
Failure to File or Pay Penalties: 8 Key Facts

With the growing number of electronic filing and payment options, filing your taxes has become more convenient and accurate. However, it's important to understand the penalties the IRS may assess if you **fail to file**, **fail to pay**, or **both**. Here are eight essential facts:

1. Two Types of Penalties

- **Failure-to-File Penalty:** Applies if you don't file your tax return by the deadline.
- **Failure-to-Pay Penalty:** Applies if you don't pay the taxes you owe by the due date.

2. Filing Is More Important Than Paying in Full

- The **failure-to-file penalty is usually more severe** than the failure-to-pay penalty.
- If you can't pay in full, file on time and pay as much as possible.
- You can work with the IRS to arrange a payment plan or explore other payment options.

3. Failure-to-File Penalty Details

- Typically **5% of the unpaid taxes** for each month or part of a month the return is late.
- Capped at **25%** of your unpaid taxes.

4. Minimum Penalty for Excessively Late Filing

- If your return is filed **more than 60 days late**, the minimum penalty is the **lesser of \$135 or 100% of the unpaid tax**.
-

5. Failure-to-Pay Penalty Details

- Generally **0.5%** (**½ of 1%**) of your unpaid taxes for each month or part of a month the tax remains unpaid.
 - This penalty can also rise to a **maximum of 25%** of your unpaid taxes.
-

6. Avoiding Penalties with a Timely Extension

- If you **request an extension** by the filing deadline and have paid **at least 90% of your total tax liability**, you will not incur a failure-to-pay penalty if the **remaining balance is paid by the extended due date**.
-

7. Penalties When Both Apply

- If **both penalties** apply in the same month:
 - The **5% failure-to-file penalty is reduced by the failure-to-pay penalty**.
 - However, if the return is **more than 60 days late**, the **minimum penalty still applies**: the lesser of **\$135 or 100% of the unpaid tax**.
-

8. Penalty Relief for Reasonable Cause

- You may **avoid penalties** if you can show that the failure to file or pay was due to **reasonable cause**, not willful neglect.
 - Examples may include serious illness, natural disasters, or other legitimate hardships.
-