



## IRS Issued Inflation Adjustments to Information Return Penalties

On November 10, the Internal Revenue Service (IRS) issued Rev. Proc. 2021-45, containing inflation-based adjustments across more than 60 tax provisions for the 2022 tax year, for returns required to be filed in 2023. Notably, the IRS increased penalties for taxpayers which failed to file correct information returns to the IRS and to payees. The increases, and corresponding 2021 amounts, are outlined below.

### Failure to File Correct Information Returns

- 1) For persons with average annual gross receipts for the most recent three taxable years of more than \$5,000,000:

	Penalty per return	Calendar year maximum
General Rule	\$290 (up from \$280)	\$3,532,500 (up from \$3,426,000)
Corrected on or before 30 days after required filing date	\$50 (same as 2021)	\$588,500 (up from \$571,000)
Corrected after 30th day but on or before August 1, 2023	\$110 (same as 2021)	\$1,766,000 (up from \$1,713,000)

- 2) For persons with average annual gross receipts for the most recent three taxable years of \$5,000,000 or less:

	Penalty per return	Penalty per return
General Rule	\$290 (up from \$280)	\$1,177,500 (up from \$1,142,000)
Corrected on or before 30 days after required filing date	\$50 (same as 2021)	\$206,000 (up from \$199,000)
Corrected after 30th day but on or before August 1, 2023	\$110 (same as 2021)	\$588,500 (up from \$571,000)

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- 3) For failure to file correct information returns due to intentional disregard of the filing requirement (or the correct information reporting requirement):

	Penalty per return	Penalty per return
Return other than a return required to be filed under §§ 6045(a), 6041A(b), 6050H, 6050I, 6050J, 6050K, or 6050L	Greater of (i) \$580 (up from \$570), or (ii) 10% of aggregate amount of items required to be reported correctly	No limit
Return required to be filed under §§ 6045(a), 6050K, or 6050L	Greater of (i) \$580 (up from \$570), or (ii) 10% of aggregate amount of items required to be reported correctly	No limit
Return required to be filed under § 60511(a)	Greater of (i) \$29,440 (up from \$28,550), or (ii) amount of cash received up to \$117,500 (up from \$114,000)	No limit
Return required to be filed under § 6051V	Greater of (i) \$580 (up from \$570), or (ii) 10% of the value of the benefit of any contract with respect to which information is required to be included on the return	No limit

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## Failure to Furnish Correct Payee Statements

- 1) For persons with average annual gross receipts for the most recent three taxable years of more than \$5,000,000:

	Penalty per return	Penalty per return
General Rule	\$290 (up from \$280)	\$3,532,500 (up from \$3,426,000)
Corrected on or before 30 days after required filing date	\$50 (same as 2021)	\$588,500 (up from \$571,000)
Corrected after 30th day but on or before August 1, 2023	\$110 (same as 2021)	\$1,766,000 (up from \$1,713,000)

- 2) For persons with average annual gross receipts for the most recent three taxable years of \$5,000,000 or less:

	Penalty per return	Penalty per return
General Rule	\$290 (up from \$280)	\$1,177,500 (up from \$1,142,000)
Corrected on or before 30 days after required filing date	\$50 (same as 2021)	\$206,000 (up from \$199,000)
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- 3) For failure to file correct payee statements due to intentional disregard of the requirement to furnish a payee statement (or the correct information reporting requirement):

	Penalty per return	Penalty per return
Payee statement other than a statement under §§ 6045(a), 6041A(e) (in respect of a return required under § 6041A(b)), 6050H(d), 6050J(e), 6050K(b), or 6050L(c)	Greater of (i) \$580 (up from \$570), or (ii) 10% of aggregate amount of items required to be reported correctly	No limit
Payee statement required under §§ 6045(b), 6050K(b), or 6050L(c)	Greater of (i) \$580 (up from \$570), or (ii) 10% of aggregate amount of items required to be reported correctly	No limit

#### KPMG Comment

For practical purposes, the inflation adjustment that will impact most taxpayers is the \$10 increase in the penalty for failure to file correct information returns. The \$290 penalty per return can quickly become quite problematic, especially when combined with the failure to furnish payee statement penalties, resulting in a \$580 fee per return. Payors should continually review their information return filing processes to ensure that their information-gathering due diligence and software are up to date with all applicable rules and regulations.

#### Reference:

For further information, see sections 57 and 58 of Rev. Proc. 2021-45, [here](#).

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