

Table of Contents

Penalties	1
Penalties Review Questions	5
Penalties Review Answers	7
Taxpayer Penalties	9
Failure to File	9
Fraudulent Failure to File	10
Pass-through Entities	11
Failure to Pay	12
Accuracy-related	14
Negligence or Disregard	16
Substantial Understatement	18
Penalty Relief	21
Reasonable Cause	21
Statutory Exceptions	25
Administrative Waivers	26
Correction of IRS Error	29
Penalty Abatement Process	29
Taxpayer Penalties Review Questions	39
Taxpayer Penalties Review Answers	41
Tax Preparer Penalties	43
Circular 230	43
Section 6694	44
Tax Preparer	46
Income Derived	47
Defenses	48
Substantial Authority	49
Section 6695(g)	51
Tax Preparer Penalties Review Questions	53
Tax Preparer Penalties Review Answers	55
Appendix	57
Appendix A: Taxpayer Penalties by IRC Section	57
Appendix B: Tax Preparer Penalties by IRC Section	61
Appendix C: List of Valid Authorities	62
Appendix D: Penalty Relief Application Chart	63
Appendix E: Common IRS Transaction Codes	64