

Taming Tax Season: Your Guide for Filing Deadlines, Extensions & IRS Penalty Relief



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Becoming an Informed Taxpayer

With tax filing season upon us, you need to be aware of the rules regarding tax returns and tax payments to ensure a smooth and penalty-free filing process. Each type of tax return has specific due dates, both to file and to pay. Extensions of time to file the return may be requested if more time to gather information for an accurate return is needed, but the due date to pay the tax cannot be extended. If you make a mistake when calculating the tax due, filing the return, or making tax payments, the IRS may impose penalties that can cause more stress and financial burden. Luckily, there are some options available for penalty relief if this does occur, but they can only be used in specific scenarios.

The best kind of taxpayer is an informed taxpayer who is aware of the rules regarding their tax return so they can remain in compliance with the IRS and avoid tax penalties.

Key Tax Filing Deadlines for Individuals and Businesses

Tax filing deadlines vary depending on the type of taxpayer and the tax year they operate on. It's important to be aware of specific due dates to avoid penalties and maintain compliance with IRS requirements.

Individuals

Most individual taxpayers are required to file their federal income returns on a calendar year basis. The standard deadline for filing is the 15th day of the fourth month following the end of the tax year. For calendar year taxpayers, this means returns are typically due on April 15th.

If April 15th falls on a weekend or a federal holiday, such as Emancipation Day, the deadline is automatically extended to the following business day.

Partnerships and S Corporations

Tax returns for partnerships and S corporations are due on the 15th day of the third month after the entity's year-end. The default year-end for these tax returns is December 31st, making the tax deadline March 15th.

However, pass-through entities are allowed to request a fiscal year-end for their tax returns, so long as the new year-end is not more than three months later than the original year-end. If a partnership or S corporation adopts a fiscal tax year, they will need to calculate the due date of their return. For example, a business using March 30th as their year-end will be required to file their tax return on the 15th day of the third month after year-end on June 15th.

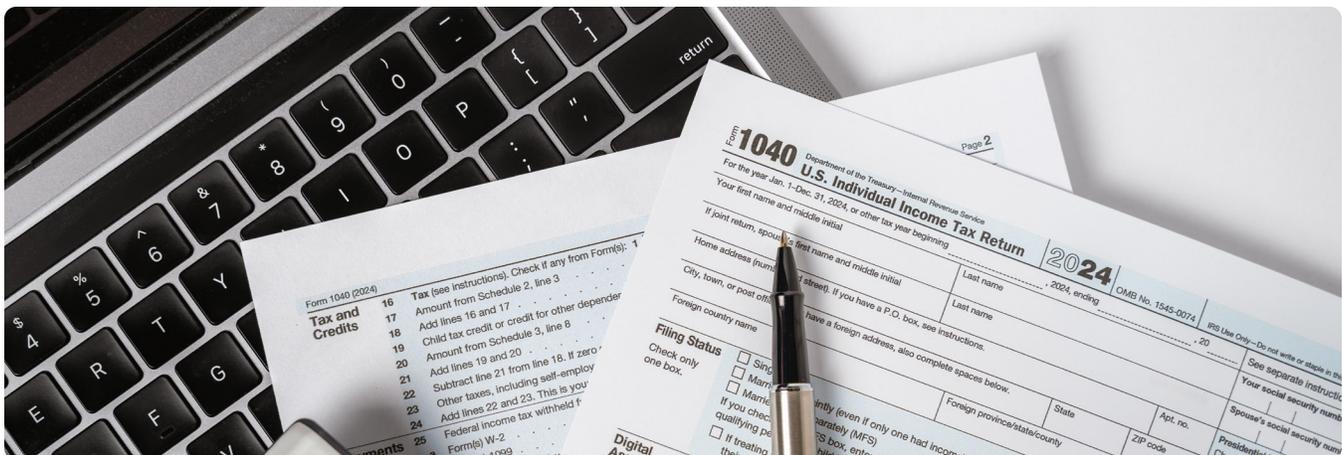
C Corporations

C corporations are required to file their federal tax returns on the 15th day of the fourth month after their year-end, which aligns with the individual tax return deadline. For C corporations using a calendar year-end, this means an April 15th due date. However, C corporations have the option to select a fiscal year-end. Fiscal year taxpayers will need to calculate the due date for filing their returns.

