

June 1999

TAX
ADMINISTRATION

IRS' Abatement of
Assessments in Fiscal
Years 1995-98



General Government Division

B-280532

June 4, 1999

The Honorable Bill Archer
Chairman
The Honorable William V. Roth, Jr.
Vice Chairman
Joint Committee on Taxation

Each year, the Internal Revenue Service (IRS) abates tens of billions of dollars in tax, penalty, and interest assessments.¹ That is, IRS reduces these assessments on taxpayers' accounts. Abatements are important because they can correct tax, penalty, and interest amounts that have been overassessed due to errors by IRS or taxpayers. For some types of abatements, however, the assessments are correct, but IRS abates them for various other reasons. For example, penalties are abated for taxpayers who can prove they had reasonably relied on written advice from IRS.

Because IRS has not developed comprehensive information on the number and amount of various types of past abatements, you asked us to provide such information, which might help the Committee fulfill a requirement in the IRS Restructuring and Reform Act of 1998 that it report on the administration of penalty and interest assessments by July 22, 1999. On the basis of your February 2, 1999, request, our objectives were to determine for individual and business tax returns (1) the number and amount of various types of tax, penalty, and interest abatements made during fiscal years 1995 through 1998 and (2) selected characteristics of the abatements, such as the tax years of abated assessments, taxpayers' use of paid tax preparers, and IRS' actions—such as audit or collection actions—before abating assessments.²

Results

Our analysis of IRS records on individual and business abatements in fiscal years 1995 through 1998 showed that the number and amount of abatements of tax, penalty, and interest assessments stayed fairly constant. Each year, IRS abated, on average, about 10 million assessments worth about \$30 billion. (See tables in app. I; unless noted otherwise,

¹Taxpayers essentially assess themselves when they voluntarily report the amount of taxes owed on a tax return. IRS may assess additional taxes owed, as well as penalty and interest amounts, as a result of an enforcement program, such as auditing tax returns that appear to have misreported income, deductions, credits, exemptions, or other tax issues.

²As also requested in this letter, we are developing a separate report on IRS' basic abatement processes and any IRS efforts to improve these processes.

tables in the appendixes include abatements of tax, penalty, and interest assessments.)

To illustrate the types of analysis we did on individual and business abatements, for just the individual taxpayers, IRS abated 7.1 million assessments in fiscal year 1998³—2.5 million tax, 2.4 million penalty, and 2.2 million interest assessments. These abatements totaled about \$7.8 billion—\$5.5 billion in tax, \$1.5 billion in penalty, and \$0.8 billion in interest assessments.⁴ For the 2.4 million penalty abatements, 1.4 million were failure-to-pay penalties. Of the \$1.5 billion in penalty abatements, \$676 million were miscellaneous civil tax penalties.⁵

A variety of characteristics were associated with the abatements for individuals and businesses during fiscal years 1995-98. For example, the 7.1 million individual abatements in fiscal year 1998 were associated with the following characteristics:

- About 80 percent of the 7.1 million abatements (as well as the abated amounts) involved individuals who predominantly reported nonbusiness income, such as wages, rather than business income from self-employment.
- The 7.1 million abatements were associated with 4.3 million filed returns. Of these returns, 52 percent were joint returns and 54 percent used a paid preparer.
- Of the 7.1 million abatements, about 19 percent were associated with a tax return with an additional assessment after the one originally reported and about 78 percent were associated with a previous collection action.
- Of the 7.1 million abatements, 64 percent involved assessments for tax years after 1995, while 9 percent involved assessments for tax years before 1992.

Appendixes II and III provide detailed information for all 4 years on the number and amount of abatements for individual and business returns. Appendixes IV and V provide information about the characteristics of abatements for individual and business returns during fiscal years 1995

³It is important to recognize that an individual taxpayer could receive multiple abatements in a fiscal year, such as when an abated tax assessment also leads to abated penalty and interest assessments.

⁴IRS data extracts that we used did not allow us to link specific abatements to related assessments. As a result, we could not determine how much of the various types of assessments had been abated.

⁵These miscellaneous penalties include the trust fund penalty that applies when a business does not properly deposit its employment taxes. IRS is to assess the penalty against all responsible individuals associated with that business until these taxes are deposited.

through 1998. Appendixes VI and VII provide information about abatements on tax returns associated with one of two IRS activities—creating substitute returns for nonfilers and making additional assessments.

Background

Section 6404 of the Internal Revenue Code (IRC) authorizes IRS to abate an assessment under certain conditions. For example, IRS can abate an erroneous assessment, which can be caused by either IRS or the taxpayer. IRS does not have automated data available on the root causes of these errors. Some examples of errors follow.

- A taxpayer made an error on the original return, such as underreporting a deduction, and filed an amended return. If IRS verified the correctness of the amended return, it would abate the overassessed portion of the original tax reported.
- In an audit, IRS did not find adequate support for certain deductions and ultimately assessed additional taxes. Afterward, the taxpayer challenged this assessment by providing documentation to support the deductions.⁶ If IRS found the documentation valid, IRS would abate the overassessment.
- IRS might assess taxes on the basis of evidence that IRS had received about income paid to an individual who had not filed an income tax return. IRS would then notify the taxpayer of the assessment. If the taxpayer then filed a return with a lower tax liability and IRS confirmed this new liability, IRS would abate any overassessment.

In addition, IRS can abate unnecessary assessments of the correct amount in special situations. That is, IRS has made the assessment multiple times, knowing that any unnecessary assessments will eventually be abated. In these situations, IRS knows that a tax is owed from among multiple taxpayers. IRS would assess each of these taxpayers and then abate any unnecessary assessments after the tax is paid.

IRS also abates correct assessments for other reasons. For example, IRS abates certain penalties when a taxpayer provides a reasonable cause (such as a nonfinancial hardship, or incorrect IRS written advice) for not meeting a tax responsibility, such as paying an assessment. Or, a taxpayer

⁶Before IRS assesses additional taxes that an audit recommends, a taxpayer can dispute the recommended assessment through IRS' Office of Appeals. Also, upon receiving notice of a proposed assessment, a taxpayer has 90 days (150 days if outside the United States) to file a petition with the Tax Court for a redetermination of the proposed adjustment. Some taxpayers, for whatever reasons, bypass these options, which result in the recommended taxes being assessed, along with any related penalty and interest amounts.

can claim a deduction by carrying back net operating losses incurred in other tax years to reduce the liability for a previous tax year. And IRS may abate an assessment for unpaid taxes that involved the correct amount but was made after the time period allowed for assessing additional tax liabilities.

Regardless of the reason, when IRS abates a tax or penalty assessment, its computers generally abate any other associated penalty and interest assessments. IRS records data on abatements (as well as other tax activity, such as assessments and payments) in a taxpayer's account on IRS' masterfile. IRS maintains both an individual and a business masterfile.

Scope and Methodology

For both objectives, we requested data extracts from IRS' individual and business masterfiles to identify the abatements received during fiscal years 1995 through 1998 by individuals and businesses. These IRS data identified the number and dollar amounts for each type of tax, penalty, or interest abatement. The data included specific characteristics about each abatement, such as the type and year of the tax return, the income level and filing status of the taxpayer, the taxpayer's use of a paid preparer, and the IRS actions taken on the tax return that had an assessment abated, such as an audit or collection action.

The masterfile data extracts we received had 43 million abatement transactions that totaled \$120 billion for the 4 fiscal years. Using the results of our various analyses, we created a series of tables on the number and amount of abatements as well as the characteristics associated with the abatements. The tables for these 4 fiscal years are provided in appendixes I through VII to this report.⁷

We did not attempt to verify the reliability of the masterfile data. However, we talked to IRS National Office officials on data abnormalities we found. To the extent that these abnormalities affected our analyses, we identified them in footnotes to the tables in this report. Further, IRS' data extracts did not allow us to link specific abatements to the related assessments in various years. As a result, we could not determine how much of the various types of assessments had been abated, particularly by year. Nor

⁷We also did limited analyses on transactions that we did not include in our abatement totals but that reduced the taxes owed. In general, these transactions forgave or eliminated an unpaid tax amount even though the assessment was correct. These transactions included eliminating a tax debt because the statutory period (generally 10 years) for collecting the debt had expired or because the taxpayer had gone through bankruptcy. Our analyses of these "other" transactions are separate from our abatement analyses and are reported in app. VIII.

could we analyze why an assessment was abated or whether the abatement was valid.

We performed our audit at IRS headquarters in Washington, D.C., and IRS' Kansas City Service Center. Our work was done between January and May 1999 in accordance with generally accepted government auditing standards.

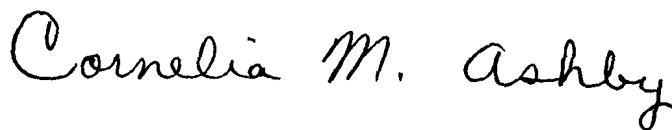
Agency Comments

We requested comments on a draft of this report from the Commissioner of Internal Revenue. On May 21, 1999, we received written comments from IRS' Chief Operations Officer. (See app. IX.)

IRS' letter indicated an agreement with our draft report. The letter said that the statistical tables in our report were consistent with IRS' abatement data. Further, the letter commented that the report provides good information on aspects of abatements.

We are sending copies of this report to Representative Charles B. Rangel, Ranking Minority Member, House Committee on Ways and Means, and Senator Daniel P. Moynihan, Ranking Minority Member, Senate Committee on Finance. We are also sending copies to the Honorable Jacob Lew, Director, Office of Management and Budget; the Honorable Robert E. Rubin, Secretary of the Treasury; the Honorable Charles O. Rossotti, Commissioner of Internal Revenue; and other interested parties. We will also send copies to those who request them.

The major contributors to this report are listed in appendix X. If you or your staff have any questions concerning this report, please contact me or Tom Short, Assistant Director, on (202) 512-9110.



