

IRS ANNOUNCES PENALTY RELIEF FOR SOME 2018 UNDERWITHOLDERS

Posted on January 18, 2019 by Michelle F. Schwerin

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The IRS announced yesterday that it will excuse some taxpayers who underwithheld or failed to pay enough in estimated tax payments during 2018. This excuse, of course, does not extend to the tax itself, but to underwithholding penalties that otherwise apply under the law.

Notice 2019-11: Waiver of Penalty

The IRS's bulletin publicized that it would waive the estimated tax penalty for some taxpayers who underwithheld on their 2018 tax liability. This [waiver of penalty](#) will benefit taxpayers who paid at least 85% of their total tax liability through withholdings or estimated tax payments. *(Before you get too excited about this waiver, understand that it does not drastically expand the scope of penalty waiver.)*

Typically, to avoid the estimated tax penalty, a taxpayer must make payments of 90% of their current tax liability or 100-110% of their prior years' tax liability based on the taxpayer's AGI. Taxpayers requesting relief must file Form 2210 with their 2018 tax return. For additional details, please see [Notice 2019-11](#).

Commissioner Rettig stated: "We realize there were many changes that affected people last year, and this penalty waiver will help taxpayers who inadvertently didn't have enough tax withheld" and "urge people to check their withholding again this year to make sure they are having the right amount of tax withheld for 2019."

To help taxpayers determine their proper 2019 withholding, the IRS published an updated [Withholding Calculator](#).

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Congressional Input

The IRS's publication was released on the same day that U.S. Senator Chuck Grassley (R- Iowa) spoke from the Senate floor, urging the Internal Revenue Service to exercise restraint as to the estimated 30 million Americans who underwithheld income taxes throughout 2018 under the Tax Cuts and Jobs Act (TCJA), the tax reform law enacted in December 2017, and errors in the IRS's withholding tables.

"If a taxpayer is underwithheld as a result of changes in the law — not through fault of their own — the IRS should consider what actions the agency can take to provide penalty relief," Grassly suggested.

(Senator Grassley's comments followed a January 3 letter to Commissioner Charles Rettig, in which author, Senator Ron Wyden (D-Ore), asked Commissioner Rettig whether and how the IRS might treat taxpayer who underwithheld and how to prevent the issue on a going-forward basis.)

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