Understanding Tax Extensions: More Time to File, Not to Pay

If you need more time to gather information to file an accurate tax return, you may apply for an extension of time to file. The extension of time to file grants you six additional months to file your tax return and allows you to avoid having failure to file penalties assessed, but the extension does not postpone the deadline for paying any taxes you owe. To avoid failure-to-pay penalties, you must pay the estimated tax due with the extension. An extension must be filed by the original due date of your tax return, and if filed on time, the IRS typically accepts it automatically for all types of taxpayers.

Calculating the amount of tax owed with an extension can be challenging, especially if you have variable income items, such as business income, brokerage accounts, and other investments. To reduce the likelihood of incurring underpayment penalties, consult with a trusted tax advisor for assistance in calculating your estimated tax liability.



Common IRS Penalties and What You Need to Know

Failure-to-Pay Penalty

The IRS assesses penalties against taxpayers who miss filing deadlines, fail to pay taxes on time, or submit incorrect tax returns. One of these penalties is the failure-to-pay penalty, which applies to any taxpayer who does not pay their taxes by the original deadline, even if an extension was filed. This penalty is calculated as 0.5% of the unpaid tax per month, up to a maximum of 25%. Individual taxpayers who file their tax return on time and set up a payment plan with the IRS may qualify for a reduced rate. However, if payment is not made within 10 days of receiving an IRS notice with intent to levy, the rate increases to 1% per month.

Failure-to-File Penalty

Taxpayers who do not file their tax return or file an extension by the due date may face the failure-to-file penalty. For C corporations and individuals and this penalty is 5% of the unpaid amount, charged each month the return is late, capped at 25%. For 2025, there is also a minimum penalty of \$510. If both the failure-to-file and failure-to-pay penalties apply, the failure-to-file penalty is reduced by the amount of the failure-to-pay penalty. Pass-through entity returns, such as partnerships and S corporations, face a penalty of \$245 per month per partner or shareholder invested in the business for late returns in 2025. Minimum penalty amounts are subject to change at the discretion of the IRS.

Underpayment Penalty

Taxpayers are expected to make tax payments throughout the year, not just at the time of filing their tax returns. For employees, this is typically done through withholding federal taxes on each paycheck by their employers and submitting them to the IRS on behalf of the employee. Federal taxes can also be withheld on other types of income, such as retirement benefits and investment accounts.

If you receive income that is not subject to withholding, or if you are a C Corporation, you must make quarterly estimated payments directly to the IRS. Failing to pay enough through withholding or estimated tax payments can result in an underpayment penalty.

To avoid the underpayment penalty:

Income of \$150,000 or less

Individuals with adjusted gross income of \$150,000 or less (\$75,000 or less if married filing separate) must pay the lesser of 90% of their current year taxes or 100% of their prior year taxes.

Income above \$150,000

High-income taxpayers with adjusted gross income above \$150,000 (or above \$75,000 if married filing separate) must pay the lesser of 90% of their current year taxes or 110% of their prior year taxes.

The payments must be made in equal installments, typically 25% of the total safe-harbor amount by each quarterly due date, unless the taxpayer qualifies and elects to use an alternative IRS prescribed method. The IRS determines the penalty amount based on quarterly percentages. However, you will not be subject to the penalty if the tax due on your return is less than \$1,000. For C corporations, the underpayment penalty applies if the tax due exceeds \$500.

Accuracy-Related Penalties

Beyond payment penalties, the IRS also assesses accuracy-related penalties for negligence, disregard of tax rules, or substantial understatement of income tax. If a taxpayer is considered negligent, it means they failed to make a reasonable effort to follow tax rules, while disregard involves carelessly, recklessly, or intentionally ignoring tax rules. For individuals, substantial understatement of income tax means the tax liability is understated by the greater of 10% of the actual tax due or by \$5,000. If an individual claims a qualified business income deduction, the threshold changes to 5% of the tax due or \$5,000. For businesses, the substantial underpayment penalty applies if tax is understated by the lesser of 10% (or \$10,000 if greater than the 10%) or by \$10,000,000. The accuracy-related penalty is 20% of the unpaid tax due to negligence or disregard, or 20% of the total underpayment for substantial understatement.

