



GMS Flash Alert



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United States – Additional Penalty Relief for Underpayment of Estimated Income Tax

On March 22, 2019, the U.S. Internal Revenue Service (IRS) published Notice 2019-25 which modifies and supersedes prior IRS guidance announcing the waiver of the addition to tax for underpayment of estimated income tax for certain individuals for tax year 2018 (see GMS [Flash Alert 2019-008](#), January 21, 2019).¹

WHY THIS MATTERS

The U.S. tax law enacted on December 22, 2017, commonly referred to as the “Tax Cuts and Jobs Act,” introduced a number of changes affecting individual taxpayers. In February 2018, the IRS released an updated “withholding calculator” and a new version of Form W-4 to help individual taxpayers determine the appropriate amount of withholding for the 2018 tax year. However, some assignees may have been unable to accurately calculate their 2018 federal income tax withholding and required estimated tax payments.

This Notice provides additional penalty relief and lessens the likelihood that those assignees will owe an underpayment penalty when they file their 2018 federal tax returns.

Background

Normally, taxpayers must pay federal income taxes as they earn income, through withholding or estimated tax payments. Generally, a taxpayer will be subject to a penalty if the taxpayer fails to pay the lesser of the following amounts during the tax year:

- 90 percent of the tax shown on the taxpayer’s return for the tax year, or
- 100 percent of the tax shown on the taxpayer’s return for the previous tax year (110 percent if the taxpayer’s adjusted gross income on the previous year’s return exceeds \$150,000) if the previous tax year was a full 12 months long.

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On January 16, 2019, the IRS published Notice 2019-11, which provides a waiver of the estimated tax penalty for certain individuals who were required to make tax year 2018 estimated income tax payments on or before January 15, 2019.

Notice 2019-25

Notice 2019-25 provides underpayment penalty relief by:

- expanding the waiver to individuals whose total withholding and estimated tax payments made on or before January 15, 2019 equal or exceed 80 percent of the tax shown on the return for the 2018 tax year (formerly 85 percent of the tax shown on the tax return);
- updating procedures for requesting the waiver of the addition to tax; and
- providing refund procedures for taxpayers who paid the underpayment penalty but who qualify for relief under Notice 2019-25.

Waiver Request

To request the waiver, taxpayers must file Form 2210, *Underpayment of Estimated Tax by Individuals, Estates, and Trusts*, with their 2018 income tax returns. The form can be filed with a return filed electronically or on paper. Taxpayers are directed to complete Part I of Form 2210 and the worksheet included in the form instructions to determine if the waiver applies. If the waiver applies, taxpayers are further directed to check the waiver box (Part II, Box A), include the statement "80% Waiver," and file the form with the tax return.

Claiming a Refund of Underpayment Penalty

Taxpayers who qualify for relief under Notice 2019-25 may have already paid additions to tax for tax year 2018. If the waiver under the Notice applies to a taxpayer who has already paid the penalty, the taxpayer should file Form 843, *Claim for Refund and Request for Abatement* to claim a refund. When completing the form, taxpayers should include the statement "80% Waiver of estimated tax penalty" on Line 7.

FOOTNOTE:

1 See IRS [Notice 2019-25](#).

* * * *

The above information is not intended to be "written advice concerning one or more Federal tax matters" subject to the requirements of section 10.37(a)(2) of Treasury Department Circular 230 as the content of this document is issued for general informational purposes only.

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