Cornelia M. Ashby
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Administration Issues

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Abbreviations

IRC	Internal Revenue Code
IRS	Internal Revenue Service

Overview of Abatements of Tax, Penalty, and Interest Assessments on Individual and Business Returns

Table I.1: Number and Amount of Abatements by Fiscal Year of Abatement—Individual and Business Tax Returns

Fiscal year of abatement	Tax		Abatement type				Total	
	Number	Amount	Penalty		Interest		Number	Amount
			Number	Amount	Number	Amount		
1995	2,641,271	\$20,820	4,386,838	\$4,925	3,074,732	\$2,647	10,102,841	\$28,393
1996	2,443,001	22,489	4,390,416	6,009	3,216,721	3,195	10,050,138	31,692
1997	3,431,358	22,119	4,251,869	5,540	3,507,147	2,788	11,190,374	30,447
1998	3,098,672	22,240	4,705,481	4,795	3,532,125	2,137	11,336,278	29,172
Total	11,614,302	\$87,668	17,734,604	\$21,269	13,330,725	\$10,767	42,679,631	\$119,704

Notes: Individual tax returns are Form 1040, Federal Individual Income Tax Returns, including those with Schedule C, sole proprietor business income and Schedule F, farm income. Business tax returns include corporate income tax, various employment taxes, and other types of returns on IRS' business master file.

Totals are based on abatements, not returns.

Amounts may not sum to totals because of rounding.

Source: GAO compilation of IRS data.

Table I.2: Number and Amount of Abatements by Type of Return and Fiscal Year of Abatement—Individual and Business Tax Returns

Type of return	Fiscal year of abatement									
	1995		1996		1997		1998		Total	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Individual income tax	5,559,952	\$6,773	5,410,556	\$6,848	6,840,701	\$7,433	7,088,933	\$7,676	24,900,142	\$28,731
Business										
Corporate income tax	430,927	\$12,753	435,554	\$15,325	430,671	\$13,142	432,161	\$12,649	1,729,313	\$53,870
Employment tax ^a	3,499,256	4,783	3,272,151	5,693	3,145,880	6,472	3,173,406	5,812	13,090,693	22,760
Estate tax and gift tax	26,838	536	30,170	590	33,940	730	37,942	711	128,890	2,568
Excise tax	39,698	586	31,834	197	28,035	346	26,477	343	126,044	1,471
Other business tax ^b	546,170	2,962	869,873	3,039	711,147	2,323	577,359	1,980	2,704,549	10,303
Subtotal	4,542,889	\$21,619	4,639,582	\$24,844	4,349,673	\$23,014	4,247,345	\$21,496	17,779,489	\$90,973
Total	10,102,841	\$28,393	10,050,138	\$31,692	11,190,374	\$30,447	11,336,278	\$29,172	42,679,631	\$119,704

Notes: Individual tax returns are Form 1040, Federal Individual Income Tax Returns, including those with Schedule C, sole proprietor business income and Schedule F, farm income. Business tax returns include corporate income tax, various employment taxes, and other types of returns on IRS' business master file.

Totals are based on abatements, not returns.

Amounts may not sum to totals because of rounding.

^aIncludes abatements on Form 940, Employer's Annual Federal Unemployment Tax Return; Form 941, Employer's Quarterly Federal Tax Return; Form 942, Employer's Quarterly Federal Return for Household Employees (for tax periods prior to the requirement that these taxes be reported on Schedule H of the employer's Form 1040); and Form 943, Employer's Annual Tax Return for Agriculture Employees.

^bIncludes numerous types of returns, such as partnerships, fiduciaries, and returns used by taxpayers to report withholdings from revenues paid to nonemployees.

Source: GAO compilation of IRS data.

Appendix I

Overview of Abatements of Tax, Penalty, and Interest Assessments on Individual and Business Returns

Table I.3: Number of Returns and Taxpayers Receiving Abatements by Fiscal Year of Abatement—Individual and Business Tax Returns

Fiscal year of abatement	Dollars in Millions		Number of		Amount of abatements
	Returns	Taxpayers	Abatements	Abatements	
Individuals					
1995	3,199,052	2,738,481	5,559,952		\$6,773
1996	3,097,806	2,677,106	5,410,556		6,848
1997	4,163,197	3,739,809	6,840,701		7,433
1998	4,333,950	3,881,536	7,088,933		7,676
Total—individuals	14,794,005	13,036,932	24,900,142		\$28,731
Businesses					
1995	2,198,715	1,535,164	4,542,889		\$21,619
1996	2,235,219	1,622,569	4,639,582		24,844
1997	2,062,189	1,506,461	4,349,673		23,014
1998	1,994,723	1,454,992	4,247,345		21,496
Total—businesses	8,490,846	6,119,186	17,779,489		\$90,973

Notes: Individual tax returns are Form 1040, Federal Individual Income Tax Returns, including those with Schedule C, sole proprietor business income and Schedule F, farm income. Business tax returns include corporate income tax, various employment taxes, and other types of returns on IRS' business master file.

Amounts may not sum to totals because of rounding.

Source: GAO compilation of IRS data.

Abatements of Tax, Penalty, and Interest Assessments on Individual Returns

Table II.1: Number and Amount of Abatements by Fiscal Year of Abatement—Individual Tax Returns

Dollars in Millions

Fiscal year of abatement	Abatement type							
	Tax		Penalty		Interest		Total	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
1995	1,906,198	\$4,392	1,955,572	\$1,454	1,698,182	\$927	5,559,952	\$6,773
1996	1,794,074	4,699	1,898,792	1,330	1,717,690	820	5,410,556	6,848
1997	2,848,535	5,266	1,888,977	1,352	2,103,189	816	6,840,701	7,433
1998	2,548,559	5,468	2,373,303	1,452	2,167,071	756	7,088,933	7,676
Total	9,097,366	\$19,824	8,116,644	\$5,588	7,686,132	\$3,319	24,900,142	\$28,731

Notes: Individual tax returns are Form 1040, Federal Individual Income Tax Returns, including those with Schedule C, sole proprietor business income and Schedule F, farm income.

Totals are based on abatements, not returns.

Amounts may not sum to totals because of rounding.

Source: GAO compilation of IRS data.

Table II.2: Number and Amount of Abatements by Income Level and Fiscal Year of Abatement—Individual Tax Returns

Dollars in Millions

Income level reported on original return	Fiscal year of abatement									
	1995		1996		1997		1998		Total	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Individual nonbusiness										
1040A TPI < \$25,000	1,481,991	\$1,492	1,591,084	\$1,663	1,823,081	\$1,904	1,672,770	\$1,849	6,568,926	\$6,908
Non1040A TPI < \$25,000	458,750	213	465,754	115	520,143	155	556,092	149	2,000,739	633
TPI \$25,000 < \$50,000	980,674	450	942,286	490	1,498,650	662	1,542,657	708	4,964,267	2,311
TPI \$50,000 < \$100,000	766,314	647	758,053	517	1,255,983	832	1,261,964	791	4,042,314	2,788
TPI \$100,000 or more	640,105	1,929	575,294	2,124	594,952	2,253	678,185	2,403	2,488,536	8,710
Subtotal	4,327,834	\$4,732	4,332,471	\$4,911	5,692,809	\$5,807	5,711,668	\$5,900	20,064,782	\$21,350
Individual business^a										
C-TGR < \$25,000	213,312	\$75	196,803	\$83	226,007	\$46	274,196	\$140	910,318	\$344
C-TGR \$25,000 < \$100,000	384,942	320	338,061	226	372,204	188	463,272	269	1,558,479	1,003
C-TGR \$100,000 or more	295,709	697	262,473	687	253,573	558	316,995	612	1,128,750	2,554
F-TGR < \$100,000	34,198	22	30,081	15	23,220	13	22,569	12	110,068	63
F-TGR \$100,000 or more	43,220	86	37,281	103	29,780	90	27,690	70	137,971	350
Subtotal	971,381	\$1,200	864,699	\$1,113	904,784	\$896	1,104,722	\$1,104	3,845,586	\$4,314
Income level not available ^b	260,737	\$841	213,386	\$824	243,108	\$730	272,543	\$672	989,774	\$3,067
Total	5,559,952	\$6,773	5,410,556	\$6,848	6,840,701	\$7,433	7,088,933	\$7,676	24,900,142	\$28,731

Legend

1040A = Nonbusiness returns filed by individuals.

TPI = Total positive income (income reported as a positive on tax return tables)

C-TGR = Form 1040 Schedule C (profit or loss from business) total gross receipts

F-TGR = Form 1040 Schedule F (profit or loss from farming) total gross receipts

Notes: Individual tax returns are Form 1040, Federal Individual Income Tax Returns, including those with Schedule C, sole proprietor business income and Schedule F, farm income.

Totals are based on abatements, not returns.

Amounts may not sum to totals because of rounding.

^aReturns with Schedules C or F may be categorized as nonbusiness rather than business if the reported primary source of income was wages, investments, and other nonbusiness income.

^bIncome level was not always available on certain penalties.

Source: GAO compilation of IRS data.

Appendix II
Abatements of Tax, Penalty, and Interest Assessments on Individual Returns

Table II.3: Number of Abatements by Tax Year and Fiscal Year of Abatement—Individual Tax Returns

Tax year of return	Fiscal year of abatement				Total
	1995	1996	1997	1998	
Before 1980 ^a	7,896	4,393	2,114	1,971	16,374
1980-84	144,898	75,544	47,387	39,141	306,970
1985-89	812,576	495,186	348,975	310,899	1,967,636
1990	384,622	227,516	163,028	132,451	907,617
1991	710,487	351,250	211,233	164,267	1,437,237
1992	754,631	749,391	407,611	240,113	2,151,746
1993	1,360,075	808,455	606,640	364,265	3,139,435
1994	1,383,326	1,362,464	633,248	470,812	3,849,850
1995	1,441	1,334,059	1,432,095	828,471	3,596,066
1996	^b	2,298	2,985,836	2,028,495	5,016,629
1997	^b	^b	2,534	2,505,464	2,507,998
1998	^b	^b	^b	2,584	2,584
Total	5,559,952	5,410,556	6,840,701	7,088,933	24,900,142

Notes: Individual tax returns are Form 1040, Federal Individual Income Tax Returns, including those with Schedule C, sole proprietor business income and Schedule F, farm income.

Totals are based on abatements, not returns.

Amounts may not sum to totals because of rounding.

^aThe earliest tax year is 1962.

^bDoes not apply.

Source: GAO compilation of IRS data.