Interest on Unpaid Tax and Penalties

In addition to penalties, the IRS charges interest on any unpaid tax and penalties. The interest amount is calculated using the IRS' published quarterly interest rates and accrues daily, compounding as it accumulates. This means interest is charged on both the unpaid interest and any unpaid tax and penalties. Although the IRS penalties can feel daunting, you may qualify for penalty relief depending on your situation.

Penalty Relief Options

First-Time Penalty Abatement: Eligibility and Process

The IRS provides penalty relief for taxpayers who are facing a tax penalty for the first time. To qualify for the first-time penalty abatement, you must have a history of good standing and compliance with the IRS. Specifically, you must have filed the same return for the past three years and must not have received prior penalties on any of your returns. The abatement may be requested via a phone call to the IRS where they will check your eligibility, or by filing Form 843.

Once approved, the IRS will remove the penalties accrued on the unpaid tax up to the approval date. Additionally, any interest charged on these penalties will also be removed, however the interest charged on the unpaid tax will still apply. If the tax remains unpaid after the abatement is approved, the failure-to-pay penalty will be reinstated, and interest will begin to accrue again.

The good news for taxpayers is that the first-time abatement is applied on a per return basis, not a per application basis. This means that you may request first-time abatement again for the same return after the tax is paid. Approval would remove any additional penalties that accrued between the abatement approval and the payment of the tax. However, given that the interest on the unpaid tax accrues daily, it's suggested to pay the balance of the tax owed no later than the same day the abatement request is submitted to the IRS.

Reasonable Cause Penalty Abatement: Criteria and Supporting Documentation

Another avenue for penalty relief is through the reasonable cause penalty abatement. Reasonable cause exceptions for underpayments are defined in §6664(c), which states that there will be no penalties assessed if it can be proven the taxpayer acted in good faith.

But what is considered good faith? Good faith can mean a multitude of things depending on the facts and circumstances of the position the IRS is challenging. Generally speaking, "acting in good faith" means there was a genuine effort and an ordinary level of care exercised by the taxpayer to correctly report the taxpayer's activity on their tax return. An ordinary level of care is loosely defined as the degree of care a reasonably prudent person would do under similar circumstances.

For reasonable cause claims to succeed, you must provide documentation showing the actions taken to comply with the tax requirements. Without evidence of ordinary care, any claims of reasonable cause are likely to fail.

When Does the Reasonable Cause Exception Apply?

The reasonable cause exception can be applied to most penalties, including accuracy-related penalties and fraud penalties assessed under §6662 and §6663, which can be as high as 20% or 75% of any understatement, respectively. Understanding the reasonable cause exception can save you from these penalties if you can prove you acted with good faith and reasonable care, based on the facts and circumstances.

To determine whether you acted with reasonable cause, the IRS will look your actions rather than legal authority.

- **Example 1:** A taxpayer receives a 1099 form that reports gross income as \$100 less than what was actually earned from a particular customer. Depending on the taxpayer's level of activity, it may be reasonable that the taxpayer missed this error on the 1099. For a taxpayer whose top line is in the millions, even those with the most sophisticated bookkeeping records, a \$100 discrepancy is likely written off as a rounding error, if it is discovered at all.
- **Example 2:** A taxpayer earned \$150,000 from their sole customer, but the 1099 form reported they received only \$150. If the taxpayer were to report only the \$150, this would not be exercising a reasonable level of care. The same logic applies to situations involving transpositional and computational errors, where ordinary diligence is expected to catch such discrepancies.

Another factor the IRS will consider is your previous filing history. Recurring penalties will suggest a pattern of insufficient care, reducing the likelihood of relief. There is no one-size-fits-all scenario for the reasonable cause exception. The IRS looks at each set of facts and circumstances on a case-by-case basis, and requirements may differ depending on the penalty involved. For example, accuracy-related penalty abatement requires both proof of reasonable cause and an act of good faith. On the other hand, a failure-to-file penalty abatement will require proof of reasonable cause as well as proof the failure was not due to willful neglect.

