



From The Tax Experts
At ALG Tax Solutions

5 STEPS To IRS Penalty Relief

www.algtaxsolutions.com

(855) MI-TAX-HELP



TAX
SOLUTIONS

CHOOSE A METHOD

Request IRS Penalty Relief by Mail **p 3**

Request IRS Penalty Relief with Form 843 **p 10**

Calling the IRS for Penalty Relief **p 17**

Advantages and Disadvantages of Each Method

Request IRS penalty relief by mail

+ Advantages

- o Don't have to talk to the IRS
- o Can request penalty relief for multiple tax years

- Disadvantages

- o May be difficult to prepare a letter referencing the proper tax terminology
- o May not get a response from the IRS in a timely manner

Request IRS penalty relief with Form 843

+ Advantages

- o Don't have to talk to the IRS
- o Form 843 provides a format to prepare your request

- Disadvantages

- o Must use multiple Form 843s if you are requesting penalty relief for multiple years
- o May not get a response from the IRS in a timely manner

Calling the IRS for penalty relief

+ Advantages

- o Can request penalty relief for multiple years
- o IRS will provide you a response to your request on the call

- Disadvantages

- o IRS may ask questions about your income sources. IRS can use this information for collection enforcement action such as wage or bank levy.



For More Info Visit [ALGTaxSolutions.com](https://www.ALGTaxSolutions.com)

The background of the entire page is a photograph of a diverse group of people, including men and women of various ethnicities, all smiling and looking towards the camera. The image has a semi-transparent dark blue overlay. A solid blue horizontal band is positioned across the middle of the image, containing the main title in white text.

IRS PENALTY RELIEF BY MAIL

Step 1 - Prepare the IRS Penalty Relief Letter

You must have a good reason to request IRS penalty relief.

The reason for not complying with your tax obligations must be due to reasonable cause and not to willful neglect. In other words, you were not able to pay the taxes owed or file the tax return on time due to reasons beyond your control. [Learn about 7 reasons the IRS considers for IRS Penalty Relief.](#)

The most critical step to the process – Preparing a solid IRS Penalty Relief letter

This letter will determine whether the IRS accepts or denies your request. Furthermore, the letter will be in your record, and can be used against you. If you write a letter with no legal basis for penalty relief, you will have a difficult time appealing a negative decision.

A good penalty abatement letter has a solid legal basis for requesting penalty abatement. The legal basis for penalty relief should be based on one or more of the [7 reasons](#) that allow the IRS to abate the penalties. Letters requesting penalty relief that are not based on the 7 reasons are significantly more likely not to be accepted.

TAX HELP:

Our tax professionals have a thorough understanding of the [7 reasons for abating IRS penalties](#). Prior to requesting IRS penalty relief, a tax professional at ALG Tax Solutions will fully evaluate your reasons for abating penalties, and can develop a good penalty abatement letter that is compliant with the IRS Reasonable Cause Assistant evaluation software program used to inform the IRS employee of acceptance or denial of your penalty relief.



Did You Know?

It's significantly harder to get penalties removed for two or more tax years compared to requesting penalty relief for one tax year.

EXAMPLE:

You plan to submit a request to remove all penalties charged for 2018, 2019, 2020, and 2021. To request IRS penalty relief for all 4 years, you would need a good reason to abate penalties for each year. It's difficult to show a good reason for filing 2021 tax return late when your reason for penalty relief was 4 years earlier in 2018. Careful consideration must be made when preparing a penalty abatement letter for multiple tax years.



TAX HELP:

IRS penalty relief letters written by ALG Tax Solutions include references to the Internal Revenue Manual. By including these references, it may make it easier for the IRS employee to enter acceptable reasons for abating penalties in the RCA software program.



Decode Your IRS Letter AT [ALGTaxSolutions.com](https://www.algtaxsolutions.com) (855) MI-TAX-HELP



Step 2 - Mail the Penalty Relief Request to the IRS

Mailing the penalty relief request to the IRS may seem like the easy part in this process, but in reality, it may not be.