Table II.4: Amount of Abatements by Tax Year and Fiscal Year of Abatement—Individual Tax Returns

Tax year of return	Fiscal year of abatement				Total
	1995	1996	1997	1998	
Before 1980 ^a	\$119	\$66	\$37	\$27	\$249
1980-84	604	349	335	197	1,486
1985-89	1,699	1,327	842	630	4,498
1990	794	471	342	255	1,863
1991	1,131	770	408	330	2,639
1992	759	1,272	845	444	3,320
1993	993	944	1,277	898	4,113
1994	672	986	796	1,044	3,499
1995	1	661	1,101	891	2,655
1996	^b	1	1,449	1,356	2,805
1997	^b	^b	1	1,604	1,605
1998	^b	^b	^b	1	1
Total	\$6,773	\$6,848	\$7,433	\$7,676	\$28,731

Notes: Individual tax returns are Form 1040, Federal Individual Income Tax Returns, including those with Schedule C, sole proprietor business income and Schedule F, farm income.

Totals are based on abatement amounts, not return amounts.

Amounts may not sum to totals because of rounding.

^aThe earliest tax year is 1962.

^bDoes not apply.

Source: GAO compilation of IRS data.

Appendix II
Abatements of Tax, Penalty, and Interest Assessments on Individual Returns

Table II.5: Distribution of Returns With Abatements by Filing Status and Fiscal Year of Abatement—Individual Tax Returns

Fiscal year of abatement	Number of returns	Filing status					Total
		Single	Married, filing jointly	Married, filing separately	Head of household	Widow(er) with dependent child	
1995	3,199,052	^a	^a	^a	^a	^a	^a
1996	3,097,806	^a	^a	^a	^a	^a	^a
1997	4,163,197	25.3%	54.5%	3.8%	16.4%	0.1%	100%
1998	4,333,950	28.2	52.4	4.3	15.0	0.1	100

Notes: Individual tax returns are Form 1040, Federal Individual Income Tax Returns, including those with Schedule C, sole proprietor business income and Schedule F, farm income.

Percentages may not sum to 100 because of rounding.

^aIRS was unable to reconstruct the filing status data from its historical files within the time frames of our review.

Source: GAO compilation of IRS data.

Table II.6: Distribution of Returns With Abatements by Selected Characteristic and Fiscal Year of Abatement—Individual Tax Returns

Fiscal year of abatement	Number of returns	Selected characteristic			
		Primary taxpayer over age 65	Substitute for return prepared	Paid preparer on original return	Earned income credit on original return
1995	3,199,052	10.9%	7.5%	57.5%	4.1%
1996	3,097,806	10.8	8.7	55.8	4.6
1997	4,163,197	8.6	5.9	51.1	4.4
1998	4,333,950	8.9	4.4	53.9	5.2

Notes: Individual tax returns are Form 1040, Federal Individual Income Tax Returns, including those with Schedule C, sole proprietor business income and Schedule F, farm income.

Percentages should not be totaled because abatements could occur on returns with more than one selected characteristic.

Source: GAO compilation of IRS data.

Appendix II
Abatements of Tax, Penalty, and Interest Assessments on Individual Returns

Table II.7: Distribution of Abatements on Returns Associated With Selected IRS Activity by Fiscal Year of Abatement--Individual Tax Returns

Fiscal year of abatement	Number of abatements	Selected IRS activity ^a						
		Audit indicator ^b	Substitute for return ^c	Additional tax assessments ^d	Offer-in-compromise ^e	Collection ^f	Litigation ^g	Criminal investigation ^h
1995	5,559,952	9.7%	13.6%	25.8%	1.7%	76.7%	5.4%	0.2%
1996	5,410,556	10.8	15.6	27.8	0.8	78.4	3.3	0.1
1997	6,840,701	8.7	10.8	20.6	0.2	75.0	1.8	0.1
1998	7,088,933	9.6	7.6	18.6	0.1	78.3	2.2	0.1

Notes: Individual tax returns are Form 1040, Federal Individual Income Tax Returns, including those with Schedule C, sole proprietor business income and Schedule F, farm income.

Percentages should not be totaled because abatements could occur on returns with more than one selected IRS activity.

^aIRS activity that occurred before the abatement.

^bIncludes audits that are still open and audits closed with a change in tax assessments or no change in tax assessments.

^cReturn prepared by IRS based on third party information of income paid to a nonfiler.

^dIRS makes additional tax assessments after the original tax assessment because of an IRS enforcement action, such as an audit, or a taxpayer action, such as filing amended returns.

^eIRS and taxpayer had reached an agreement on the portion of unpaid assessments the taxpayer would pay.

^fReturn was in collection stream (notices, installment agreements, delinquent accounts). Abatements on full paid returns result in refunds to taxpayers and would not be in collection status.

^gReturn was in some phase of the litigation process--open or closed. Would include bankruptcy cases, and cases settled or closed before trial.

^hIRS investigation of criminal wrongdoing associated with the return. Includes cases open and closed, including those without further action by IRS.

Source: GAO compilation of IRS data.

Appendix II
Abatements of Tax, Penalty, and Interest Assessments on Individual Returns

Table II.8: Distribution of Amount of Abatements on Returns Associated With Selected IRS Activity by Fiscal Year of Abatement—Individual Tax Returns

Fiscal year of abatement	Amount of abatements	Audit indicator ^b	Selected IRS activity ^a					Criminal investigation ^h
			Substitute for return ^c	Additional tax assessments ^d	Offer-in-compromise ^e	Collection ^f	Litigation ^g	
1995	\$6,773	30.9%	14.8%	37.6%	5.1%	74.4%	14.4%	2.7%
1996	\$6,848	35.1	17.8	40.6	2.2	74.1	9.8	3.0
1997	\$7,433	31.3	16.9	35.7	0.7	71.3	7.1	1.8
1998	\$7,676	32.1	15.0	31.6	0.4	70.6	5.8	1.0

Notes: Individual tax returns are Form 1040, Federal Individual Income Tax Returns, including those with Schedule C, sole proprietor business income and Schedule F, farm income.

Percentages should not be totaled because abatements could occur on returns with more than one selected IRS activity.

^aIRS activity that occurred before the abatement.

^bIncludes audits that are still open and audits closed with a change in tax assessments or no change in tax assessments.

^cReturn prepared by IRS based on third party information of income paid to a nonfiler.

^dIRS makes additional tax assessments after the original tax assessment because of an IRS enforcement action, such as an audit, or a taxpayer action, such as filing amended returns.

^eIRS and taxpayer had reached an agreement on the portion of unpaid assessments the taxpayer would pay.

^fReturn was in collection stream (notices, installment agreements, delinquent accounts). Abatements on full paid returns result in refunds to taxpayers and would not be in collection status.

^gReturn was in some phase of the litigation process- open or closed. Would include bankruptcy cases, and cases settled or closed before trial.

^hIRS investigation of criminal wrongdoing associated with the return. Includes cases open and closed, including those without further action by IRS.

Source: GAO compilation of IRS data.

Abatements of Tax, Penalty, and Interest Assessments on Business Returns

Tables in this appendix show information on the number and amount of tax, penalty, and interest abatements for business tax returns. Tables on corporate income tax, employment tax, and other business tax returns, generally, are subsets of the table titled business tax returns.

Table III.1: Number and Amount of Abatements by Fiscal Year of Abatement—Business Tax Returns

Fiscal year of abatement	Abatement type							
	Tax		Penalty		Interest		Total	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
1995	735,073	\$16,428	2,431,266	\$3,471	1,376,550	\$1,720	4,542,889	\$21,619
1996	648,927	17,790	2,491,624	4,680	1,499,031	2,375	4,639,582	24,844
1997	582,823	16,853	2,362,892	4,188	1,403,958	1,972	4,349,673	23,014
1998	550,113	16,772	2,332,178	3,343	1,365,054	1,381	4,247,345	21,496
Total	2,516,936	\$67,843	9,617,960	\$15,682	5,644,593	\$7,448	17,779,489	\$90,973

Notes: Business tax returns include corporate income tax, various employment taxes, and other types of returns on IRS' business master file.

Totals are based on abatements, not returns.

Amounts may not sum to totals because of rounding.

Source: GAO compilation of IRS data.

Table III.2: Number and Amount of Abatements by Fiscal Year of Abatement—Corporate Income Tax Returns

Fiscal year of abatement	Abatement type							
	Tax		Penalty		Interest		Total	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
1995	176,869	\$11,131	136,643	\$379	117,415	\$1,243	430,927	\$12,753
1996	174,559	12,560	140,810	881	120,185	1,883	435,554	15,325
1997	175,228	11,501	137,183	342	118,260	1,299	430,671	13,142
1998	171,244	11,260	138,160	477	122,757	912	432,161	12,649
Total	697,900	\$46,452	552,796	\$2,079	478,617	\$5,338	1,729,313	\$53,870

Notes: Corporate returns include all Form 1120, Federal Corporate Income Tax returns.

Totals are based on abatements, not returns.

Amounts may not sum to totals because of rounding.

Source: GAO compilation of IRS data.

Appendix III
Abatements of Tax, Penalty, and Interest Assessments on Business Returns

Table III.3: Number and Amount of Abatements by Fiscal Year of Abatement—Employment Tax Returns

Fiscal year of abatement	Abatement type							
	Tax		Penalty		Interest		Total	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
1995	504,336	\$2,794	1,910,252	\$1,770	1,084,668	\$219	3,499,256	\$4,783
1996	389,604	3,014	1,822,060	2,381	1,060,487	298	3,272,151	5,693
1997	352,694	3,772	1,759,338	2,264	1,033,848	436	3,145,880	6,472
1998	326,281	4,082	1,786,956	1,491	1,060,169	239	3,173,406	5,812
Total	1,572,915	\$13,662	7,278,606	\$7,907	4,239,172	\$1,192	13,090,693	\$22,760

Notes: Includes abatements on Form 940, Employer's Annual Federal Unemployment Tax Return; Form 941, Employer's Quarterly Federal Tax Return; Form 942, Employer's Quarterly Federal Return for Household Employees (for tax periods prior to the requirement that these taxes be reported on Schedule H of the employer's Form 1040); and Form 943, Employer's Annual Tax Return for Agriculture Employees.

Totals are based on abatements, not returns.

Amounts may not sum to totals because of rounding.

Source: GAO compilation of IRS data.