Limitations of the Reasonable Cause Exception

While the reasonable cause exception can apply to a wide range of penalties, there are some notable exclusions. Claims will likely be rejected if you fail to exercise an ordinary level of care, such as choosing an inappropriate tax preparer for complex returns. Additionally, reasonable cause does not apply to transactions that lack economic substance, such as those conducted solely for tax avoidance without meaningful impact on the taxpayer's financial position.

Syndicated conservation easements, for example, are frequently challenged by the IRS for lacking economic substance and are excluded from reasonable cause relief. Furthermore, the IRS holds taxpayers responsible for timely filing tax returns, regardless of whether an accountant was engaged. Late filings cannot be excused simply because a preparer missed a deadline.

Documentation for Reasonable Cause

To support a claim for reasonable cause, you need to present all relevant facts and circumstances that contributed to the filing position. For example, if a return was filed using an incorrect 1099, the taxpayer should submit the inaccurate form as evidence of reasonable cause.

Requests for a penalty abatement due to reasonable cause are typically made by responding in writing to the IRS notice. The letter should specify the penalty being assessed, detail of the facts and circumstances supporting reasonable cause, and include all relevant documents to strengthen the case. A trusted tax advisor can help to ensure the submission is thorough.

The reasonable cause penalty abatement can be a useful tool for taxpayers who exercised due care but made honest mistakes, such as transpositional errors, computational errors, accuracy-related errors, and more.



Responding to IRS Notices: Stay Calm, Think Smart

Tax laws and forms are constantly evolving, and staying up to date is crucial for accurate tax return preparation and filing. Failing to stay apprised of these changes can lead to errors, both administrative and computational. If the IRS identifies an error on your tax return, they will reach out to you to help resolve the issue. The most common way the IRS initiates contact is by first sending a letter through U.S. Postal Service (USPS). Although rare, the IRS may establish initial contact by a surprise in-person visit at the taxpayer's address, but this method is typically reserved for tax fraud and criminal investigations.

What to do When You Receive an IRS Notice

If you receive a letter through the USPS that appears to be an IRS notice, your first step is to verify its authenticity and not part of a scam.

- Check that your Social Security Number (SSN) or Employer Identification Number (EIN) matches your records. While a correct ID doesn't guarantee the notice is legitimate, an incorrect or missing tax ID is a sure sign that the correspondence is a scam.
- Confirm that a notice-number appears in the upper right-hand corner and that the language on the notice matches the IRS' official wording and code lists, which can be found [here](#).

On top of ensuring the correspondence is real, it is important to understand the type of notice received and the proper steps to take to resolve the issue. If you are unsure if a letter received via USPS is a legitimate IRS notice, you should enlist a tax advisor and provide a copy of the letter in question.

Common Reasons that Trigger an IRS Notice

There are a variety of reasons that the IRS will send a notice, and receiving one is not a reason to panic. Many notices are simply informational or can be resolved with a response letter. The most issued notices are related to balance due, a change in refund, a question regarding the return, and a change or correction to the return. Other common types of notices include verification of taxpayer identity and IRS processing delays. To fully understand the nature of an IRS notice, read it carefully. It will specify the type of return, tax year, forms, and the line item or activity the IRS is challenging.

When and How to Respond?

Once you've confirmed that an IRS notice is legitimate, the next step is deciding how to respond and when. IRS notices include a deadline by which a response is requested. You can either respond to the notice on your own or enlist the help of a trusted tax advisor. In either case, it's important to respond no later than the date requested on the notice to avoid escalation of IRS enforcement actions.

HOW TO SUBMIT ADDITIONAL INFORMATION

If the notice requests additional information, it will often include a link to an IRS website to submit the supporting documents along with other relevant information regarding the notice. Follow these instructions carefully to supply the IRS with the additional information.

