

First-Time Penalty Abatement

First Time Penalty Abatement (FTA) is an administrative waiver provided by the IRS that offers relief from certain penalties for taxpayers with a good history of tax compliance. The FTA program is designed to encourage voluntary compliance by providing a one-time abatement of specific penalties for a single tax period, provided the taxpayer meets certain eligibility criteria.

Tax Returns Eligible for First Time Penalty Abatement

According to IRS guidance and administrative policy, First Time Abatement applies to the following types of tax returns and associated penalties:

1. **Individual Income Tax Returns (Form 1040 series)**
 - Penalties eligible: Failure to File (IRC § 6651(a)(1)), Failure to Pay (IRC § 6651(a)(2)), and Failure to Pay after Notice and Demand (IRC § 6651(a)(3)) [3].
2. **Business Income Tax Returns (Form 1120 series)**
 - Penalties eligible: Failure to File (IRC § 6651(a)(1)), Failure to Pay (IRC § 6651(a)(2)), and Failure to Pay after Notice and Demand (IRC § 6651(a)(3)) [3].
3. **Estate and Trust Income Tax Returns (Form 1041 series)**
 - Penalties eligible: Failure to File and Failure to Pay penalties as above [3].
4. **Exempt Organization Business Income Tax Returns (Form 990-T)**
 - Penalties eligible: Failure to File and Failure to Pay penalties as above [3].
5. **Partnership Returns (Form 1065)**
 - Penalty eligible: Failure to File partnership return penalty under IRC § 6698(a)(1) [3].
6. **S Corporation Returns (Form 1120-S)**
 - Penalty eligible: Failure to File S corporation return penalty under IRC § 6699(a)(1) [3].
7. **Employment Tax Returns (e.g., Form 941, Form 940)**
 - Penalty eligible: Failure to Deposit penalty under IRC § 6656 [3].

Key Points and Limitations:

- FTA applies to a single tax period for each eligible return type.

- The taxpayer must have filed (or filed an extension for) all required returns for the prior three years and have no penalties (other than those abated for reasonable cause or FTA) for those years [3].
- FTA does not apply to event-based filings, Daily Delinquency Penalty (DDP), or information returns that are dependent on another filing [3].
- There is no dollar cap on the amount that can be abated under FTA.

Summary Table of Eligible Returns and Penalties:

Return Type	Penalty Type(s) Eligible for FTA	IRC Section(s)
Form 1040 series	Failure to File, Failure to Pay	6651(a)(1), (a)(2), (a)(3)
Form 1120 series	Failure to File, Failure to Pay	6651(a)(1), (a)(2), (a)(3)
Form 1041 series	Failure to File, Failure to Pay	6651(a)(1), (a)(2), (a)(3)
Form 990-T	Failure to File, Failure to Pay	6651(a)(1), (a)(2), (a)(3)
Form 1065	Failure to File partnership return	6698(a)(1)
Form 1120-S	Failure to File S corporation return	6699(a)(1)
Employment tax returns	Failure to Deposit	6656

Conclusion: First Time Penalty Abatement is available for failure to file, failure to pay, and failure to deposit penalties associated with individual, business, estate, trust, exempt organization, partnership, S corporation, and employment tax returns, provided the taxpayer meets the compliance history and other eligibility requirements [3].

Cited sources:

[1] Sec. 301.6724-1 Reasonable cause.: <https://app.askbluej.com/source/ab35f183-6afb-51da-89b2-2159e32862ea>

[2] Sec. 301.6656-1 Abatement of penalty.: <https://app.askbluej.com/source/41e8e7c8-f5d7-598e-a4d8-7680c0e71253>

[3] <https://www.irs.gov/payments/administrative-penalty-relief>

Additional relevant sources:

Notice 2013-24: <https://app.askbluej.com/source/b408b829-708a-5a72-80cf-d9557afc27e9>

PMTA 2018-002: <https://app.askbluej.com/source/5ee76d5c-5a65-58ab-940f-91fca67c896d>

PMTA 2010-001: <https://app.askbluej.com/source/5c033f3a-8b61-5b49-a7e1-206138bada9b>

CCA 201713001: <https://app.askbluej.com/source/7a0cc866-61b8-519e-8b9f-4f21d69d2bc2>

FS-2023-28: <https://app.askbluej.com/source/bab9a898-8759-5524-afa8-a9977e7a3c14>