Table III.4: Number and Amount of Abatements by Fiscal Year of Abatement—Other Business Tax Returns

Fiscal year of abatement	Abatement type							
	Tax		Penalty		Interest		Total	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
1995	53,868	\$2,504	384,371	\$1,322	174,467	\$258	612,706	\$4,083
1996	84,764	2,216	528,754	1,417	318,359	193	931,877	3,826
1997	54,901	1,580	466,371	1,582	251,850	237	773,122	3,399
1998	52,588	1,430	407,062	1,374	182,128	230	641,778	3,035
Total	246,121	\$7,729	1,786,558	\$5,695	926,804	\$918	2,959,483	\$14,343

Notes: Includes numerous types of tax returns, such as estate, gift, partnerships, fiduciaries, and returns used by taxpayers to report withholdings from revenues paid to nonemployees.

Totals are based on abatements, not returns.

Amounts may not sum to totals because of rounding.

Source: GAO compilation of IRS data.

Appendix III
Abatements of Tax, Penalty, and Interest Assessments on Business Returns

Table III.5: Number and Amount of Abatements by Asset Size and Fiscal Year of Abatement—Corporate Income Tax Returns
Dollars in Millions

Asset size reported on balance sheet	Fiscal year of abatement								Total	
	1995		1996		1997		1998		Number	Amount
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Small corporation										
No balance sheet ^a	13,318	\$1,061	14,394	\$543	16,179	\$392	16,175	\$710	60,066	\$2,706
Assets < \$250,000	199,034	155	209,144	196	209,476	214	209,255	218	826,909	782
\$250,000 < \$1 million	100,653	234	104,849	286	102,841	306	104,050	320	412,393	1,145
\$1 million < \$5 million	56,867	384	57,639	458	55,639	549	56,289	563	226,434	1,955
\$5 million < \$10 million	14,551	216	11,126	240	10,479	266	10,878	315	47,034	1,036
Subtotal	384,423	\$2,050	397,152	\$1,722	394,614	\$1,726	396,647	\$2,127	1,572,836	\$7,625
Large corporation										
\$10 million < \$50 million	12,446	\$785	12,959	\$794	12,705	\$895	12,605	\$937	50,715	\$3,412
\$50 million < \$100 million	3,333	533	3,498	489	3,322	480	3,193	611	13,346	2,113
\$100 million < \$250 million	3,427	773	3,476	841	3,231	971	3,366	883	13,500	3,468
\$250 million or more	5,765	7,971	6,098	11,121	5,912	8,557	5,968	7,963	23,743	35,612
Subtotal	24,971	\$10,061	26,031	\$13,246	25,170	\$10,903	25,132	\$10,393	101,304	\$44,604
Asset size not available ^b	21,533	\$641	12,371	\$357	10,887	\$513	10,382	\$129	55,173	\$1,640
Total	430,927	\$12,753	435,554	\$15,325	430,671	\$13,142	432,161	\$12,649	1,729,313	\$53,870

Notes: Corporate returns include all Form 1120, Federal Corporate Income Tax returns.

We could not provide the asset size for businesses on noncorporate business returns because the information is only available for corporate income tax returns.

Totals are based on abatements, not returns.

Amounts may not sum to totals because of rounding.

^aTaxpayer did not provide, or it was missing.

^bAsset size was not available on returns transferred from IRS' historical files or non-master file and on special types of assessments.

Source: GAO compilation of IRS data.

Appendix III
Abatements of Tax, Penalty, and Interest Assessments on Business Returns

Table III.6: Number of Abatements by Tax Year and Fiscal Year of Abatement—Business Tax Returns

Tax year of return	Fiscal year of abatement				Total
	1995	1996	1997	1998	
Before 1980 ^a	20,715	21,996	24,308	26,024	93,043
1980-84	11,823	6,873	4,678	2,515	25,889
1985-89	119,722	72,276	51,808	35,396	279,202
1990	84,901	38,029	22,156	14,219	159,305
1991	345,527	90,237	39,297	21,689	496,750
1992	335,753	288,718	77,206	33,325	735,002
1993	591,763	365,124	268,941	73,296	1,299,124
1994	2,630,280	690,742	306,757	187,091	3,814,870
1995	402,405	2,603,722	652,783	294,065	3,952,975
1996	^b	461,865	2,440,383	677,947	3,580,195
1997	^b	^b	461,356	2,331,806	2,793,162
1998	^b	^b	^b	549,972	549,972
Total	4,542,889	4,639,582	4,349,673	4,247,345	17,779,489

Notes: Business tax returns include corporate income tax, various employment taxes, and other types of returns on IRS' business master file.

Totals are based on abatements, not returns.

Amounts may not sum to totals because of rounding.

^aEarliest tax year is 1961.

^bDoes not apply.

Source: GAO compilation of IRS data.

Table III.7: Amount of Abatements by Tax Year and Fiscal Year of Abatement—Business Tax Returns

Tax year of return	Fiscal year of abatement				Total
	1995	1996	1997	1998	
Before 1980 ^a	\$1,098	\$776	\$1,099	\$653	\$3,626
1980-84	1,975	1,450	1,578	736	5,740
1985-89	3,024	3,202	3,179	2,115	11,520
1990	2,574	2,426	1,151	436	6,588
1991	3,673	2,157	472	611	6,914
1992	2,146	3,957	1,147	564	7,814
1993	2,889	2,437	3,592	1,324	10,241
1994	3,202	2,371	2,437	3,372	11,381
1995	1,039	5,340	3,352	3,038	12,769
1996	^b	728	4,647	3,751	9,126
1997	^b	^b	360	4,024	4,384
1998	^b	^b	^b	871	871
Total	\$21,619	\$24,844	\$23,014	\$21,496	\$90,973

Notes: Business tax returns include corporate income tax, various employment taxes, and other types of returns on IRS' business master file.

Totals are based on abatement amounts, not return amounts.

Amounts may not sum to totals because of rounding.

^aEarliest tax year is 1961.

^bDoes not apply.

Source: GAO compilation of IRS data.

Appendix III
Abatements of Tax, Penalty, and Interest Assessments on Business Returns

Table III.8: Distribution of Abatements on Returns With Selected IRS Activity by Fiscal Year of Abatement—Business Tax Returns

Fiscal year of abatement	Number of abatements	Audit indicator ^b	Selected IRS activity ^a					
			6020b ^c	Additional tax assessments ^d	Offer-in-compromise ^e	Collection ^f	Litigation ^g	Criminal investigation ^h
1995	4,542,889	3.4%	3.7%	9.8%	0.1%	78.6%	1.3%	ⁱ
1996	4,639,582	3.6	2.6	8.9	0.1	80.2	1.1	ⁱ
1997	4,349,673	3.7	3.1	8.0	^f	81.4	1.0	ⁱ
1998	4,247,345	3.7	3.6	5.9	^f	81.6	1.1	ⁱ

Notes: Business tax returns include corporate income tax, various employment taxes, and other types of returns on IRS' business master file.

Percentages should not be totaled because the abatement could have been preceded by more than one selected IRS activity.

^aIRS activity that occurred before the abatement.

^bIncludes audits that are still open and audits closed with a change in tax assessments or no change in tax assessments.

^c6020b, a substitute for return prepared by IRS for nonfilers of employment tax returns.

^dIRS makes additional tax assessments after the original tax assessment because of an IRS enforcement action, such as an audit, or a taxpayer action, such as filing amended returns.

^eIRS and taxpayer had reached an agreement on the portion of unpaid assessments the taxpayer would pay.

^fReturn was in collection stream (notices, installment agreements, delinquent accounts). Abatements on full paid returns result in a refunds to taxpayers and would not be in collection status.

^gReturn was in some phase of the litigation process--open or closed. Would include bankruptcy cases, and cases settled or closed before trial.

^hIRS investigation of criminal wrongdoing associated with the return. Includes cases open and closed, including those without further action by IRS.

ⁱLess than one-tenth of 1 percent.

Source: GAO compilation of IRS data.

Appendix III
Abatements of Tax, Penalty, and Interest Assessments on Business Returns

Table III.9: Distribution of Amounts of Abatements on Returns With Selected IRS Activity by Fiscal Year of Abatement-- Business Tax Returns

Fiscal year of abatement	Amount of abatements	Audit indicator ^b	Selected IRS activity ^a					
			6020b ^c	Additional tax assessments ^d	Offer-in-compromise ^e	Collection ^f	Litigation ^g	Criminal investigation ^h
1995	\$21,619	60.7%	1.0%	35.9%	0.1%	47.1%	6.3%	0.4%
1996	\$24,844	62.3	0.8	30.7		54.2	11.6	0.1
1997	\$23,014	57.4	1.1	35.8		48.7	8.5	0.3
1998	\$21,496	59.7	1.4	25.1		37.9	5.7	0.2

Notes: Business tax returns include corporate income tax, various employment taxes, and other types of returns on IRS' business master file.

Percentages should not be totaled because the abatement could have been preceded by more than one selected IRS activity.

^aIRS activity that occurred before the abatement.

^bIncludes audits that are still open and audits closed with a change in tax assessments or no change in tax assessments.

^c6020b, a substitute for return prepared by IRS for nonfilers of employment tax returns.

^dIRS makes additional tax assessments after the original tax assessment because of an IRS enforcement action, such as an audit, or a taxpayer action, such as filing amended returns.

^eIRS and taxpayer had reached an agreement on the portion of unpaid assessments the taxpayer would pay.

^fReturn was in collection stream (notices, installment agreements, delinquent accounts). Abatements on full paid returns result in a refunds to taxpayers and would not be in collection status.

^gReturn was in some phase of the litigation process--open or closed. Would include bankruptcy cases, and cases settled or closed before trial.

^hIRS investigation of criminal wrongdoing associated with the return. Includes cases open and closed, including those without further action by IRS.

Source: GAO compilation of IRS data.