HOW TO DISPUTE IRS FINDINGS

In situations where you disagree with the IRS findings, you may do so with a formal letter and must be sent by the due date specified on the original notice. The notice will provide instructions on where to send the dispute and any additional documents that may strengthen your position.

HOW TO REQUEST PENALTY ABATEMENT

If you agree with the IRS' stance but do not agree with the penalties assessed as a result, you can write a penalty abatement letter to lessen or erase the penalties imposed. As discussed previously, a requirement to be eligible for penalty abatement is that you have been in good standing with the IRS. Taxpayers that are frequently out of compliance are less likely to receive penalty abatements.

Power of Attorney: Getting Help?

When you receive a notice, it is important to notify your tax preparer or engage an accounting firm to assist in responding. Accountants can review the notice and provide recommendations on the best course of action. A Power of Attorney (POA), or Form 2848, allows an individual to represent a taxpayer before the IRS. Form 2848 is commonly used when responding to IRS notices, enabling representatives to both draft and send letters in response to a notice and communicate with the IRS on your behalf.

The key elements of Form 2848 include basic taxpayer information, including daytime phone number and details about the representatives, such as their Centralized Authorization File (CAF), Preparer Tax Identification Numbers (PTIN), and professional licensing (e.g., CPA, Enrolled Agent, or Attorney). The form also specifies the acts the representative is authorized to address. In this section the specific type of tax, tax form, and years are clearly stated to inform all parties of the scope of the POA.

While the "Acts Authorized" section clearly states the matters for which the POA applies, there is generally no expiration date for a POA for the authorized matters. When new matters arise, there will need to be a new POA issued, updating the acts authorized section. You can revoke a POA by sending the IRS a copy of the POA marked "REVOKE" with your current signature and date under the annotation, or by submitting a statement of revocation to the IRS if you do not have the original document.

New USPS Rule: Impact on Tax Filings

Effective December 24, 2025, the USPS updated its postmarking procedure, changing when a piece of mail is postmarked, which could impact the timeliness of a tax filing. Historically, mail dropped off at the USPS was postmarked on the day it arrived, allowing taxpayers to put their return in the mail on April 15 and still be considered as filed on time. Now, the postmark will reflect the date that USPS processes the item, which may be later than the drop-off date and could result in late filing penalties.

While it may seem like you can no longer send your returns via mail on the due date, there are a few ways to ensure your documents are postmarked on the day they are dropped off:

- Present the return, or other time-sensitive documents, at the retail counter and request a manual postmark. This will mark the time of acceptance with USPS. You can also pay for postage at the retail counter and the printed postage applied to the documents will indicate the original date the package was received.
- Purchase a Form 3817, Certificate of Mailing, when delivering the documents at the retail counter. This certificate provides basic information, such as the address and name of the recipient and notably the date the item was mailed.
- Choose to send your time-sensitive documents by certified mail. This provides the same basic information as the Certificate of Mailing, in addition to tracking information and the option to purchase insurance on the mailed documents.

Math & Taxpayer Help Act

To address the confusion caused by IRS notices, the Internal Revenue Service Math and Taxpayer Help Act was passed with bipartisan support. Historically, millions of automated math error notices were sent out, often confusing taxpayers and leaving out critical information about their response window. Under this new law, these notices must include clear explanations of the error, the form and line number in question, reason for adjustment, and clear statement of the response window. In the past, a notice may have said “there is an error in your Recovery Rebate Credit,” leaving the taxpayer to find the error. The new law requires the notice to specify that “there is an adjustment to line 30 of your 1040 due to records showing you received a full Recovery Rebate Credit.” Notices must also specifically inform the taxpayer of their 60-day window to request abatement, including the last date the taxpayer can make such a request. While these changes aim to reduce confusion, it is important to notify your tax advisor if you receive a notice so you can determine the best course of action.

Final Thoughts: Staying on Top of IRS Tax Deadlines and Compliance

Managing IRS notices, filing deadlines, and compliance requirements can easily fall to the bottom of the list when you're focused on running your business. However, staying organized and keeping track of the key filing deadlines is essential for both individuals and businesses.

