - IRC 6651 — We charged a 5% combined penalty of 4-1/2% for filing late and 1/2% for paying late because, according to our records, you filed your return late and didn't pay your tax by the due date of your return. The combined penalty is 5% of your unpaid tax for each month or part of a month your return is late, but not for more than 25% (22-1/2% late filing and 2-1/2% late paying).

In addition to the maximum 22-1/2% late filing penalty for the first 5 months your return is late, we continue to charge the 1/2% (1/4% for months covered by an installment agreement) late paying penalty for each month or part of a month your tax is unpaid, but not for more than 25%.

For returns due before 12/31/2008, if you didn't file your return within 60 days of the due date, the minimum penalty is \$100 or 100% of the tax due

on your return, whichever is smaller. For returns due after 12/31/2008, the minimum penalty is the lesser of \$135 or 100% of the tax due. If you think we should remove or reduce this penalty, see "Removal of Penalties — Reasonable Cause."

02 Underpayment or Late Payment of Estimated Tax - IRC 6654 — We charged you a penalty because, according to our records, you didn't estimate your tax and pay the correct amount of tax due.

Individuals, Estates, and Certain Trusts — If you expect to owe tax of \$1,000 or more for the tax year, you must prepay the tax by having tax withheld or by making estimated tax payments. We charge a penalty when the total tax you pay during the year doesn't meet the requirements of the law.

The law requires you to pay at least 90% of the tax shown on your return for the current year or 100% of the tax shown on your return for the prior year, whichever is less. Otherwise, you must make estimated tax payments each quarter, that is generally 25% of the total amount you expect to owe for the year.

Estimated Tax Safe Harbor for Higher Income Individuals - IRC 6654(d) — For tax years after 1993, if your adjusted gross income in the preceding year is more than \$150,000 (\$75,000 if your filing status is married filing separately), the required payments are as follows:

- For 2003: Your required payment is the lesser of 90% of the tax shown on your current year return or 110% of the tax shown on your prior year return.
- For 2002: Your required payment is the lesser of 90% of the tax shown on your current year return or 112% of the tax shown on your prior year return.
- For 2001: Your required payment is the lesser of 90% of the tax shown on your current year return or 110% of the tax shown on your prior year return.
- For 2000: Your required payment is the lesser of 90% of the tax shown on your current year return or 108.6% of the tax shown on your prior year return.
- For 1999: Your required payment is the lesser of 90% of the tax shown on your current year return or 105% of the tax shown on your prior year return.
- For 1998: Your required payment is the lesser of 90% of the tax shown on your current year return or 100% of the tax shown on your prior year return.
- For 1994 through 1997: Your required payment is the lesser of 90% of the tax shown on your current year return or 110% of the tax shown on your prior year return.

For more information on when the estimated tax penalty may be reduced or removed, see the instructions for Form 2210 for your tax year or Publication 505, *Tax Withholding and Estimated Tax*.

Corporations — We charge a penalty for not estimating your tax correctly when the corporation owes \$500 or more in tax, and the total payments made on time are less than the required amount.

For tax years beginning after December 31, 1993, the law requires corporations to pay their estimated tax in 4 quarterly payments (unless income is seasonal or the corporation used an annualized income method to estimate its tax) based on the lesser of 100% of either the tax shown on the current year tax return or the prior year tax return. Each installment must be at least 25% of the tax shown on the return.

The procedure for reasonable cause does not apply to corporate estimated tax penalties. For more information on when the estimated tax penalty may be reduced or removed, see Form 2220 and its instructions for your tax year.

03 Failure to Deposit - IRC 6656(b) — Federal Tax Deposits Insufficient/Late — We charged a penalty because it appears that you didn't deposit the correct amounts of tax on time. We used your Record of Tax Liability to determine where to apply your deposits. We applied your deposits in the date order we received them. We figured the penalty on any tax not deposited, deposited late, or not deposited in the correct amounts.

If you think we should remove or reduce this penalty, see "Removal of Penalties — Reasonable Cause." Also see Publication 15, *Circular E — Employer's Tax Guide* or Publication 51, *Circular A — Agricultural Employer's Tax Guide* for deposit requirements.