Abatements of Penalty and Interest Assessments on Individual and Business Tax Returns

Table IV.1: Number and Percent of Penalty and Interest Abatements by Fiscal Year of Abatement—Individual and Business Tax Returns

Penalty (IRC section)	Fiscal year of abatement								Average	
	1995		1996		1997		1998		Number	Percent
Failure to file (6651(a)(1))	825,233	18.8	822,298	18.7	835,604	19.7	821,156	17.5	826,073	18.6
Estimated tax (6654 and 6655)	278,063	6.3	261,128	5.9	244,436	5.7	244,042	5.2	256,917	5.8
Failure to make tax deposit (6656)	866,594	19.8	809,347	18.4	773,695	18.2	740,374	15.7	797,503	18.0
Failure to furnish taxpayer identification number (6723)	504	^a	432	^a	237	^a	101	^a	319	^a
Daily delinquency (6652(c)(2)(A)) ^b	39,644	0.9	39,829	0.9	38,905	0.9	58,106	1.2	44,121	1.0
Miscellaneous civil-trust fund (6672) ^c	229,630	5.2	187,250	4.3	222,502	5.2	255,453	5.4	223,709	5.0
Miscellaneous civil-other (6721(e) and others) ^d	86,833	2.0	81,081	1.8	61,747	1.5	71,880	1.5	75,385	1.7
Incomplete partnership return (6698)	4,661	0.1	3,321	0.1	3,077	0.1	2,339	^a	3,350	0.1
Failure to pay (6651(a)(2)-(3))	1,991,945	45.4	2,138,238	48.7	2,034,711	47.9	2,475,955	52.6	2,160,212	48.7
Bad check (6657)	13,170	0.3	13,331	0.3	13,766	0.3	20,024	0.4	15,073	0.3
Tip income (6652(b))	2,569	0.1	3,113	0.1	2,562	0.1	1,729	^a	2,493	0.1
Fraud (6663)	1,593	^a	1,166	^a	1,012	^a	837	^a	1,152	^a
Negligence (6662(c)) ^e	46,399	1.1	29,882	0.7	19,615	0.5	13,485	0.3	27,345	0.6
Total penalty abatements	4,386,838	100.0	4,390,416	100.0	4,251,869	100.0	4,705,481	100.0	4,433,651	100.0
Interest abatements	3,074,732	100.0	3,216,721	100.0	3,507,147	100.0	3,532,125	100.0	3,332,681	100.0
Total	7,461,570	100.0	7,607,137	100.0	7,759,016	100.0	8,237,606	100.0	7,766,332	100.0

Note: Individual tax returns are Form 1040, Federal Individual Income Tax Returns, including those with Schedule C, sole proprietor business income and Schedule F, farm income. Business tax returns include corporate income tax, various employment taxes, and other types of returns on IRS' business master file.

^aLess than one-tenth of 1 percent.

^bFee accumulated by certain trusts and exempt organizations for failure to file in a timely manner.

^cTrust fund penalties are assessed against responsible individuals of a business when they fail to pay IRS the taxes they withheld from employees' earnings.

^dAbatements of penalties for intentional disregard of the information return filing requirements (section 6721(e)) accounted for 54 percent of all other miscellaneous civil penalty abatements over the 4 years. The remaining 46 percent of abatements were spread among numerous types of other miscellaneous civil penalties.

^eNegligence includes any failure to make a reasonable attempt to comply with the provisions of the Code.

Source: GAO compilation of IRS data.

Appendix IV
Abatements of Penalty and Interest Assessments on Individual and Business Tax Returns

Table IV.2: Amount and Percent of Penalty and Interest Abatements by Fiscal Year of Abatement—Individual and Business Tax Returns

Dollars in Millions	Fiscal year of abatement									
	1995		1996		1997		1998		Average	
Penalty (IRC section)	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Failure to file (6651(a)(1))	\$928	18.8	\$1,278	21.3	\$1,339	24.2	\$1,363	28.4	\$1,227	23.1
Estimated tax (6654 and 6655)	182	3.7	208	3.5	188	3.4	282	5.9	215	4.0
Failure to make tax deposit (6656)	1,831	37.2	2,493	41.5	2,182	39.4	1,343	28.0	1,962	36.9
Failure to furnish taxpayer identification number (6723)	a	b	a	b	a	b	a	b	a	b
Daily delinquency (6652(c)(2)(A)) ^c	55	1.1	58	1.0	55	1.0	110	2.3	70	1.3
Miscellaneous civil-trust fund (6672) ^d	722	14.7	635	10.6	668	12.1	621	13.0	662	12.4
Miscellaneous civil-other (6721(e) and others) ^e	631	12.8	607	10.1	590	10.7	596	12.4	606	11.4
Incomplete partnership return (6698)	125	2.5	67	1.1	22	0.4	7	0.2	55	1.0
Failure to pay (6651(a)(2)-(3))	322	6.5	576	9.6	389	7.0	380	7.9	417	7.8
Bad check (6657)	2	^b	2	^b	4	0.1	10	0.2	5	0.1
Tip income (6652(b))	1	^b	1	^b	1	^b	1	^b	1	^b
Fraud (6663)	37	0.7	27	0.5	40	0.7	27	0.6	33	0.6
Negligence (6662(c)) ^f	89	1.8	57	0.9	62	1.1	56	1.2	66	1.2
Total penalty abatements	\$4,925	100.0	\$6,009	100.0	\$5,540	100.0	\$4,795	100.0	\$5,317	100.0
Interest abatements	\$2,647	100.0	\$3,195	100.0	\$2,788	100.0	\$2,137	100.0	\$2,692	100.0
Total	\$7,572	100.0	\$9,204	100.0	\$8,328	100.0	\$6,932	100.0	\$8,009	100.0

Note: Individual tax returns are Form 1040, Federal Individual Income Tax Returns, including those with Schedule C, sole proprietor business income and Schedule F, farm income. Business tax returns include corporate income tax, various employment taxes, and other types of returns on IRS' business master file.

^aLess than \$1 million.

^bLess than one-tenth of 1 percent.

^cFee accumulated by certain trusts and exempt organizations for failure to file in a timely manner.

^dTrust fund penalties are assessed against responsible individuals of a business when they fail to pay IRS the taxes they withheld from employees' earnings.

^eAbatements of penalties for intentional disregard of the information return filing requirements (section 6721(e)) accounted for 78 percent of all other miscellaneous civil penalty abatement amounts over the 4 years. The remaining 22 percent of abatement amounts were spread among numerous types of other miscellaneous civil penalties.

^fNegligence includes any failure to make a reasonable attempt to comply with the provisions of the Code.

Source: GAO compilation of IRS data.

Appendix IV
Abatements of Penalty and Interest Assessments on Individual and Business Tax Returns

Table IV.3: Percent of Penalty and Interest Abatements Computed Manually and by Computer by Fiscal Year of Abatement—Individual and Business Tax Returns

Penalty (IRC section)	Fiscal year of abatement							
	1995		1996		1997		1998	
	Manual	Computer	Manual	Computer	Manual	Computer	Manual	Computer
Failure to file (6651(a)(1))	55.3	44.7	53.3	46.7	51.5	48.5	48.8	51.2
Estimated tax (6654 and 6655)	87.1	12.9	84.8	15.2	83.2	16.8	82.0	18.0
Failure to make tax deposit (6656)	57.7	42.3	55.1	44.9	50.8	49.2	49.4	50.6
Failure to furnish taxpayer identification number (6723)	100.0	0	100.0	0	100.0	0	100.0	0
Daily delinquency (6652(c)(2)(A)) ^a	100.0	0	100.0	0	100.0	0	100.0	0
Miscellaneous civil-trust fund (6672) ^b	100.0	0	100.0	0	100.0	0	100.0	0
Miscellaneous civil-other (6721(e) and others) ^c	100.0	0	100.0	0	100.0	0	100.0	0
Incomplete partnership return (6698)	0	100.0	0	100.0	0	100.0	0	100.0
Failure to pay (6651(a) (2)-(3))	15.4	84.6	12.4	87.6	12.1	87.9	13.9	86.1
Bad check (6657)	99.3	0.7	99.3	0.7	99.1	0.9	99.5	0.5
Tip income (6652(b))	100.0	0	100.0	0	100.0	0	100.0	0
Fraud (6663)	100.0	0	100.0	0	100.0	0	100.0	0
Negligence (6662(c)) ^d	100.0	0	100.0	0	100.0	0	100.0	0
Percent of total penalty abatements	43.9	56.1	39.3	60.7	38.4	61.6	36.8	63.2
Percent of interest abatements	4.9	95.1	2.7	97.3	1.3	98.7	4.2	95.8

Notes: Individual tax returns are Form 1040, Federal Individual Income Tax Returns, including those with Schedule C, sole proprietor business income and Schedule F, farm income. Business tax returns include corporate income tax, various employment taxes, and other types of returns on IRS' business master file.

IRS employees manually make decisions on abatements when taxpayers establish that penalty assessments are in error or they had reasonable cause for being delinquent. IRS computers automatically abate all or portions of penalty and interest assessments when IRS reduces associated tax or other penalty assessments or applies timely payments to taxpayers' accounts.

^aFee accumulated by certain trusts and exempt organizations for failure to file in a timely manner.

^bTrust fund penalties are assessed against responsible individuals of a business when they fail to pay IRS the taxes they withheld from employees' earnings.

^cAbatements of penalties for intentional disregard of the information return filing requirements (section 6721(e)) accounted for 54 percent of all other miscellaneous civil penalty abatements over the 4 years. The remaining 46 percent of abatements were spread among numerous types of other miscellaneous civil penalties.

^dNegligence includes any failure to make a reasonable attempt to comply with the provisions of the Code.

Source: GAO compilation of IRS data.