- If you operate on a calendar year, remember that tax returns for both individuals and corporations are due by April 15th, with an extended deadline available until October 15th.
- For pass-through entities, such as S corporations and partnerships, returns must be filed by due March 15th, or by September 15th, with an extended deadline.

Missing these deadlines can lead to the IRS imposing failure-to-pay and failure-to-file penalties. Fortunately, taxpayers with a strong history of good standing with the IRS may qualify for penalty relief, such as first-time penalty abatement or reasonable cause penalty abatement. These two methods allow you to explain your case and seek removal of the penalties. The IRS may contact a taxpayer if there is an issue with payment, support, or a position on the return. Initial contact will always be made through the USPS, and you should be cautious of IRS-related notice scams; legitimate initial contact will only come through official mail, not email or phone calls.

Aprio is committed to helping individuals and businesses streamline their accounting and tax compliance processes with accuracy and confidence. With our support and guidance, you can stay focused on growing your business, leaving the paperwork and deadlines to us.

Case Studies: Real-World Penalty Relief in Action

Late Filed Partnership Return: First-Time Abatement

Background:

LMNOP, LLC, is a Georgia partnership established in 2015 consisting of two equal partners. The partnership operates on a calendar year, making its Form 1065 tax return due each year on March 15th. Since 2015, LMNOP, LLC has maintained a record of timely filings and has not received any prior penalties.

In March of 2025, a miscommunication occurred between the partners, each believing the other had filed a valid 2024 extension. Due to this oversight their 2024 Form 1065 was not filed until June 2025, after an IRS notice was received.

Course of Action:

LMNOP met with a tax advisor to discuss what to do in the aftermath of receiving the notice and the late submission of their return. Their tax advisor recommended submitting a first-time abatement request to seek removal of the penalties associated with the late filing. LMNOP, LLC has complied with the IRS since their inception and have made all other filings timely. Upon receiving the notice, they immediately worked to file their yearly tax return and any taxes due with the return have been paid. Because this late filing is an isolated incident rather than part of a recurring issue, the partnership is a strong candidate for penalty relief under the IRS first-time abatement policy.

ALTERNATE SCENARIO

If LMNOP, LLC had a history of late or missed tax filings, the situation would be different. The first-time penalty abatement would not apply in the case as it is specifically intended for taxpayers who generally demonstrate compliance and have not established a pattern of non-compliance.

Late Filed S Corporation Return: Reasonable Cause Exception

Background:

789 Inc. is a New York based S corporation, established in 2007. The corporation operates on a calendar year basis and is required to file its annual tax return (Form 1120-S) by March 15th each year. The company has 10 shareholders, each of which have a very specific role within the organization. Until recently, the company had never missed a filing.

In late January of 2025, the shareholder that handled all the financials and tax filings became seriously ill and was hospitalized until the end of March. During this shareholder's absence, the remaining shareholders were unable to interpret the company records sufficiently to file the tax return, resulting in a missed deadline on March 15th. Once the absent shareholder returned, 789 Inc. submitted a tax return by April 15th.

Course of Action:

The shareholders of 789 Inc. engaged a tax advisor after receiving an IRS notice indicating penalties for the late filing. The tax advisor recommended that 789 Inc. request a penalty abatement under the reasonable cause exception based on three key points — the event leading up to the late filing was out of the shareholder's control, they had never missed a previous filing, and they displayed reasonable care in the effort made to submit a correct return as soon as they shareholder returned to work. The late filing was not due to gross negligence. Given these facts and circumstances, there is a strong case for the penalty to be abated under reasonable cause.

ALTERNATE SCENARIO

If the shareholder was absent because of surgery scheduled months in advance, 789 Inc. has a history of late filings, or has regularly been assessed for other penalties due to consistent errors, requesting a reasonable cause abatement would be nearly impossible as 789 Inc. did not display a reasonable and ordinary level of care.

If the shareholder knew he would be out, 789 Inc. should have had internal discussions to decide who would oversee the return. Additionally, if 789 Inc. regularly filed late or had a history of repeated penalties, they didn't show a reasonable level of care in their previous filings, muddying the chances that the IRS would abate this year's penalties.