04 Dishonored Check - IRC 6657 — We charged a penalty because your bank did not honor your check. For checks of \$1,250 or more, the penalty is 2% of your check amount. For checks of less than \$1,250, the penalty is the check amount or \$25, whichever is less. If you think we should remove or reduce this penalty, see "Removal of Penalties" in this notice.

05 Fraud - IRC 6663 — We charged you a penalty for fraud. The penalty is 75% of the tax you didn't pay due to fraud (50% of the tax you didn't pay due to fraud on returns required to be filed before January 1, 1987, not including extensions).

For tax you didn't pay due to fraud on returns required to be filed before January 1, 1989, not including extensions, the penalty includes an additional 50% of the interest charged on the part of your underpayment due to fraud. This additional interest charge is a penalty and you cannot deduct it from your federal taxes.

06 Negligence Penalty - IRC 6653(a) — We charged a penalty of 5% on your unpaid tax. For underpayments on returns due before January 1, 1989, not including extensions, the penalty includes an additional 50% of the interest charged on the part of your underpayment due to negligence. This additional interest charge is a penalty and you cannot deduct it from your federal taxes.

07 Paying Late - IRC 6651 — We charged a penalty because, according to our records, you didn't pay your tax on time. Initially, the penalty is 1/2% of the unpaid tax for each month or part of a month you didn't pay your tax. The penalty can't be more than 25% of the tax paid late.

Note: Effective for months beginning after December 31, 1999, the failure to pay tax penalty (FTP) for individuals who file a tax return on or before the due date (including extensions), is limited to half the usual rate (0.25% rather than 0.5%) for any month in which an Installment Payment Agreement is in effect.

If we issue a Notice of Intent to Levy and you don't pay the balance due within 10 days from the date of the notice, the penalty increases to 1% a month.

If you think we should remove or reduce this penalty, see "Removal of Penalties — Reasonable Cause."

08 Missing Taxpayer Identifying Number (TIN) - IRC 6723 — We charge a penalty when you don't provide a social security number (SSN) for yourself, your dependent, or another person. We also charge a penalty when you don't provide your own SSN to another person, or if you don't include your employer identification number on an information return.

The penalty is \$5 for each missing TIN the law requires on returns and statements due by December 31, 1989. The penalty is \$50 for each missing TIN the law requires on returns and statements due after December 31, 1989.

For all missing TINs in any calendar year, the penalty can't be more than \$100,000. If you think we should remove or reduce this penalty, see "Removal of Penalties — Reasonable Cause."

10 Filing Late - IRC 6652(c) - Exempt Organizations and Certain Trusts. We charged a penalty because, according to our records, you filed your return late. For Forms 990, 990EZ, and 990PF, the penalty is: (1) \$20 a day for each day your return is late, if your gross annual receipts are equal to or less than \$1 million. The penalty may not be more than \$10,000 or 5% of your gross annual receipts, whichever is less. (2) \$100 a day for each day your return is late, if your gross annual receipts exceed \$1 million. The penalty may not be more than \$50,000. For all other forms, the penalty is \$10 a day for each day your return is late. The penalty may not be more than \$5,000. If you think we should remove or reduce this penalty, see "Removal of Penalties — Reasonable Cause."

11 Failure to Deposit - IRC 6656 — Federal Tax Deposits Insufficient/Late and Incomplete Record of Federal Tax Liability — We charged a

penalty because it appears that you didn't deposit the correct amounts of tax on time.

Also, your Record of Federal Tax Liability was incomplete or illegible, or the liability amounts you reported didn't equal the net taxes for the tax period. Therefore, we averaged the total tax liability and distributed it equally throughout the tax period. We applied your deposits to the averaged liabilities in the date order we received them. We figured the penalty on any tax not deposited, deposited late, or not deposited in the correct amounts.