There are many IRS addresses. What IRS address do you use?

If you have a tax bill...

We recommend mailing the request for penalty relief to the address listed on the bill.

If you do not have a tax bill...

We recommend using the address for the IRS service center responsible for the type of tax accruing penalties.

EXAMPLE:

You owe Form 1040 taxes, penalties and interest. Then you use the IRS address for paper filing Form 1040 taxes.

You may not know for 60 to 90 days if the IRS is processing your request for IRS penalty relief. The IRS should mail a response to your request within 90 days. If you don't receive a response, then contact the IRS. It's not unusual for a penalty abatement request to be lost within the IRS system.

IRS FACT:

Penalty abatement is an all or nothing request. This means the IRS will not partially abate penalties. You are either approved for full penalty relief, or denied for full penalty relief.



Step 3 - IRS Will Respond by Mail with an Acceptance or Denial

The IRS will mail an acceptance or denial letter. The letter will explain why your request was accepted or why your request was denied.

Did you Know?

The IRS doesn't create or pass federal law. U.S. Congress has this responsibility. What the IRS can and can't do is determined by law.

IRS FACT:

Any personal issues with the tax law should be addressed with your local elected U.S. representative, not the IRS. The IRS' responsibility is to administer and follow the laws passed by U.S. Congress. The IRS can't create new laws.



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Step 4 - Approved IRS Penalty Relief Request

If your penalty relief request is approved...

The IRS will mail a letter with a new tax balance reflecting the removal of penalties. An example of a tax abatement letter is [IRS Notice CP21A](#). In this letter, the IRS removed failure to file penalties and failure to pay penalties for tax year 2010.

If the IRS agrees to remove penalties for multiple tax years, you will receive an IRS letter for each tax year adjusted.

IRS FACT:

The IRS cannot **legally** abate or remove interest. Interest will continue to accrue on unpaid tax balances.



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Step 5 - Denied IRS Penalty Relief Requests

If your request for IRS penalty relief was denied...

The IRS will allow you 60 days to appeal the decision. The denial letter explains the strict guidelines for preparing the appeal. It is highly recommended to follow those guidelines or risk the IRS not accepting your appeal.



IRS FACT:

An unpaid tax balance will nearly double in 4 years due to penalties and interest.

IRS FACT:

The failure to pay deposits is up to 15% per month.



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A man with short dark hair and a light beard, wearing a dark blue suit jacket over a light-colored shirt, is smiling and looking towards the camera. He is in an office environment with blurred desks and computer monitors in the background. Another person's head and shoulder are visible in the foreground on the right side, slightly out of focus.

IRS PENALTY RELIEF WITH FORM 843

Step 1 - Prepare Form 843, Claim for Refund and Request for Abatement

First – Download [Form 843, Claim for Refund and Request for Abatement](#).

You can use Form 843 when requesting IRS penalty relief for one tax period. We don't recommend using Form 843 when requesting IRS penalty relief for two or more tax periods. To request IRS penalty relief for more than one tax period using Form 843, you would need to prepare a separate form for each tax period.

Example:

You would like to request penalty relief for tax years 2019, 2020, and 2021. You will need to prepare 3 separate Form 843s. This is considered three separate IRS penalty requests. Which means each request will be negotiated with the IRS separately.

If you are requesting IRS penalty relief for two or more tax periods, we highly recommend mailing a IRS Penalty Relief Request Letter or calling the IRS to request relief.

IRS FACT:

According to the IRS, the average acceptance rate of filed Offer in Compromises is less than 50%. The overall acceptance rate of Offer in Compromises prepared by ALG Tax Solutions is greater than 90%.



Using Form 843

You must have a good reason to request IRS penalty relief. The reason for not complying with your tax obligations must be due to reasonable cause and not to willful neglect. In other words, you were not able to pay the taxes owed or file the tax return on time due to reasons beyond your control. [Learn about 7 reasons the IRS considers for IRS Penalty Relief.](#)

The most critical step to the process is preparing Form 843. This form, filed by you, will determine whether the IRS will accept or deny your request. Furthermore, the filed Form 843 will be in your record and can be used against you. If you prepare Form 843 with no legal basis for penalty relief, then you will have a difficult time appealing a negative decision.

