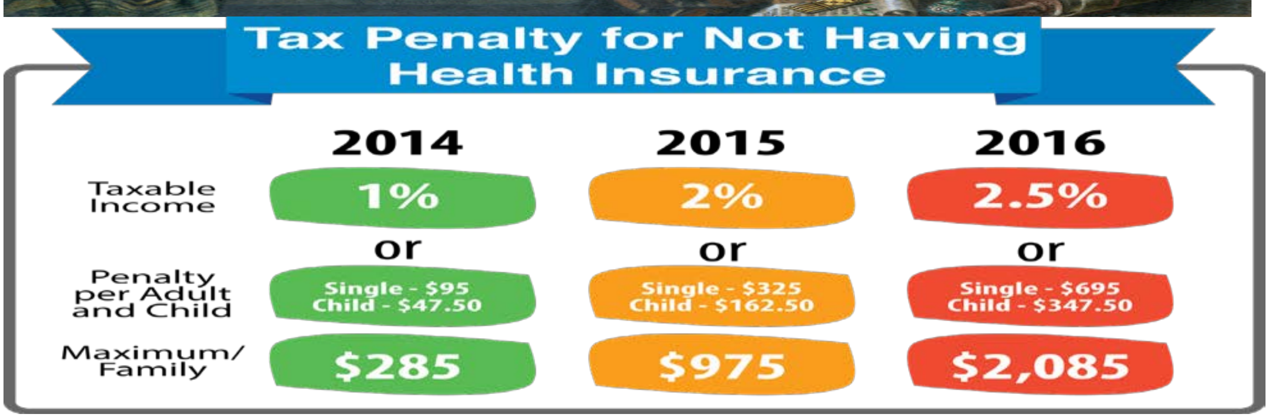
[Temple Taxes]

[Penalties & Interests of THEIRS]

IRM 20.1.1.2 (02-22-2008)
Purpose of Penalties

1. "Penalties exist to **encourage** voluntary compliance by supporting the standards of ***behavior*** required by the Internal Revenue Code."

[Emphasis added]



Paying a penalty without due process of law or without even being convicted of a offense
Failure to File or Pay Penalties: Eight Facts

Plaintiff [believes] IRS penalties & interests of THEIRS are…[Temple Taxes]

IRS Tax Tip 2012-74, April 17, 2012

The number of electronic filing and payment options increases every year, which helps reduce your burden and also improves the timeliness and accuracy of tax returns. When it comes to filing your tax return, however, the law provides that the IRS can assess a penalty if you fail to file, fail to pay or both.
Here are eight important points about the two different penalties you may face if you file or pay late.

1. If you do not file by the deadline, you might face a failure-to-file penalty. If you do not pay by the due date, you could face a failure-to-pay penalty.

2. The failure-to-file penalty is generally more than the failure-to-pay penalty. So if you cannot pay all the taxes you owe, you should still file your tax return on time and pay as much as you can, then explore other payment options. The IRS will work with you.

3. The penalty for filing late is usually 5 percent of the unpaid taxes for each month or part of a month that a return is late. This penalty will not exceed 25 percent of your unpaid taxes.

4. If you file your return more than 60 days after the due date or extended due date, the minimum penalty is the smaller of $135 or 100 percent of the unpaid tax.

5. If you do not pay your taxes by the due date, you will generally have to pay a failure-to-pay penalty of ½ of 1 percent of your unpaid taxes for each month or part of a month after the due date that the taxes are not paid. This penalty can be as much as 25 percent of your unpaid taxes.

6. If you request an extension of time to file by the tax deadline and you paid at least 90 percent of your actual tax liability by the original due date, you will not face a failure-to-pay penalty if the remaining balance is paid by the extended due date.

7. If both the failure-to-file penalty and the failure-to-pay penalty apply in any month, the 5 percent failure-to-file penalty is reduced by the failure-to-pay penalty. However, if you file your return more than 60 days after the due date or extended due date, the minimum penalty is the smaller of $135 or 100 percent of the unpaid tax.

8. You will not have to pay a failure-to-file or failure-to-pay penalty if you can show that you failed to file or pay on time because of reasonable cause and not because of willful neglect.

Link:

- Avoiding Penalties and the Tax Gap

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Page Last Reviewed or Updated: 17-May-2013

http://www.irs.gov/uac/Failure-to-File-or-Pay-Penalties:-Eight-Facts

20.1.1.2 (02-22-2008)
Purpose of Penalties

1. Penalties exist to encourage voluntary compliance by supporting the standards of behavior required by the Internal Revenue Code.