Appendix IV

Abatements of Penalty and Interest Assessments on Individual and Business Tax Returns

Table IV.4: Percent of Amount of Penalty and Interest Abatements Computed Manually and by Computer by Fiscal Year of Abatement—Individual and Business Tax Returns

Penalty (IRC section)	Fiscal year of abatement							
	1995		1996		1997		1998	
	Manual	Computer	Manual	Computer	Manual	Computer	Manual	Computer
Failure to file (6651(a)(1))	63.6	36.4	60.7	39.3	69.2	30.8	69.3	30.7
Estimated tax (6654 and 6655)	94.6	5.4	93.1	6.9	92.2	7.8	93.9	6.1
Failure to make tax deposit (6656)	83.7	16.3	84.9	15.1	77.7	22.3	72.0	28.0
Failure to furnish taxpayer identification number (6723)	100.0	0	100.0	0	100.0	0	100.0	0
Daily delinquency (6652(c)(2)(A)) ^a	100.0	0	100.0	0	100.0	0	100.0	0
Miscellaneous civil-trust fund (6672) ^b	100.0	0	100.0	0	100.0	0	100.0	0
Miscellaneous civil-other (6721(e) and others) ^c	100.0	0	100.0	0	100.0	0	100.0	0
Incomplete partnership return (6698)	0	100.0	0	100.0	0	100.0	0	100.0
Failure to pay (6651(a) (2)-(3))	39.2	60.8	56.0	44.0	40.7	59.3	39.8	60.2
Bad check (6657)	92.9	7.1	99.7	0.3	99.8	0.2	99.9	0.1
Tip income (6652(b))	100.0	0	100.0	0	100.0	0	100.0	0
Fraud (6663)	100.0	0	100.0	0	100.0	0	100.0	0
Negligence (6662(c)) ^d	100.0	0	100.0	0	100.0	0	100.0	0
Percent of total penalty abatement amounts	80.4	19.6	79.8	20.2	78.9	21.1	78.1	21.9
Percent of interest abatements	54.6	45.4	50.8	49.2	51.2	48.8	43.1	56.9

Notes: Individual tax returns are Form 1040, Federal Individual Income Tax Returns, including those with Schedule C, sole proprietor business income and Schedule F, farm income. Business tax returns include corporate income tax, various employment taxes, and other types of returns on IRS' business master file.

IRS employees manually make decisions on abatements when taxpayers establish that penalty assessments are in error or they had reasonable cause for being delinquent. IRS computers automatically abate all or portions of penalty and interest assessments when IRS reduces associated tax or other penalty assessments or applies timely payments to taxpayers' accounts.

^aFee accumulated by certain trusts and exempt organizations for failure to file in a timely manner.

^bTrust fund penalties are assessed against responsible individuals of a business when they fail to pay IRS the taxes they withheld from employees' earnings.

^cAbatements of penalties for intentional disregard of the information return filing requirements (section 6721(e)) accounted for 78 percent of all other miscellaneous civil penalty abatement amounts over the 4 years. The remaining 22 percent of abatement amounts were spread among numerous types of other miscellaneous civil penalties.

^dNegligence includes any failure to make a reasonable attempt to comply with the provisions of the Code.

Source: GAO compilation of IRS data.

Appendix IV
Abatements of Penalty and Interest Assessments on Individual and Business Tax Returns

Tables IV.5-IV.27 show abatements of penalty and/or interest on individual tax returns, including returns with Schedule C, business income, and Schedule F, farm income.

Table IV.5: Number and Percent of Penalty and Interest Abatements by Fiscal Year of Abatement—Individual Tax Returns

Penalty (IRC section)	Fiscal year of abatement									
	1995		1996		1997		1998		Average	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Failure to file (6651(a)(1))	436,914	22.3	446,479	23.5	443,776	23.5	445,699	18.8	443,217	21.8
Estimated tax (6654 and 6655)	251,326	12.9	232,023	12.2	212,444	11.2	207,312	8.7	225,776	11.1
Failure to make tax deposit (6656)	^a	^a	^a	^a	^a	^a	^a	^a	^a	^a
Failure to furnish taxpayer identification number (6723)	504	^a	432	^a	237	^a	101	^a	319	^a
Daily delinquency (6652(c)(2)(A)) ^b	^a	^a	^a	^a	^a	^a	^a	^a	^a	^a
Miscellaneous civil-trust fund (6672) ^c	229,630	11.7	187,250	9.9	222,502	11.8	255,453	10.8	223,709	11.0
Miscellaneous civil-other (6662(d)-(h)) and others ^d	23,015	1.2	18,666	1.0	18,273	1.0	23,853	1.0	20,952	1.0
Incomplete partnership return (6698)	^a	^a	^a	^a	^a	^a	^a	^a	^a	^a
Failure to pay (6651(a)(2)-(3))	953,200	48.7	969,139	51.0	958,255	50.7	1,413,773	59.6	1,073,592	52.9
Bad check (6657)	11,133	0.6	11,354	0.6	10,887	0.6	11,359	0.5	11,183	0.6
Tip income (6652(b))	2,569	0.1	3,113	0.2	2,562	0.1	1,729	0.1	2,493	0.1
Fraud (6663)	1,367	0.1	907	^a	795	^a	749	^a	955	^a
Negligence (6662(c)) ^e	45,914	2.3	29,429	1.5	19,246	1.0	13,275	0.6	26,966	1.3
Total penalty abatements	1,955,572	100.0	1,898,792	100.0	1,888,977	100.0	2,373,303	100.0	2,029,161	100.0
Interest abatements	1,698,182	100.0	1,717,690	100.0	2,103,189	100.0	2,167,071	100.0	1,921,533	100.0
Total	3,653,754	100.0	3,616,482	100.0	3,992,166	100.0	4,540,374	100.0	3,950,694	100.0

Note: Individual tax returns are Form 1040, Federal Individual Income Tax Returns, including those with Schedule C, sole proprietor business income and Schedule F, farm income.

^aDoes not apply.

^bFee accumulated by certain trusts and exempt organizations for failure to file in a timely manner.

^cTrust fund penalties are assessed against responsible individuals of a business when they fail to pay IRS the taxes they withheld from employees' earnings.

^dFrom fiscal year 1995 through 1998, abatements of accuracy penalties (section 6662(d)-(h)) accounted for an average of 89 percent of other miscellaneous civil penalty abatements. The remaining abatements, averaging 11 percent, were spread over numerous types of other miscellaneous civil penalties.

^eNegligence includes any failure to make a reasonable attempt to comply with the provisions of the Code.

Source: GAO compilation of IRS data.

Appendix IV
Abatements of Penalty and Interest Assessments on Individual and Business Tax Returns

Table IV.6: Amount and Percent of Penalty and Interest Abatements by Fiscal Year of Abatement—Individual Tax Returns
Dollars in Millions

	Fiscal year of abatement									
	1995		1996		1997		1998		Average	
Penalty (IRC section)	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Failure to file (6651(a)(1))	\$322	22.2	\$365	27.5	\$362	26.8	\$507	34.9	\$389	27.9
Estimated tax (6654 and 6655)	106	7.3	86	6.5	84	6.2	97	6.7	93	6.7
Failure to make tax deposit (6656)	^a	^a	^a	^a	^a	^a	^a	^a	^a	^a
Failure to furnish taxpayer identification number (6723)	^b	^c	^b	^c	^b	^c	^b	^c	^b	^c
Daily delinquency (6652(c)(2)(A)) ^d	^a	^a	^a	^a	^a	^a	^a	^a	^a	^a
Miscellaneous civil-trust fund (6672) ^e	722	49.6	635	47.8	668	49.4	621	42.8	662	47.4
Miscellaneous civil-other (6662(d)-(h) and others) ^f	66	4.5	54	4.1	46	3.4	55	3.8	55	4.0
Incomplete partnership return (6698)	^a	^a	^a	^a	^a	^a	^a	^a	^a	^a
Failure to pay (6651(a) (2)-(3))	117	8.0	108	8.2	103	7.6	115	7.9	111	7.9
Bad check (6657)	1	0.1	2	0.1	2	0.1	3	0.2	2	0.1
Tip income (6652(b))	1	^c	1	0.1	1	0.1	1	^c	1	0.1
Fraud (6663)	32	2.2	24	1.8	37	2.8	25	1.8	30	2.1
Negligence (6662(c)) ^g	87	6.0	54	4.1	49	3.6	27	1.9	55	3.9
Total penalty abatements	\$1,454	100.0	\$1,329	100.0	\$1,353	100.0	\$1,452	100.0	\$1,397	100.0
Interest abatements	\$927	100.0	\$820	100.0	\$816	100.0	\$756	100.0	\$830	100.0
Total	\$2,382	100.0	\$2,150	100.0	\$2,168	100.0	\$2,208	100.0	\$2,227	100.0

Notes: Individual tax returns are Form 1040, Federal Individual Income Tax Returns, including those with Schedule C, sole proprietor business income and Schedule F, farm income.

Amounts may not sum to totals because of rounding.

^aDoes not apply.

^bLess than \$1 million.

^cLess than one-tenth of 1 percent.

^dFee accumulated by certain trusts and exempt organizations for failure to file in a timely manner.

^eTrust fund penalties are assessed against responsible individuals of a business when they fail to pay IRS the taxes they withheld from employees' earnings.

^fFrom fiscal year 1995 through 1998, abatements of accuracy penalties (section 6662(d)-(h)) accounted for an average of 78 percent of abatement amounts for other miscellaneous civil penalty abatements. The remaining abatement amounts, averaging 22 percent, were spread over numerous types of other miscellaneous civil penalties.

^gNegligence includes any failure to make a reasonable attempt to comply with the provisions of the Code.

Source: GAO compilation of IRS data.

Appendix IV
Abatements of Penalty and Interest Assessments on Individual and Business Tax Returns

Table IV.7: Percent of Penalty and Interest Abatements Computed Manually and by Computer by Fiscal Year of Abatement—Individual Tax Returns

Penalty (IRC section)	Fiscal year of abatement							
	1995		1996		1997		1998	
	Manual	Computer	Manual	Computer	Manual	Computer	Manual	Computer
Failure to file (6651(a)(1))	62.1	37.9	58.9	41.1	51.7	48.3	47.7	52.3
Estimated tax (6654 and 6655)	88.1	11.9	85.0	15.0	83.2	16.8	81.3	18.7
Failure to make tax deposit (6656)	a	a	a	a	a	a	a	a
Failure to furnish taxpayer identification number (6723)	100.0	0	100.0	0	100.0	0	100.0	0
Daily delinquency (6652(c)(2)(A)) ^b	a	a	a	a	a	a	a	a
Miscellaneous civil-trust fund (6672) ^c	100.0	0	100.0	0	100.0	0	100.0	0
Miscellaneous civil-other (6662(d)-(h) and others) ^d	100.0	0	100.0	0	100.0	0	100.0	0
Incomplete partnership return (6698)	a	a	a	a	a	a	a	a
Failure to pay (6651(a)(2)-(3))	19.3	80.7	15.8	84.2	14.4	85.6	16.1	83.9
Bad check (6657)	100.0	0	100.0	0	100.0	0	100.0	0
Tip income (6652(b))	100.0	0	100.0	0	100.0	0	100.0	0
Fraud (6663)	100.0	0	100.0	0	100.0	0	100.0	0
Negligence (6662(c)) ^e	100.0	0	100.0	0	100.0	0	100.0	0
Percent of total penalty abatements	50.6	49.4	45.5	54.5	43.3	56.7	38.6	61.4
Percent of interest abatements	7.4	92.6	3.9	96.1	1.4	98.6	6.0	94.0

Notes: Individual tax returns are Form 1040, Federal Individual Income Tax Returns, including those with Schedule C, sole proprietor business income and Schedule F, farm income.