Real Results:

ALG Tax Solutions achieved a 95% reduction of taxes owed through the preparation and negotiation of an [offer in compromise](#). The client only had to pay \$9,000 to settle a tax debt of approximately \$170,000.

IRS FACT:

As part of the Highway Funding Bill passed in December of 2015, the IRS must start using 3rd party private debt collectors to collect certain unpaid back taxes.



Step 2 - Mail Form 843 to the IRS

Mailing Form 843 to the IRS may seem like the easy part in this process, but in reality, it may not be.

There are many IRS addresses. What IRS address do you use?

If you have a tax bill...

We recommend mailing Form 843 to the address listed on the bill.

If you do not have a tax bill...

We recommend using the address for the IRS service center responsible for the type of taxes.

Example:

If you owe Form 1040 taxes, penalties, and interest, then use the IRS address for paper filing Form 1040 taxes.

Real Results:

ALG Tax Solutions achieved a 98% reduction of taxes owed through the preparation and negotiation of an [offer in compromise](#). The client only had to pay \$500 to settle a tax debt of approximately \$35,000.

IRS FACT:

The failure to pay penalty is .5% per month, up to 25%.



Step 3 - IRS Will Respond by Mail with an Acceptance or Denial

The IRS will mail an acceptance or denial letter. The letter will explain why your request was accepted or why your request was denied.

You may not know for 60 to 90 days if the IRS is processing Form 843. The IRS should mail a response to your request within 90 days. If you don't receive a response, then contact with the IRS. It's not unusual for a penalty abatement request to be lost within the IRS system.

IRS FACT:

The IRS budget has dropped significantly over the last 4 to 5 years. As a result, IRS employment has declined by 14% and IRS enforcement staff has declined by 20%.

IRS FACT:

The number of IRS identity theft cases has increased by 700%.



Step 4 - Approved IRS Penalty Relief Request

If your IRS Penalty Relief Request is approved...

The IRS will mail a letter with a new tax balance reflecting the removal of penalties. An example of a tax abatement letter is [IRS Notice CP21A](#). In this letter, the IRS removed failure to file penalties and failure to pay penalties for tax year 2010.

If the IRS agrees to remove penalties for multiple tax years, you will receive an IRS letter for each tax year adjusted.

IRS FACT:

There is more than \$130 billion of unpaid IRS taxes.



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Step 5 - Denied IRS Penalty Relief Requests

If your request for IRS penalty relief was denied...

The IRS will allow you 60 days to appeal the decision. The denial explains the strict guidelines for preparing the appeal. It is highly recommended to follow those guidelines or risk the IRS not accepting your appeal.



IRS FACT:

Less than 1% of all tax returns are selected for IRS tax audit

REAL RESULTS:

A business client owed approximately \$250,000 in payroll taxes, of which about \$100,000 of the balance was penalties and interest. ALG Tax Solutions prepared an offer in compromise and the IRS accepted a settlement of about \$160,000. The Offer in Compromise eliminated all the penalties and partially eliminated the interest.



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A man in a light blue dress shirt and dark tie is shown from the chest up, talking on a black mobile phone held to his left ear. He has a focused expression and is looking down and to the right.

CALLING

THE IRS FOR PENALTY RELIEF

A close-up shot of a man's hands in a light blue dress shirt. He is pointing his right index finger at a document on a desk. A calculator is visible on the desk to the right of the document.

THE IRS FOR PENALTY RELIEF

Step 1 - Call the IRS

Calls to the IRS can be placed during business hours Monday – Friday. The IRS is closed on the weekends and federal holidays.

What to expect...

Calling the IRS is not something you can do during your lunch break. We recommend setting aside 2 – 3 hours to call the IRS. You can expect to be on hold for 30 – 120 minutes before reaching an IRS employee. Once you reach an employee, your discussion will take 30 minutes or longer.

