

MEMO# 11493

December 23, 1999

IRS ANNOUNCES PENALTY RELIEF FOR Y2K-RELATED PROBLEMS

[11493] December 27, 1999 TO: PENSION MEMBERS No. 50-99 PENSION OPERATIONS ADVISORY COMMITTEE No. 60-99 TAX MEMBERS No. 44-99 TRANSFER AGENT ADVISORY COMMITTEE No. 82-99 RE: IRS ANNOUNCES PENALTY RELIEF FOR Y2K-RELATED PROBLEMS

The IRS has announced that it will provide penalty and interest relief to taxpayers and businesses that may not be able to comply with the tax laws because of year 2000 problems beyond their control. Specifically, the IRS will be prepared to waive tax penalties and interest for a taxpayer that makes a reasonable effort to become Y2K compliant if a Y2K failure significantly affects the taxpayer's ability to comply with the tax laws. Such relief will be available to taxpayers unable to file on time or make tax payments or deposits on schedule if the resulting tax law violation was unavoidable due to a Y2K failure or as a result of Y2K-related efforts to prevent disruption of essential services and the taxpayer notifies the IRS about the problem. The manner in which the IRS is to be notified depends on the nature of the filing, payment or deposit delay. Please refer to the attached announcement for appropriate IRS telephone numbers and mail addresses. According to the announcement, taxpayers that encounter Y2K problems that have an impact on their tax returns or other elements involving tax law compliance generally should take the following steps: (1) notify the IRS as soon as possible after the discovery; (2) take prompt action to fix the Y2K problem after discovery; and (3) consider alternate ways to comply with the tax law. More specifically, business filers that file returns ordinarily due on January 31, 2000, for employment and excise taxes ordinarily due on that date are instructed to contact IRS. Businesses encountering problems distribution Forms W-2 or 1099 should notify employees or payees of any delay and may request a 15-day extension of time by making an extension request in writing to the IRS before January 31, 2000. Individual filers encountering problems receiving Forms W-2 or 1099 by February 1, 2000 are directed to contact their employer or payer for assistance before contacting the IRS. Penalty relief for individual filers encountering Y2K problems may include abatement or non-assertion of estimated tax penalties for January 2000 estimated tax payments. If businesses have a Y2K-related problem involving Federal Tax Deposits, they are instructed to notify the IRS within five days of discovering the problem, take appropriate steps to fix the problem within 30 days of discovery, and pursue alternate ways to make the deposits. Please refer to the attached announcement for specific guidance for taxpayers using the Electronic Federal Tax Payment System (EFTPS) and bulk and batch filers. Russell G. Galer Senior Counsel Attachment

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