If you believe we computed the penalty incorrectly, please send a complete breakdown of your tax liability on Form 4977 (for tax years before 1993), Form 941 Schedule B (for tax years 1993 and later), Form 945-A, or Form 943-A. If you think we should remove or reduce this penalty, see "Removal of Penalties — Reasonable Cause." Also see Publication 15, *Circular E — Employer's Tax Guide* or Publication 51, *Circular A — Agricultural Employer's Tax Guide* for deposit requirements.

12 Incomplete Return - IRC 6652 — We charged a penalty because, according to our records, you didn't file a complete return. For Forms 990, 990EZ, and 990PF, the penalty is: (1) \$20 a day for each day your return is incomplete, if your gross annual receipts are equal to or less than \$1 million. The penalty may not be more than \$10,000 or 5% of your gross annual receipts, whichever is less. (2) \$100 a day for each day your return is incomplete, if your gross annual receipts exceed \$1 million, but the penalty may not be more than \$50,000. For all other forms, the penalty is \$10 a day for each day your return is incomplete. The penalty may not be more than \$5,000. If you think we should remove or reduce this penalty, see "Removal of Penalties — Reasonable Cause."

14 Fraud - IRC 6651(f) — Late Filing Penalty — The law allows us to increase the penalty for filing late if you didn't file on time because of fraud. The penalty is 15% of the amount of tax you should have reported on your tax return for each additional month or part of a month you didn't file your return. The total penalty may not be more than 75% of the tax you didn't pay.

17 Penalty Removed — We removed the penalty we charged you and we are reviewing your account. We will let you know the results.

27 Penalty on Tips - IRC 6652(b) — We charged a penalty because, according to our records, you didn't report your tips to your employer. The penalty is 50% of the social security or railroad retirement tax on the tips you didn't report. If you think we should remove or reduce this penalty, see "Removal of Penalties — Reasonable Cause."

28 Examining Officer's Report - IRC 6751(d) — According to our records, your Examining Officer gave you a report that explained the reason for this penalty.

30 Late Payment Penalty Removed — We removed the late payment penalty we previously charged you.

31 False W-4 Penalty - IRC 6682 — We charged a \$500 penalty because it appears you made false statement(s) on your Form W-4. If you think we should remove or reduce this penalty, see "Removal of Penalties — Reasonable Cause."

32 Partnership Late Filing - IRC 6698 — We charged a penalty because, according to our records, you filed your partnership return late. The penalty is \$85 for each person who was a partner at any time during the tax year, for each month or part of a month the return was filed late, for up to 12 months. If you think we should remove or reduce this penalty, see "Removal of Penalties — Reasonable Cause."

S Corporation Late Filing - IRC 6699 — We charged a penalty because, according to our records, you filed your S corporation return late. The penalty is \$85 for each person who was a shareholder at any time during the year, for each month or part of a month the return was filed late, for up to 12 months. If you think we should remove or reduce this penalty, see "Removal of Penalties — Reasonable Cause."

33-39 and 45-52 Filing Incomplete Return — IRC

6698 — We charged a penalty because, according to our records, your partnership return was incomplete and you didn't give us the information we requested. The penalty is \$85 for each person who was a partner at any time during the tax year, for each month or part of a month, for up to 12 months. If you think we should remove or reduce this penalty, see *"Removal of Penalties — Reasonable Cause."*

33, 34, 36 and 45-49 Filing Incomplete Return - IRC 6699 - We charged a penalty because, according to our records, your S corporation return was incomplete and you didn't give us the information we requested. The penalty is \$85 for each person who was a shareholder at any time during the year, for each month or part of a month the return was filed late, for up to 12 months. If you think we should remove or reduce this penalty, see *"Removal of Penalties - Reasonable Cause."*

33 - Missing Schedules K-1

34 - Missing Schedule L (Balance Sheets)

35 - Missing Schedules K-1 TINs (5 or more)

36 - Missing Schedules K-1 and Schedule L (Balance Sheets)

37 - Missing Schedules K-1 and Schedule K-1 TINs

38 - Missing Schedule L (Balance Sheets) and Schedule K-1 TINs

39 - Missing Schedules K-1, Schedule K-1 TINs, and Schedule L (Balance Sheets)