After making the first call to the IRS to request penalty relief, you will then also need to make one or more calls to follow up on your request.

What to expect...

Every time you call the IRS, you may be asked personal questions before you are able to discuss your reason for calling. Questions you can expect to be asked are: updated telephone number, name of your employer, name of your bank, etc. Why does the IRS ask these questions? They are looking for income sources. So, if your case goes into collection enforcement action, then the IRS will know which income source to levy.

TAX TIP:

A tax professional hired to represent you may not know where you are employed or where you bank. If an IRS employee asks the tax professional those two questions, the tax professional will not be able to answer and the IRS employee will accept the tax professional not knowing the answer. However, it is expected for a taxpayer calling the IRS themselves to properly answer those questions.



Step 2 - Request IRS Penalty Abatement

You must have a good reason to request IRS penalty relief. The reason for not complying with your tax obligations must be due to reasonable cause and not to willful neglect. In other words, you were not able to pay the taxes owed or file the tax return on time due to reasons beyond your control. [Learn about 7 reasons the IRS considers for IRS Penalty Relief.](#)

The most critical step to the process...

Careful consideration is required when talking to the IRS employee regarding your request for IRS penalty relief. What you say will determine whether the IRS will accept or deny your request. Furthermore, your conversation with the IRS employee will be in your record and can be used against you. If your reason for removing penalties has no legal basis, then you will have a difficult time appealing a negative decision.

Real Results:

A client owed approximately \$80,000 to the IRS. The client fought the balance with the IRS for more than 2 years, and while the client's accountant attempted to help, they were not successful. ALG Tax Solutions took over the case and was able to not only eliminate the tax balance, but also get an IRS refund check for the client.

IRS FACT:

IRS Revenue Officers used to have the authority to partially abate penalties. If the IRS Revenue Office empathized with your tax situation, they would partially abate the IRS penalties charged. Today, IRS Revenue Officers are unable to partially abate penalties – It's all or nothing.



Step 3 - IRS Employee Will Inform You of Acceptance or Denial

IRS employees will use the Reasonable Cause Assistant (RCA) evaluation tool when evaluating your request for IRS penalty relief. This is done while you are on the phone.

The employee enters information into the RCA software program based on your reasoning for penalty relief. RCA will compile the answers, do normal case research, and then will inform the IRS employee of acceptance or denial.

The IRS will then tell you if your request was accepted or denied.

IRS FACT:

Reasonable Cause Assistant is a question based computer software program similar to question based tax software such as TurboTax.



Step 4 - Approved IRS Penalty Relief Request

If your IRS Penalty Relief Request is approved...

The IRS will mail a letter with a new tax balance reflecting the removal of penalties. An example of a tax abatement letter is [IRS Notice CP21A](#). In this letter, the IRS removed failure to file penalties and failure to pay penalties for tax year 2010.

If the IRS agrees to remove penalties for multiple tax years, you will receive an IRS letter for each tax year adjusted.

Real Results:

ALG Tax Solutions achieved an 88% reduction of taxes owed! A client owed about \$130,000 to the IRS. ALG Tax Solutions worked with the IRS and the client to prepare and file new tax returns. The result of the newly filed tax returns was a reduction to only \$15,000 owed to the IRS vs. \$130,000.

IRS FACT:

The failure to file penalty is 5% per month, up to 25%. This penalty is significantly harsher than the failure to pay penalty. It is highly recommended to file your taxes on time even if you are unable to pay the taxes owed, to avoid the failure to file penalty.



Step 5 - Denied IRS Penalty Relief Requests

If your request for IRS penalty relief was denied...

The IRS will allow you 60 days to appeal the decision.

It's important to evaluate the denial letter you receive since the denial letter explains the strict guidelines for preparing the appeal. It is highly recommended to follow the exact guidelines or risk the IRS not accepting your appeal.

If you don't receive a denial letter within 2 weeks of calling the IRS, then call the IRS to request the denial letter.

TAX HELP:

For on-going businesses, an alternative option for removing penalties and interest may be an offer in compromise.

