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RI Society of CPAs Signs onto AICPA Letter Sent to IRS and Treasury Department Seeking Additional Penalty Relief for Taxpayers

The RI Society of CPAs has signed onto a letter sent this week from the AICPA to the IRS and U.S. Treasury Department, Treasury Secretary Stephen Mnuchin, that seeks penalty relief to taxpayers for making late payments or underpayments in connection to their 2018 tax filings. When the Tax Cuts and Jobs Act (TCJA) was passed in late 2017, it affected millions of individual taxpayers and tax preparers. As part of its implementation, the IRS adjusted its withholding tables. However, the adjusted withholding tables did not account for factors such as the elimination of personal and dependency exemptions or reduced itemized deductions. The result: many taxpayers have been unable to accurately calculate their tax liability for 2018 and may have inadvertently under-withheld their taxes.

The IRS initially saw the challenges that taxpayers could have with the new withholding tables and provided them with underpayment penalty relief. It stated that it would waive the underpayment penalty for individuals who paid, by January 15, 2019, at least 85 percent of the tax due for the current year.

The RI Society of CPAs and the AICPA welcome this change but believe more should be done, and so the RI Society signed onto a recent letter urging the Department of Treasury and the IRS to provide more extensive relief to taxpayers. The letter cites five recommendations that would benefit taxpayers:

- Taxpayers should receive relief from underpayment penalties if they paid at least 80 percent of the tax due for the current year or they paid 80 percent (100 percent if their adjusted gross income (AGI) exceeds \$150,000) of amount of tax shown on their U.S. income tax return for the prior year.
- Taxpayers should also receive relief from late payment penalties if they make a timely request for an extension of time to file their income tax return and pay at least 80 percent of the taxes owed with the request.
- The IRS should establish an *expedited process* to grant individuals' payment penalty relief for reasonable cause due to the considerable uncertainty surrounding the TCJA.
- Taxpayers need the IRS to identify specific circumstances for which providing automatic relief of penalties for the 2018 taxable year is appropriate, thus relieving them of the administrative burden of requesting a waiver of penalties.
- The IRS should also provide businesses and tax-exempt organizations relief from underpayment and late payment penalties.

Michele Forcino and Tracy Hess, Co-Chairs of the Tax Committee of RISCPA, signed onto the letter on behalf of the RI Society.

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