2. For most taxpayers, voluntary compliance consists of preparing an accurate return, filing it timely, and paying any tax due. Efforts made to fulfill these obligations constitute compliant behavior. Most penalties apply to behavior that fails to meet any or all of these obligations.

3. The following factors support the public conviction that the tax system is fair and the penalty is in proportion to the severity of the noncompliance. Penalties encourage voluntary compliance by the following:

- Defining standards of compliant behavior,
- Defining consequences for noncompliance, and
- Providing monetary sanctions against taxpayers who do not meet the standard.

20.1.1.2.1 (11-25-2011)
Encouraging Voluntary Compliance

1. Taxpayers in the United States assess their tax liabilities against themselves and pay them voluntarily. This system of self-assessment and payment is based on the principle of voluntary compliance. Voluntary compliance exists when taxpayers conform to the law without compulsion or threat.
2. Compliant self-assessment requires a taxpayer to know the rules for filing returns and paying taxes. The IRS is responsible for providing information to taxpayers, which includes the following:
   - Written materials that clearly explain the rules, and
   - Forms that permit the self-computation of tax liability.
3. In addition to (2) above, the IRS must also provide a means to preserve and enhance our voluntary compliance by fairly, consistently, and accurately administering a system of penalties.
4. Although penalties support and encourage voluntary compliance, they also serve to bring additional revenues into the Treasury and indirectly fund enforcement costs. However, these results are not reasons for creating or imposing penalties.

5. Penalties advance the mission of the IRS when they encourage voluntary compliance. The IRS has formalized this obligation to the public in its mission statement.

6. Voluntary compliance is achieved when a taxpayer makes a good faith effort to meet the tax obligations defined by the Internal Revenue Code.

7. Penalties support voluntary compliance by assuring compliant taxpayers that tax offenders are identified and penalized.

8. The IRS has the obligation to advance the fairness and effectiveness of the tax system. Penalties should do the following:

    - Be severe enough to deter noncompliance,
    - Encourage noncompliant taxpayers to comply,
    - Be objectively proportioned to the offense, and
    - Be used as an opportunity to educate taxpayers and encourage their future compliance.

9. IRS personnel may educate taxpayers and encourage their future compliance by doing the following:

A. Discussing causes for the delinquency and listening to taxpayers' reasons and concerns for noncompliance,

B. Ensuring that taxpayers understand their filing and paying responsibilities, and

C. Being alert to information received in discussions with taxpayers that indicate possible reasons for abatement of a penalty.

10. Penalties should relate to the standards of behavior they encourage. Penalties best aid voluntary compliance if they support belief in the fairness and effectiveness of the tax system. This belief encourages compliance in areas that cannot be reached through audits or other programs. The IRS's approach to penalties is embodied in Penalty Policy Statement 20-1. See IRM 1.2.20.1.1, *Policy Statement 20-1 (Formerly P–1–18)*, at http://irm.web.irs.gov/link.asp?link=1.2.20.1.1

http://www.irs.gov/irm/part20/irm_20-001-001r.html#d0e652

Avoiding Penalties and the Tax Gap

Updated Aug. 20, 2010 — Third paragraph under subhead "Penalty for substantial understatement" was revised to correct explanation of "reasonable basis."

FS-2008-19, March 2008

WASHINGTON — The Internal Revenue Code imposes many different kinds of penalties, ranging from civil fines to imprisonment for criminal tax evasion.

If you do not file your return and pay your tax by the due date, you may have to pay a penalty. You may also have to pay a penalty if you substantially understate your tax, understate a reportable transaction, file an erroneous claim for refund or credit, or file a frivolous tax submission. If you provide fraudulent information on your return, you may have to pay a civil fraud penalty.

Penalties are generally payable upon notice and demand. Penalties are generally assessed, collected and paid in the same manner as taxes. The notice will contain the name of the penalty, the applicable code section, and how the penalty was computed (or information on how to obtain the computation if not included).

This fact sheet is the 22nd in the Tax Gap series. It provides additional guidance to taxpayers regarding civil penalties and the consequences for understating income and overstating expenses.

Estimated Tax-Related Penalties

Employees have taxes withheld from their paychecks by their employer. When you have income that is not subject to withholding you may have to make estimated tax payments during the year.

This includes income from self-employment, interest, dividends, alimony, rent, gains from the sale of assets, prizes, and awards. You also may have to pay estimated tax if the amount being withheld from your salary, pension, or other income is not enough to pay your tax liability.

Estimated tax payments are used to pay income tax and self-employment tax, as well as other taxes and amounts reported on your tax return. If you do not pay enough through withholding or estimated tax payments, you may have to pay a penalty. If you do not pay enough by the due date of each payment period you may be charged a penalty even if you are due a refund when you file your tax return.