IRS employees manually make decisions on abatements when taxpayers establish that penalty assessments are in error or they had reasonable cause for being delinquent. IRS computers automatically abate all or portions of penalty and interest assessments when IRS reduces associated tax or other penalty assessments or applies timely payments to taxpayers' accounts.

^aDoes not apply.

^bFee accumulated by certain trusts and exempt organizations for failure to file in a timely manner.

^cTrust fund penalties are assessed against responsible individuals of a business when they fail to pay IRS the taxes they withheld from employees' earnings.

^dFrom fiscal year 1995 through 1998, abatements of accuracy penalties (section 6662(d)-(h)) accounted for an average of 89 percent of other miscellaneous civil penalty abatements. The remaining abatements, averaging 11 percent, were spread over numerous types of other miscellaneous civil penalties.

^eNegligence includes any failure to make a reasonable attempt to comply with the provisions of the Code.

Source: GAO compilation of IRS data.

Appendix IV

Abatements of Penalty and Interest Assessments on Individual and Business Tax Returns

Table IV.8: Percent of Amount of Penalty and Interest Abatements Computed Manually and by Computer by Fiscal Year of Abatement—Individual Tax Returns

Penalty (IRC section)	Fiscal year of abatement							
	1995		1996		1997		1998	
	Manual	Computer	Manual	Computer	Manual	Computer	Manual	Computer
Failure to file (6651(a)(1))	73.4	26.6	72.0	28.0	68.0	32.0	76.7	23.3
Estimated tax (6654 and 6655)	92.1	7.9	86.5	13.5	85.6	14.4	86.1	13.9
Failure to make tax deposit (6656)	a	a	a	a	a	a	a	a
Failure to furnish taxpayer identification number (6723)	100.0	0	100.0	0	100.0	0	100.0	0
Daily delinquency (6652(c)(2)(A)) ^b	0	0	0	0	0	0	0	0
Miscellaneous civil-trust fund (6672) ^c	100.0	0	100.0	0	100.0	0	100.0	0
Miscellaneous civil-other (6662(d)-(h) and others) ^d	100.0	0	100.0	0	100.0	0	100.0	0
Incomplete partnership return (6698)	a	a	a	a	a	a	a	a
Failure to pay (6651(a)(2)-(3))	53.6	46.4	49.6	50.4	46.1	53.9	48.5	51.5
Bad check (6657)	100.0	0	100.0	0	100.0	0	100.0	0
Tip income (6652(b))	100.0	0	100.0	0	100.0	0	100.0	0
Fraud (6663)	100.0	0	100.0	0	100.0	0	100.0	0
Negligence (6662(c)) ^e	100.0	0	100.0	0	100.0	0	100.0	0
Percent of total penalty abatement amounts	89.8	10.2	87.3	12.7	86.4	13.6	86.9	13.1
Percent of interest abatements	49.6	50.4	36.7	63.3	27.5	72.5	18.0	82.0

Notes: Individual tax returns are Form 1040, Federal Individual Income Tax Returns, including those with Schedule C, sole proprietor business income and Schedule F, farm income.

IRS employees manually make decisions on abatements when taxpayers establish that penalty assessments are in error or they had reasonable cause for being delinquent. IRS computers automatically abate all or portions of penalty and interest assessments when IRS reduces associated tax or other penalty assessments or applies timely payments to taxpayers' accounts.

^aDoes not apply.

^bFee accumulated by certain trusts and exempt organizations for failure to file in a timely manner.

^cTrust fund penalties are assessed against responsible individuals of a business when they fail to pay IRS the taxes they withheld from employees' earnings

^dFrom fiscal year 1995 through 1998, abatements of accuracy penalties (section 6662(d)-(h)) accounted for an average of 78 percent of abatement amounts for other miscellaneous civil penalty abatements. The remaining abatement amounts, averaging 22 percent, were spread over numerous types of other miscellaneous civil penalties.

^eNegligence includes any failure to make a reasonable attempt to comply with the provisions of the Code.

Source: GAO compilation of IRS data.

Appendix IV

Abatements of Penalty and Interest Assessments on Individual and Business Tax Returns

Table IV.9: Number and Amount of Penalty Abatements by Income Level and by Fiscal Year of Abatement—Individual Tax Returns

Dollars in Millions Income level reported on original return	Fiscal year of abatement								Total	
	1995		1996		1997		1998		Number	Amount
Individual nonbusiness										
1040A TPI < \$25,000	588,579	\$281	621,497	\$304	574,650	\$315	576,303	\$339	2,361,029	\$1,239
Non-1040A TPI < \$25,000	131,526	17	144,810	12	138,390	17	182,419	13	597,145	59
TPI \$25,000 < \$50,000	249,616	36	251,466	28	268,271	26	389,746	36	1,159,099	126
TPI \$50,000 < \$100,000	182,982	43	194,341	36	213,875	39	295,568	43	886,766	161
TPI \$100,000 or more	202,668	165	173,992	144	149,475	167	199,977	184	726,112	660
Subtotal	1,355,371	\$542	1,386,106	\$524	1,344,661	\$563	1,644,013	\$616	5,730,151	\$2,245
Individual business^a										
C-TGR < \$25,000	90,291	\$13	82,830	\$28	87,814	\$7	125,285	\$89	386,220	\$138
C-TGR \$25,000 < \$100,000	153,361	55	131,533	37	127,896	27	198,049	36	610,839	156
C-TGR \$100,000 or more	104,699	94	93,384	76	87,281	70	131,299	73	416,663	314
F-TGR < \$100,000	5,435	1	5,071	1	5,083	1	6,326	1	21,915	4
F-TGR 100,000 or more	7,023	5	5,291	4	8,443	4	7,111	4	27,868	16
Subtotal	360,809	\$169	318,109	\$146	316,517	110	468,070	\$203	1,463,505	\$628
Income level not available ^b	239,392	\$743	194,577	\$659	227,799	\$680	261,220	\$633	922,988	\$2,715
Total penalty abatements	1,955,572	\$1,454	1,898,792	\$1,330	1,888,977	\$1,352	2,373,303	\$1,452	8,116,644	\$5,588

Legend

1040A = Nonbusiness returns filed by individuals

TPI = Total positive income (income reported as a positive on tax return tables)

C-TGR = Form 1040 Schedule C (profit or loss from business) total gross receipts

F-TGR = Form 1040 Schedule F (profit or loss from farming) total gross receipts

Notes: Individual tax returns are Form 1040, Federal Individual Income Tax Returns, including those with Schedule C, sole proprietor business income and Schedule F, farm income.

Totals are based on abatements, not returns.

Amounts may not sum to totals because of rounding.

^aReturns with Schedules C or F may be categorized as nonbusiness rather than business if the reported primary source of income was wages, investments, and other nonbusiness income.

^bIncome level was not available on certain miscellaneous civil penalties.

Source: GAO compilation of IRS data.

Appendix IV
Abatements of Penalty and Interest Assessments on Individual and Business Tax Returns

Table IV.10: Number and Amount of Interest Abatements by Income Level and by Fiscal Year of Abatement—Individual Tax Returns

Dollars in Millions Income level reported on original return	Fiscal year of abatement								Total	
	1995		1996		1997		1998		Number	Amount
Individual nonbusiness										
1040A TPI < \$25,000	484,237	\$349	514,806	\$349	557,349	\$383	509,310	\$385	2,065,702	\$1,467
Non-1040A TPI < \$25,000	157,246	27	171,338	14	181,239	18	190,116	12	699,939	71
TPI \$25,000 < \$50,000	298,861	44	299,003	39	448,283	31	474,163	28	1,520,310	142
TPI \$50,000 < \$100,000	217,128	54	227,703	34	377,843	34	391,470	36	1,214,144	158
TPI \$100,000 or more	232,091	214	206,216	168	186,352	225	210,826	158	835,485	765
Subtotal	1,389,563	\$688	1,419,066	\$604	1,751,066	\$692	1,775,885	\$619	6,335,580	\$2,603
Individual business^a										
C-TGR < \$25,000	76,600	\$13	79,089	\$11	98,780	\$6	102,707	\$8	357,176	\$39
C-TGR \$25,000 < \$100,000	116,553	48	111,696	31	139,782	19	159,651	27	527,682	125
C-TGR \$100,000 or more	88,756	124	83,745	88	87,724	68	104,220	73	364,445	353
F-TGR < \$100,000	6,442	3	5,808	1	6,790	1	7,177	1	26,217	6
F-TGR 100,000 or more	6,766	6	6,045	8	7,038	8	7,733	3	27,582	24
Subtotal	295,117	\$195	286,383	\$139	340,114	\$101	381,488	\$112	1,303,102	\$546
Income level not available ^b	13,502	45	12,241	77	12,009	23	9,698	25	47,450	169
Total interest abatements	1,698,182	\$927	1,717,690	\$820	2,103,189	\$816	2,167,071	\$756	7,686,132	\$3,319

Legend

1040A = Nonbusiness returns filed by individuals
TPI = Total positive income (income reported as a positive on tax return tables)
C-TGR = Form 1040 Schedule C (profit or loss from business) total gross receipts
F-TGR = Form 1040 Schedule F (profit or loss from farming) total gross receipts

Notes: Individual tax returns are Form 1040, Federal Individual Income Tax Returns, including those with Schedule C, sole proprietor business income and Schedule F, farm income.

Totals are based on abatements, not returns.

Amounts may not sum to totals because of rounding.

^aReturns with Schedules C or F may be categorized as nonbusiness rather than business if the reported primary source of income was wages, investments, and other nonbusiness income.

^bIncome level was not available on certain miscellaneous civil penalties.

Source: GAO compilation of IRS data.

Appendix IV

Abatements of Penalty and Interest Assessments on Individual and Business Tax Returns

Tables IV.11-IV.14 show information on the number and amount of penalty and interest abatements by tax year of return.