45 - Missing Schedules K

46 - Missing Schedules K and Schedules K-1

47 - Missing Schedules K and Schedules L (Balance Sheets)

48 - Missing Schedules K and Schedules K-1 TINs (5 or more)

49 - Missing Schedules K, Schedules K-1, and Schedules L (Balance Sheets)

50 - Missing Schedules K, Schedules K-1, and Schedule K-1 TINs

51 - Missing Schedules K, Schedules L (Balance Sheets), and Schedule K-1 TINs

52 - Missing Schedules K, Schedules K-1, Schedules L (Balance Sheets), and Schedule K-1 TINs (5 or more)

40 Accuracy-Related Penalty - IRC 6662 — For returns due after 12/31/89, we charge a 20% penalty on the amount of additional tax attributable to Negligence, Substantial Understatement, Substantial Valuation Misstatement, Substantial Overstatement of Pension Liabilities, or Substantial Estate or Gift Tax Valuation Understatement. The penalty is increased to 40% for a Gross Valuation Misstatement.

For returns due before 1/1/90, the applicable percentage rate varies with the specific penalty and the amount of the increased tax.

See the Revenue Agent Report for a detailed explanation of the penalty.

Accuracy-Related Penalty on Understatements with Respect to Reportable Transactions - IRC 6662(A) — For tax years ending after October 22, 2004, we charged a penalty for a reportable transaction understatement. Generally, the penalty is 20 percent of the reportable transaction understatement. The penalty is increased to 30 percent if the disclosure requirement in IRC section 6664(d)(2)(A) is not met.

See the Revenue Agent Report for a detailed explanation of the penalty.

41 Failure to Deposit - IRC 6656 - Taxes Paid Directly to IRS — We charged a penalty because, according to our records, you paid your taxes to an unauthorized financial institution, directly to the IRS with your return, or you did not make your deposit(s) electronically as the law requires. The penalty is 10% of each payment you didn't deposit properly.

There is a limit to the amount of tax you may pay with your return. See the list below.

Form 941 series, Form 943, Form 944, and Form 945 — You may pay taxes of less than \$2,500 with your tax return.

Form 1042 — You may pay taxes of less than \$200 with your tax return.

Form 720 — You may pay taxes of \$2,000 or less with your tax return.

Form 940 — You may pay taxes of \$500 or less with your tax return.

Form CT-1 — You may pay taxes of less than \$2,500 with your tax return.

If you think we should remove or reduce this penalty, see *"Removal of Penalties — Reasonable Cause."* Also see Publication 15, *Circular E — Employer's Tax Guide* or Publication 51, *Circular A - Agricultural Employer's Tax Guide* for deposit requirements.

42 Failure to Deposit - IRC 6656 — Insufficient or Late Deposits and Taxes Paid Directly to IRS — We charged a penalty because according to our records:

- you didn't deposit the correct amounts of tax on time, and
- you made one or more of your deposits to an unauthorized financial institution, paid your tax directly to the IRS, paid the tax with your return, or you did not make your deposit(s) electronically as the law requires.

We applied your deposits and payments in the date order we received them. We used your Record of Federal Tax Liability to determine where to apply your deposits. We figured the penalty on any tax not deposited, deposited late, or not deposited in the correct amounts. For additional details see **Information on Failure to Deposit Penalty, Code 56**.

43 Failure to Deposit - IRC 6656 — Taxes Paid Directly to IRS and Missing Information — We charged a penalty because you paid taxes to an unauthorized financial institution, directly to the IRS, with your tax return, or you did not make your deposit(s) electronically as the law requires.

Also, your Record of Federal Tax Liability was incomplete or illegible, or the liability amounts you reported didn't equal the net taxes for the tax period. Therefore, we averaged the total tax liability and distributed it equally throughout the tax period.

We applied your deposits and payments to the averaged liabilities in the date order we received your deposits. We figured the penalty on any tax not deposited, deposited late, or not deposited in the correct amounts.

If you believe we computed the penalty incorrectly, please send us a complete breakdown of your tax liability on Form 941 Schedule B, or Form 945-A or Form 943-A. For additional details see **Information on Failure to Deposit Penalty, Code 56**.