Penalties for filing or paying taxes late

The most common penalties are for filing late or paying taxes late.

Filing late: If you do not file your return by the due date (including extensions), you may have to pay a failure-to-file penalty. The penalty is usually 5 percent for each month or part of a month that a return is late, but not more than 25 percent. The penalty is based on the tax not paid by the due date (without regard to extensions).

If you file your return more than 60 days after the due date, the minimum penalty is $100 or, if less, 100 percent of the tax on your return.

Paying tax late: You will have to pay a failure-to-pay penalty of ½ of 1 percent (0.5 percent) of your unpaid taxes for each month, or part of a month, after the due date that the tax is not paid. This penalty does not apply during the automatic six-month extension of time to file period if you paid at least 90 percent of your actual tax liability on or before the original due date of your return and pay the balance when you file the return.

The failure-to-pay penalty rate increases to a full 1 percent per month for any tax that remains unpaid the day after a demand for immediate payment is issued, or 10 days after notice of intent to levy certain assets is issued.

For taxpayers who filed on time, the failure-to-pay penalty rate is reduced to ¼ of 1 percent (0.25 percent) per month during any month in which the taxpayer has a valid installment agreement in force.

Combined penalties: For any month both the penalty for filing late and the penalty for paying late apply, the penalty for filing late is reduced by the penalty for paying late for that month, unless the minimum penalty for filing late is charged.

Accuracy Related Penalties

The two most common accuracy related penalties are the "substantial understatement" penalty and the "negligence or disregard of the rules or regulations" penalty. These penalties are calculated as a flat 20 percent of the net understatement of tax.

Penalty for substantial understatement

You understate your tax if the tax shown on your return is less than the correct tax. The understatement is substantial if it is more than the larger of 10 percent of the correct tax or $5,000 for individuals. For corporations, the understatement is considered substantial if the tax shown on your return exceeds the lesser of 10 percent (or if greater, $10,000) or $10,000,000.

You may avoid the substantial understatement penalty if you have substantial authority for your tax treatment of the item or through adequate disclosure. To avoid the substantial understatement penalty by adequate disclosure, you must properly disclose the position on the tax return and there must at least be a reasonable basis for the position.

To properly disclose the position, complete and attach IRS Form 8275 to your tax return and disclose all relevant facts. A reasonable basis is a relatively high standard of tax reporting, that is, significantly higher than not frivolous or not patently improper. The position must be more than just merely arguable or merely a colorable claim. The position must be reasonably based on authority supporting the position.

Penalty for negligence and disregard of the rules and regulations

"Negligence" includes (but is not limited to) any failure to:

- make a reasonable attempt to comply with the internal revenue laws
- exercise ordinary and reasonable care in preparation of a tax return or
- keep adequate books and records or to substantiate items properly

This penalty may be asserted if you carelessly, recklessly or intentionally disregard IRS rules and regulations - by taking a position on your return with little or no effort to determine whether the position is correct or knowingly taking a position that is incorrect. You will not have to pay a negligence penalty if there was a reasonable cause for a position you took and you acted in good faith.

Civil Fraud penalty

If there is any underpayment of tax on your return due to fraud, a penalty of 75 percent of the underpayment due to fraud will be added to your tax. The fraud penalty on a joint return does not apply to a spouse unless some part of the underpayment is due to the fraud of that spouse.

Negligence or ignorance of the law does not constitute fraud.

Typically, IRS examiners who find strong evidence of fraud will refer the case to the Internal Revenue Service Criminal Investigation Division for possible criminal prosecution. Keep in mind that both civil sanctions and criminal prosecution may be imposed.

Frivolous Tax Return penalty

You may have to pay a penalty of $5,000 if you file a frivolous tax return or other frivolous submissions. If you jointly file a frivolous tax return with your spouse, both you and your spouse each may have to pay a penalty of $5,000. A frivolous tax return is one that does not include enough information to figure the correct tax or that contains information clearly showing that the tax you reported is substantially incorrect.

You will have to pay the penalty if you filed this kind of return or submission based on a frivolous position or a desire to delay or interfere with the administration of federal tax laws. This includes altering or striking out the preprinted language above the space provided for your signature.

This penalty is added to any other penalty provided by law.

Penalty for bounced checks

If you write a check to pay your taxes and the check bounces, the IRS may impose a penalty. The penalty is either 2 percent of the amount of the check - unless the check is under $1,250, in which case the penalty is the amount of the check or $25, whichever is less.

