

## Tax Notes

# IRS to Waive Underpayment Penalty for Some Individual Taxpayers

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In response to the extensive changes made by the Tax Cuts and Jobs Act (TCJA), many taxpayers may have been unable to accurately calculate their estimated tax requirements for 2018. In order to provide relief from potential underpayment penalties, the IRS issued [Notice 2019-11](#) on January 16, 2019.

In this notice, the IRS will waive the addition to tax for the underpayment of estimated income tax for any individual whose total withholding and estimated tax payments made on or before January 15, 2019 equals or exceeds 85% of the tax shown on the 2018 tax return. Normally, the threshold percentage is 90% to avoid this penalty. To request this waiver, taxpayers must file Form 2210, *Underpayment of Estimated Tax by Individuals, Estates, and Trusts* with their 2018 income tax return.

### Waiver Conditions

If the taxpayer paid less than 85%, they will not qualify for the waiver and the penalty will be calculated based on the normal 90% threshold. In general, estimated tax payments must be made in four installments equaling 25% of the required annual payment. The required annual payment is the lesser of (i) 90% of the tax shown on the return for the taxable year, or (ii) 100 percent of the tax shown on the taxpayer's return for the prior year [110% if the individual's adjusted gross income on the prior year's return exceeded \$150,000 (\$75,000 if married filing a separate return)].

### General Exceptions

Aside from the above waiver, there are general exceptions to the rules. If the taxpayer owes less than \$1,000 in tax, after subtracting tax withheld on wages, an addition to tax will not be imposed. Penalties are also waived if:

- the individual did not have a tax liability for the prior year,
- the preceding taxable year was 12 months, and
- the individual was a citizen or resident of the United States throughout the preceding tax year.

Lastly, the IRS is authorized to waive the penalty if it has been determined “that by reason of casualty, disaster, or other unusual circumstances the imposition of such addition to tax would be against equity and good conscience.”

### 2019 Online Withholding Calculator

To help taxpayers calculate their 2019 withholding, an updated version of the online calculator is available on the [IRS website](#).

## Contact Us

If you have questions regarding how these rules will apply to your tax planning, contact any of the individuals listed below or another member of your client service team at PKF O'Connor Davies.

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