44 Failure to Deposit - IRC 6656 — Insufficient Late Deposits and Taxes Paid Directly to IRS and Missing Information — We charged a penalty because, according to our records:

- you didn't make your tax deposit on time or in the correct amounts,
- you made one or more of your deposits to an unauthorized financial institution, paid your tax directly to the IRS, paid the tax with your return, or you did not make your deposit(s) electronically as the law requires, and
- your Record of Federal Tax Liability was incomplete or illegible, or the liability amounts you reported didn't equal the net taxes for the tax period.

We averaged your total tax liability and distributed it equally throughout the tax period. Then we applied your deposits and payments to the

averaged liabilities in the date order we received your deposits. We figured the penalty on any tax not deposited, deposited late, or not deposited in the correct amounts.

If you believe we computed the penalty incorrectly, please send us a complete breakdown of your tax liability on Form 941 Schedule B, or Form 945-A or Form 943-A. For additional details see **Information on Failure to Deposit Penalty, Code 56**.

53 Ten Percent Penalty for Internal Revenue Code (IRC) Section 444 Election - IRC 7519(f) — We charged a penalty because we didn't receive the full amount of the "required payment" for your IRC section 444 election on time. The required payment is the value of the tax deferral you receive when you change your tax year under IRC section 444.

The penalty is 10% of the part of the payment that you didn't pay on time.

If the required payment is more than \$500 for any year you made an IRC section 444 election, you must make a payment with Form 8752, *Required Payment or Refund Under Section 7519*, by May 15th of the following calendar year. Reasonable Cause doesn't apply to this 10 percent penalty for tax years beginning on or before August 5, 1997. For tax years beginning after August 5, 1997, if you think we should remove or reduce this penalty, see *"Removal of Penalties — Reasonable Cause."*

54 Failure to Deposit - IRC 6656 — Deposits Insufficient/Late and Incorrect Record of Federal Tax Liability — We charged a penalty because it appears that you didn't deposit the correct amounts of tax on time. Our records showed you as a semi-weekly depositor but your Form 941 Schedule B, Form 945-A, or Form 943-A didn't have enough information on it for us to determine if you made your deposits on time or in the correct amounts.

Therefore, we averaged the liability you reported and distributed it equally. We then applied your deposits in the date order we received them. We figured the penalty on any tax not deposited, deposited late, or not deposited in the correct amounts.

If you believe we computed the penalty incorrectly, please complete Form 941 Schedule B, Form 945-A, or Form 943-A. If you think we should remove or reduce this penalty, see *"Removal of Penalties — Reasonable Cause."* For information on deposit requirements, see Publication 15, *Circular E — Employer's Tax Guide*, or Publication 51, *Circular A - Agricultural Employer's Tax Guide*.

55 Failure to Deposit - IRC 6656 — Missing or Incorrect Information and Taxes Paid Directly to IRS — We charged a penalty because your Form 941 Schedule B, your Form 945-A, or your Form 943-A was incomplete and we couldn't determine if you made your deposits on time or in the correct amounts.

Therefore, we averaged the liability you reported, distributed it equally, and applied your deposits in the date order we received them. We figured the penalty on any tax not deposited, deposited late, or not deposited in the correct amounts.

Also, it appears that you paid taxes to an unauthorized financial institution, directly to the IRS, with your tax return, or you did not make your deposit(s) electronically as the law requires.

If you believe we computed the penalty incorrectly, please complete Form 941 Schedule B, Form 945-A or Form 943-A. For additional details see **Information on Failure to Deposit Penalty, Code 56**.

56 Failure to Deposit - IRC 6656 — Deposits Insufficient/Late, Taxes Paid Directly to IRS and Incorrect Record of Federal Tax Liability — We charged a penalty because, according to our records:

- you didn't make your tax deposit on time or in the correct amounts,
- you made one or more of your deposits to an unauthorized financial institution, paid your tax directly to the IRS, paid the tax with your return, or you did not make your deposit(s) electronically as the law requires, and your Record of Federal Tax Liability was incomplete or illegible, or the liability amounts you reported didn't equal the net taxes for the tax period.