The bottom line is that you must report all your income, file your return and pay your tax by the due date to avoid interest and penalty charges.

For more information about IRS notices and bills, refer to Publication 594 (PDF), *Understanding the Collection Process*. More information about penalty and interest charges is contained in Chapter 1, *Filing Information*, of Publication 17, *Your Federal Income Tax*.

References/Related Topics

- Tax Topic 653 - IRS Notices and Bills, Penalties and Interest Charges
- Filing Past Due Tax Returns
- Electronic Federal Tax Payment System (EFTPS)
- Payment Plans, Installment Agreements
- What is an Offer in Compromise?
- Temporary Delay
- The Electronic IRS: File, Pay....and More

Page Last Reviewed or Updated: 30-Jul-2013

http://www.irs.gov/uac/Avoiding-Penalties-and-the-Tax-Gap

Topic 653 - IRS Notices and Bills, Penalties and Interest Charges

April 15 is the deadline for most people to file their individual income tax returns and pay any tax owed. Tax returns are checked for mathematical accuracy. If there is any money owed, you will be sent a bill. Generally, interest is charged on any unpaid tax from the due date of the return until the date of payment. The interest rate is determined quarterly and is the federal short-term rate plus 3 percent. Interest is compounded daily. If you file a return but don't pay all amounts shown as due on time, you will generally have to pay a late payment penalty of one-half of one percent for each month, or part of a month, up to a maximum of 25%, on the amount of tax that remains unpaid from the due date of the return until the tax is paid in full. The one-half of one percent rate increases to one percent if the tax remains unpaid 10 days after the IRS issues a notice of intent to levy. For individuals who file by the return due date, the one-half of one percent rate decreases to one-quarter of one percent for any month in which an installment agreement is in effect.

If you owe tax and don't file on time, the total failure to file penalty is usually five percent of the tax owed for each month, or part of a month that your return is late, up to five months. If your return is over 60 days late, the minimum penalty for late filing is the lesser of $135 or 100 percent of the tax owed.

You must file your return and pay your tax by the due date to avoid interest and penalty charges. Often the funds necessary to pay your tax can be borrowed at a lower effective rate than the combined IRS interest and penalty rate.

To ensure your payment on a bill for tax is credited properly, be sure to return the tear-off stub on your bill and use our return envelope, if provided. Please make your check or money order payable to the United States Treasury. Enter the primary social security number or employer identification number, the tax year and form number, and your telephone number on your check or money order.

The penalties for filing and paying late may be abated if you have reasonable cause and the failure was not due to willful neglect. If you're billed for penalty charges and feel you have reasonable cause, send your explanation along with the bill to your service center, or call the IRS at 800-829-1040 for assistance. In addition, making a late payment as soon as you are able may help to establish that your initial failure to pay was due to reasonable cause and not willful neglect. Generally, interest charges are not abated; they continue to accrue until all assessed tax, penalties, and interest are paid in full.

There are possible exceptions to the general deadlines for filing a return and paying tax. One possible exception is if you are a member of the armed forces and are serving in a combat zone. Refer to Publication 3, *Armed Forces' Tax Guide*, for additional information and qualifications. Another is if you are a citizen or resident alien working abroad. Refer to Publication 54, *Tax Guide for U.S. Citizens and Resident Aliens Abroad*, for details. The IRS also has the authority to extend filing and payment deadlines in certain disaster situations. For more information, enter "disaster" in the search box on IRS.gov.

If you believe there is an error on your notice or bill, write to the IRS office that sent it to you within the time frame given. You should provide photocopies of any records that may help correct the error. Also, you may call the number listed on your notice or bill for assistance. If you are correct, we will make the necessary adjustment to your account and send you a corrected notice.

For more information about IRS notices and bills, refer to Publication 594 (PDF), *The IRS Collection Process*. More information about penalty and interest charges is contained in Part One, Chapter 1, *Filing Information*, of Publication 17, *Your Federal Income Tax for Individuals*.

More Tax Topic Categories

Page Last Reviewed or Updated: December 12, 2013

http://www.irs.gov/taxtopics/tc653.html

“[Temple Taxes]”

[Penalties & Interests of THEIRS]

Because the 16th Amendment (Income Tax Amendment) has no power of enforcement clause with only seven constitutional amendments having an “enforcement clause”. The 16th granting no such power to the U.S. Congress. Defendants’ activities to enforce [THE CODE] created Temple taxes. Two thousand years ago the Jewish people paid taxes to Caesar’ Rome Empire and to their Temple. Today penalties & interests of THE IRS is our modern day Temple Taxes… Why?

To Keep Your Faith… THEIRS