

EARLE LAW OFFICES

A PROFESSIONAL CORPORATION
19925 STEVENS CREEK BOULEVARD
POST OFFICE BOX 1925
CUPERTINO, CALIFORNIA 95015

WWW.EARLELAW.COM

EARLELAW NEWSLETTER

408.786.1060

Seven Important Points about Penalties

by Anthony F. Earle, Esq.*

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Taxpayers who do not file their return and pay their tax by the due date may have to pay a penalty. Here are seven things you should know about failure-to-file and failure-to-pay penalties.

1. 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 and explore other payment options in the meantime.
2. 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 the taxpayer's unpaid taxes.
3. 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.
4. You will not have to pay a failure-to-file penalty if you can show that you failed to file on time because of reasonable cause and not because of willful neglect.
5. You will 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.
6. If you filed an extension and you paid at least 90 percent of your actual tax liability by the due date, you will not be faced with a failure-to-pay penalty.
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% of the unpaid tax.

Earle Law Offices provides trial and appellate litigation, as well as non-litigation, legal services in the areas of business law, family law, real estate law, tax law, and trusts and estates.

* Mr. Earle is licensed to practice law in all California state trial and appellate courts, the United States Supreme Court, the United States Court of Appeals for the Fourth and Ninth Circuits, federal trial courts in the Northern District of California, and the United States Tax Court. He has also served as a Judge Pro Tempore for the Santa Clara Superior Court. In addition to practicing law, Mr. Earle is also a licensed Real Estate Broker.

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