We averaged your total tax liability, distributed it equally, and applied your deposits and payments to the averaged liabilities in the date order we received them. We figured the penalty on any tax not deposited, deposited late, or not deposited in the correct amounts.

If you believe we computed the penalty incorrectly, please complete the enclosed Form 941 Schedule B, Form 945-A, or Form 943-A. For additional details see **Information on Failure to Deposit Penalty** below.

Information on Failure to Deposit Penalty. There is a limit to the amount of tax you may pay with your return. See the list below.

Form 941 series, Form 943, Form 944, and Form 945 — You may pay tax of less than \$2,500 with your tax return.

Form 1042 — You may pay taxes of less than \$200 with your tax return.

Form 720 — You may pay taxes of \$2,000 or less with your tax return.

Form 940 — You may pay taxes of \$500 or less with your tax return.

Form CT-1 — You may pay taxes of less than \$2,500 with your tax return.

If you think we should remove or reduce this penalty, see "Removal of Penalties — Reasonable Cause." Also see Publication 15, *Circular E — Employer's Tax Guide*, or Publication 51, *Circular A — Agricultural Employer's Tax Guide*, for deposit requirements.

57 Failure to Deposit - IRC 6656 — Deposits Insufficient/Late and Incorrect Record of Federal Tax Liability — We charged a penalty because, according to our records, you didn't deposit your tax using the one-day deposit rule for liabilities \$100,000 or more during a deposit period.

Also, the Record of Federal Tax Liability on your return was incomplete and we couldn't determine if you made your deposits on time or in the correct amounts. Therefore, we averaged the liability you reported and distributed it equally.

Since your average amount of monthly liability was \$100,000 or more, we placed the liability on the first day of your applicable semi-weekly period. We applied your deposits in the date order we received them. We figured the penalty on any tax not deposited, deposited late, or not deposited in the correct amounts.

For deposits due after December 31, 1989, see Code 54.

58 Failure to Deposit - IRC 6656 — Deposits Insufficient/Late and Incorrect Record of Federal Tax Liability — We charged a penalty because, according to our records, you didn't deposit your tax using the one-day deposit rule for liabilities \$100,000 or more during a deposit period.

Also, your Form 941 Schedule B, Form 945-A or Form 943-A was incomplete and we couldn't determine if you made your deposits on time or in the correct amounts. Therefore, we averaged the liability you reported and distributed it equally.

Since your average amount of liability was \$100,000 or more, we placed the liability on the first day of the applicable semi-weekly period (eighth-monthly period for tax years ending on or before December 31, 1992). We applied your deposits in the date order we received them. We figured the penalty on any tax not deposited, deposited late, or not deposited in the correct amounts.

For deposits due after December 31, 1989, see Code 54.

Interest - IRC 6601

09 Interest — We charged interest because, according to our records, you didn't pay your tax on time. We figured interest from the due date of your return (regardless of extensions) to the date we receive your full payments or the date of your notice.

Corporate interest — We charged additional interest of 2% because, according to our records, you didn't make your corporate tax payment within 30 days after the IRS notified you of the underpayment of tax. This interest begins on the 31st day after we notify you of the underpayment on tax amounts you owe over \$100,000, minus your timely payments and credits.

19 Additional Interest Charges — If the amount you owe is \$100,000 or more, please make sure that we receive your payment within 10 work days from the date of your notice. If the amount you owe is less than \$100,000, please make sure that we receive your payment within 21 calendar days from the date of your notice. If we don't receive full payment within these time frames, the law requires us to charge interest until you pay the full amount you owe.

Interest Paid

Beginning with tax year 1991, you can no longer deduct interest you paid to the United States Treasury as an itemized deduction on your Form 1040, Schedule A.

Interest Reduced

If we reduce interest that you previously reported as a deduction on your tax return, you must report this reduction of interest as income on your tax return for the year we reduce it.

