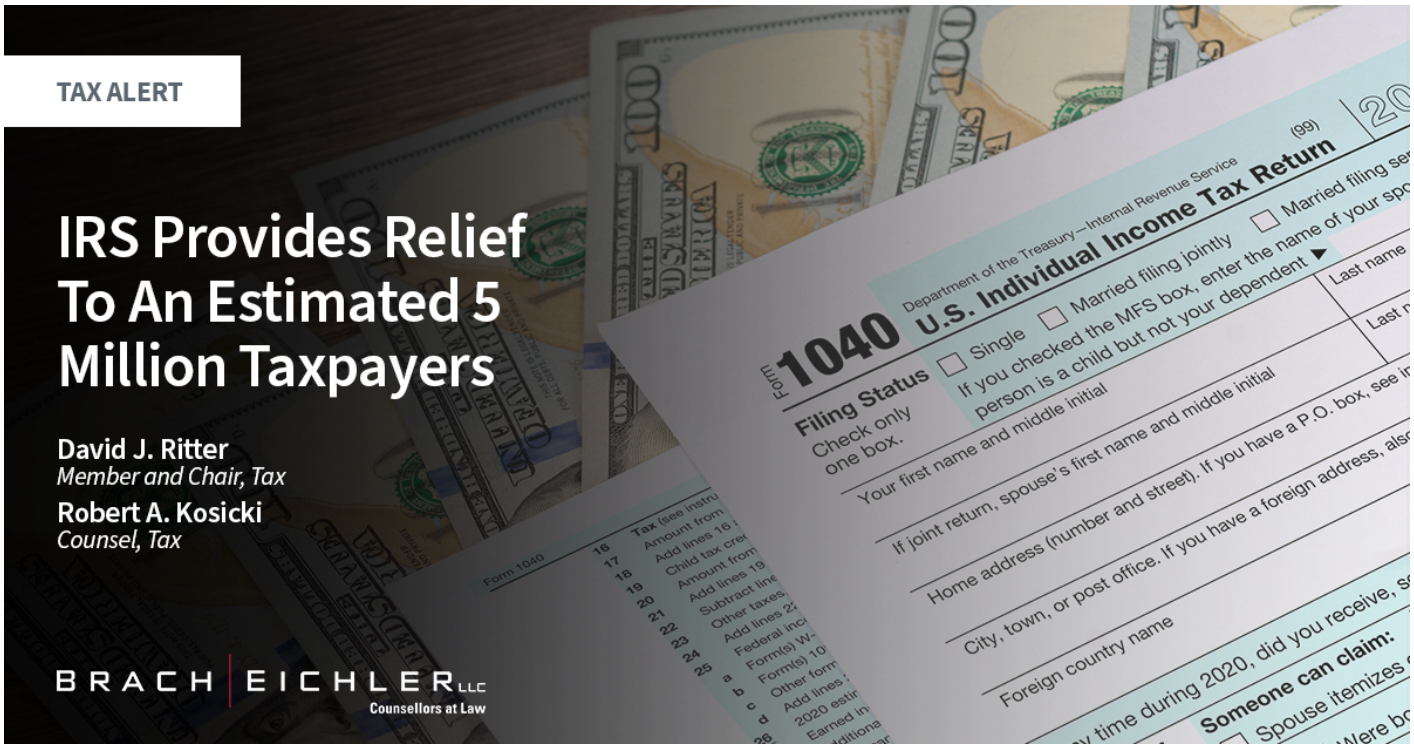
Tax Alert | IRS Provides Relief To An Estimated 5 Million Taxpayers



December 21, 2023

On December 19, 2023 the IRS issued Notice 2024-07 providing automatic relief to eligible taxpayers from the additions to their tax liability for the failure to pay penalty with respect to certain income tax returns for 2020 and 2021. For eligible taxpayers, these additions to tax will be waived or, to the extent previously assessed or paid, will be abated, refunded or credited to other outstanding tax liabilities as appropriate, for the relief period, which begins on the date the IRS issued an initial balance due notice or February 5, 2022 whichever is later, and ends on March 31, 2024.

The notice is seven pages and his divided into three sections and subsections. Of significance is SECTION III GRANT OF RELIEF which contains the following SUBSECTIONS A. Eligible Taxpayers, B. Eligible Returns. 1. Income Tax Returns of Individuals, 2. Income Tax Returns of Trusts, Estates, Certain Taxable Corporations, and Certain Tax Exempt Organizations.

An eligible taxpayer is any taxpayer:

- Whose assessed income tax for taxable year 2020 or 2021, as of December 7, 2023, is less than $100,000, excluding any applicable any applicable additions to tax, penalties, or interest.;
- Who was issued an initial balance due notice (including, but not limited to Notice CP14 or Notice CP161) on or before December 7, 2023, for taxable year 2020 to 2021; and
- Who is otherwise liable during the relief period for accruals of additions to tax for failure to pay under § 6651(a)(2) or 6651(a)(3) with respect to an eligible return for taxable year 2020 or 2021.

It is estimated that this will provide penalty relief for approximately 4.7 million individuals, businesses and tax-exempt organizations that were not sent automated collection remind notices during the pandemic.

The IRS will be providing about $1 billion in penalty relief. Most of those receiving the penalty relief make under $400,000 a year.

Due to COVID-19, the IRS temporarily suspended the mailing of automated reminders to pay overdue tax bills staring in February 2022.

The relief is a prelude to the IRS's resumption of its normal collection processes, the IRS will be issuing a special reminder letter starting next month. The letter will alert the taxpayer of their liability, easy ways to pay and the amount of penalty relief.

Advisors should be aware of who is eligible for relief under the program and relief strategies for those taxpayers who are ineligible such as reasonable cause requests for abatement, installment payment agreement or offer in compromise.

For more information or assistance, please contact:

David J. Ritter, Esq., Member and Chair, Tax Practice, at dritter@bracheichler.com or 973-403-3117

Robert A. Kosicki, Counsel, Tax Practice, at rkosicki@bracheichler.com or 973-403-3122

About Brach Eichler LLC

Brach Eichler LLC, is a full-service law firm based in Roseland, NJ. With over 80 attorneys, the firm is focused in the following practice areas: Healthcare Law; Real Estate; Litigation; Trusts and Estates; Corporate Transactions & Financial Services; Personal Injury; Criminal Defense and Government Investigations; Labor and Employment; Environmental and Land Use; Family Law Services; Patent, Intellectual Property & Information Technology; Real Estate Tax Appeals; Tax; and Cannabis Law. Brach Eichler attorneys have been recognized by clients and peers alike in The Best Lawyers in America©, Chambers USA, and New Jersey Super Lawyers. For more information, visit www.bracheichler.com.

This alert is intended for informational and discussion purposes only. The information contained in this alert is not intended to provide, and does not constitute legal advice or establish the attorney/client relationship by way of any information contained herein. Brach Eichler LLC does not guarantee the accuracy, completeness, usefulness or adequacy of any information contained herein. Readers are advised to consult with a qualified attorney concerning the specifics of a particular situation.