Interest Removed-Erroneous Refund

The law requires us to remove interest up to the date we request you to repay the erroneous refund when:

- you didn't cause the erroneous refund in any way, and
 - the refund doesn't exceed \$50,000.
- The IRS may remove or reduce interest on other erroneous refunds based on the facts and circumstances involved in each case.

Annual Interest Netting

— Effective January 1, 1987 through December 31, 1998, the interest rate we paid on any overpayment of taxes was 1% less than the interest rate we charged on the underpayment of taxes. As of January 1, 1999, the overpayment and underpayment rates of interest that we pay and charge are the same, except for corporate overpayments. If we refund an overpayment with interest and we have to increase the tax at a later date, we give special consideration to the interest on that account.

On the tax increase made after the refund, we will charge the lower refund rate of interest (up to the amount of the refund) for the same time period that we paid interest on the overpayment.

Request for Net Interest Rate of Zero - IRC 6621(d)

General Rule — If you owe interest to the IRS on an underpayment for the same period of time that the IRS owes you interest on an overpayment, you may be entitled to receive a net interest rate of zero (the same rate of interest applies to your underpayment as your overpayment).

To receive the net interest rate of zero for interest you owed (or paid) the IRS, or interest that we owed (or paid) you before October 1, 1998, you must file a Form 843, *Claim for Refund and Request for Abatement*. For more information on the filing requirements for the Form 843, see Revenue Procedure 99-43, 1999-47 I.R.B. 579. Revenue Procedure 99-43 and Form 843 are available at www.irs.gov.

To qualify for the net interest rate of zero, the period of limitation for claiming a refund of interest on an

underpayment and the period of limitation for claiming additional interest on an overpayment must have been open on July 22, 1998. Generally, the period of limitation for claiming a refund of interest on an underpayment is 3 years from the time you filed your tax return, or 2 years from the time you paid the interest, whichever is later. The period of limitation to request additional interest on an overpayment is 6 years from the date of the refund.

You must file Form 843 on or before the closing date of the later statute of limitation period. Mail Form 843 to:

U.S. Mail:

Internal Revenue Service
Net Rate Interest Netting Claim
P.O. Box 9987
Mail Stop 6800
Ogden, UT 84409

Other than U.S. mail:

Internal Revenue Service
Net Rate Interest Netting Claim
1160 West 1200 South
Mail Stop 6800
Ogden, UT 84201

If your request for interest netting involves solely interest that you owed the IRS or that the IRS owed you on or after October 1, 1998, send Form 843 to the Internal Revenue Service Center where you filed your most recent federal income tax return. For more information on these Form 843 filing requirements, see Revenue Procedure 2000-26, 2000-24 I.R.B. 1. Revenue Procedure 2000-26 is available at www.irs.gov.

Status of Your Account

22 Balance Less than \$1 — If the amount you owe is less than \$1, you do not have to pay it.

23 Refund Less than \$1 — If your refund is less than \$1, we will send it to you only if you ask for it.

24 Refund — We will refund your overpayment (plus interest when applicable), if you owe no other taxes or have no other debts the law requires us to collect.

25 This notice is not the result of an examination of your return. We notify a taxpayer when we select his/her return for examination.

Action Required on Balance Due Accounts

16 Payment — Please make your check or money order payable to the United States Treasury. Write on your payment your social security number or employer identification number, the tax period and tax form. Mail your payment with the bottom part of your notice in the enclosed envelope or to the address on the front of your notice.

Notice about Partial Payments — Generally, we apply your payment first to tax, then to penalty, and finally to the interest you owe.

Additional Tax Concerns

Backup Withholding

If you received interest, dividends or patronage dividend income, but you didn't report the income on your tax return and you didn't pay the tax due on your tax return, you could be subject to a special income tax withholding called *Backup Withholding*. The IRS may request each payer of that income to begin withholding at a rate of 28% if, after we send you four notices over 210 days, a balance remains due on your account.

Federal/State Exchange Program

The Internal Revenue Service has agreements with state and certain local tax agencies to exchange information about federal tax, including increases or decreases. If this change affects the amount of your state or local income taxes, you should file the required state or local form to report the change.