Table IV.11: Number of Penalty Abatements by Tax Year and Fiscal Year of Abatement—Individual Tax Returns

Tax year of return	Fiscal year of abatement				Total
	1995	1996	1997	1998	
Before 1980 ^a	3,379	1,805	856	1,074	7,114
1980-84	89,553	44,039	26,661	25,959	186,212
1985-89	443,094	277,406	202,511	219,915	1,142,926
1990	167,701	110,988	84,803	86,073	449,565
1991	229,634	152,397	104,899	102,122	589,052
1992	218,807	253,154	169,260	134,375	775,596
1993	409,116	258,460	194,973	174,236	1,036,785
1994	393,350	360,043	188,916	175,891	1,118,200
1995	938	439,097	409,480	285,014	1,134,529
1996	^b	1,403	505,005	682,380	1,188,788
1997	^b	^b	1,613	484,471	486,084
1998	^b	^b	^b	1,793	1,793
Total penalty abatements	1,955,572	1,898,792	1,888,977	2,373,303	8,116,644

Notes: Individual tax returns are Form 1040, Federal Individual Income Tax Returns, including those with Schedule C, sole proprietor business income and Schedule F, farm income.

Totals are based on abatements, not returns.

^aEarliest tax year was 1962.

^bDoes not apply.

Source: GAO compilation of IRS data.

Table IV.12: Amount of Penalty Abatements by Tax Year and Fiscal Year of Abatement—Individual Tax Returns

Tax year of return	Fiscal year of abatement				Total
	1995	1996	1997	1998	
Before 1980 ^a	\$9	\$6	\$5	\$3	\$23
1980-84	151	81	71	40	343
1985-89	522	357	259	210	1,348
1990	162	131	95	82	469
1991	184	153	121	107	565
1992	155	188	157	118	618
1993	217	161	194	150	722
1994	53	165	156	146	521
1995	1	86	209	150	447
1996	^b	^c	84	238	323
1997	^b	^b	1	208	209
1998	^b	^b	^b	^c	
Total penalty abatements	\$1,454	\$1,330	\$1,352	\$1,452	\$5,588

Notes: Individual tax returns are Form 1040, Federal Individual Income Tax Returns, including those with Schedule C, sole proprietor business income and Schedule F, farm income.

Totals are based on abatements, not returns.

Amounts may not sum to totals because of rounding.

^aEarliest tax year was 1962.

^bDoes not apply.

^cLess than \$1 million.

Source: GAO compilation of IRS data.

Appendix IV
Abatements of Penalty and Interest Assessments on Individual and Business Tax Returns

Table IV.13: Number of Interest Abatements by Tax Year and Fiscal Year of Abatement—Individual Tax Returns

Tax year of return	Fiscal year of abatement				Total
	1995	1996	1997	1998	
Before 1980 ^a	2,922	1,759	960	670	6,311
1980-84	34,093	19,826	14,392	8,877	77,188
1985-89	213,403	128,271	94,432	57,102	493,208
1990	111,210	65,093	47,409	28,565	252,277
1991	214,662	102,249	61,941	37,114	415,966
1992	238,902	239,965	134,261	64,442	677,570
1993	435,155	295,705	195,749	108,128	1,034,737
1994	447,362	380,853	195,589	134,077	1,157,881
1995	473	483,121	410,139	265,857	1,159,590
1996	^b	848	947,431	660,200	1,608,479
1997	^b	^b	886	801,287	802,173
1998	^b	^b	^b	752	752
Total interest abatements	1,698,182	1,717,690	2,103,189	2,167,071	7,686,132

Notes: Individual tax returns are Form 1040, Federal Individual Income Tax Returns, including those with Schedule C, sole proprietor business income and Schedule F, farm income.

Totals are based on abatements, not returns.

^aEarliest tax year was 1962.

^bDoes not apply.

Source: GAO compilation of IRS data.

Table IV.14: Amount of Interest Abatements by Tax Year and Fiscal Year of Abatement—Individual Tax Returns

Tax year of return	Fiscal year of abatement				Total
	1995	1996	1997	1998	
Before 1980 ^a	\$82	\$43	\$25	\$19	\$169
1980-84	278	168	183	114	742
1985-89	355	303	238	180	1,077
1990	65	58	59	55	236
1991	65	59	52	55	231
1992	22	84	80	63	250
1993	45	59	90	93	287
1994	15	31	33	63	142
1995	^b	15	33	40	89
1996	^c	^b	21	55	77
1997	^c	^c	^b	19	19
1998	^c	^c	^c	^b	^b
Total interest abatements	\$927	\$820	\$816	\$756	\$3,319

Notes: Individual tax returns are Form 1040, Federal Individual Income Tax Returns, including those with Schedule C, sole proprietor business income and Schedule F, farm income.

Totals are based on abatements, not returns.

Amounts may not sum to totals because of rounding.

^aEarliest tax year was 1962.

^bLess than \$1 million.

^cDoes not apply.

Source: GAO compilation of IRS data.

Appendix IV
Abatements of Penalty and Interest Assessments on Individual and Business Tax Returns

Tables IV.15-IV.21 show information on selected return characteristics for penalties and/or interest abatements. Tables IV.19-IV.21 show the characteristics for abatements of three specific types of penalties.

Table IV.15: Distribution of Returns With Penalty and Interest Abatements by Filing Status and Fiscal Year of Abatement—Individual Tax Returns

Fiscal year of penalty and interest abatement	Number of returns	Filing status					Total
		Single	Married, filing jointly	Married, filing separately	Head of household	Widow(er) with dependent child	
1995	a	a	a	a	a	a	a
1996	a	a	a	a	a	a	a
1997	2,319,461	29.1%	52.5%	4.9%	13.5%	0.1%	100%
1998	2,721,264	31.6	50.9	5.3	12.2	0.1	100

Notes: Individual tax returns are Form 1040, Federal Individual Income Tax Returns, including those with Schedule C, sole proprietor business income and Schedule F, farm income.

Percentages may not sum to 100 because of rounding.

^aIRS was unable to reconstruct the filing status data from its historical files within the time frames of our review.

Source: GAO compilation of IRS data.

Table IV.16: Distribution of Returns With Penalty and Interest Abatements by Selected Characteristic and Fiscal Year of Abatement—Individual Tax Returns

Fiscal year of penalty and interest abatement	Number of returns	Selected characteristic			
		Primary taxpayer over age 65	Substitute for return prepared	Paid preparer on original return	Earned income credit on original return
1995	1,918,078	8.5%	12.5%	52.1%	3.9%
1996	1,933,715	9.3	13.8	50.8	4.3
1997	2,319,461	8.5	10.6	48.2	3.8
1998	2,721,264	8.6	7.0	52.8	4.9

Notes: Individual tax returns are Form 1040, Federal Individual Income Tax Returns, including those with Schedule C, sole proprietor business income and Schedule F, farm income.

Percentages should not be totaled because abatements could occur on returns with more than one selected characteristic.

Source: GAO compilation of IRS data.

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Abatements of Penalty and Interest Assessments on Individual and Business Tax Returns

Table IV.17: Distribution of Returns With Penalty Abatements by Selected Characteristic and Fiscal Year of Abatement—Individual Tax Returns

Fiscal year of penalty abatement	Number of returns	Selected characteristic			
		Primary taxpayer over age 65	Substitute for return prepared	Paid preparer on original return	Earned income credit on original return
1995	1,329,636	8.2%	16.7%	51.7%	2.9%
1996	1,351,348	9.1	18.5	49.7	3.1
1997	1,331,583	10.0	16.4	49.1	3.4
1998	1,761,327	9.1	9.6	55.1	4.9

Notes: Individual tax returns are Form 1040, Federal Individual Income Tax Returns, including those with Schedule C, sole proprietor business income and Schedule F, farm income.

Percentages should not be totaled because abatements could occur on returns with more than one selected characteristic.

Source: GAO compilation of IRS data.

Table IV.18: Distribution of Returns With Interest Abatements by Selected Characteristic and Fiscal Year of Abatement—Individual Tax Returns

Fiscal year of interest abatement	Number of returns	Selected characteristic			
		Primary taxpayer over age 65	Substitute for return prepared	Paid preparer on original return	Earned income credit on original return
1995	1,576,967	8.7%	12.5%	53.0%	2.4%
1996	1,595,320	9.5	13.7	51.7	2.6
1997	1,954,573	8.4	10.1	48.3	2.3
1998	2,000,680	9.0	6.9	51.6	2.4

Notes: Individual tax returns are Form 1040, Federal Individual Income Tax Returns, including those with Schedule C, sole proprietor business income and Schedule F, farm income.

Percentages should not be totaled because abatements could occur on returns with more than one selected characteristic.

Source: GAO compilation of IRS data.

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Abatements of Penalty and Interest Assessments on Individual and Business Tax Returns

Table IV.19: Distribution of Returns With Failure to File Penalty Abatements by Selected Characteristic and Fiscal Year of Abatement—Individual Tax Returns

Fiscal year of failure to file penalty abatement	Number of returns	Selected characteristic			
		Primary taxpayer over age 65	Substitute for return prepared	Paid preparer on original return	Earned income credit on original return
1995	429,811	3.7%	46.9%	30.0%	1.2%
1996	439,040	4.3	52.6	27.1	1.2
1997	434,432	5.1	45.0	31.0	1.9
1998	433,415	5.7	30.8	39.5	2.3

Notes: Individual tax returns are Form 1040, Federal Individual Income Tax Returns, including those with Schedule C, sole proprietor business income and Schedule F, farm income.

Percentages should not be totaled because abatements could occur on returns with more than one selected characteristic.

Source: GAO compilation of IRS data.

Table IV.20: Distribution of Returns With Estimated Payment Penalty Abatements by Selected Characteristic and Fiscal Year of Abatement—Individual Tax Returns

Fiscal year of estimated payment penalty abatement	Number of returns	Selected characteristic			
		Primary taxpayer over age 65	Substitute for return prepared	Paid preparer on original return	Earned income credit on original return
1995	249,270	8.8%	38.0%	41.5%	0.4%
1996	230,018	9.3	44.2	34.1	0.4
1997	210,414	12.3	39.8	36.9	0.4
1998	205,031	15.3	30.5	42.4	0.3

Notes: Individual tax returns are Form 1040, Federal Individual Income Tax Returns, including those with Schedule C, sole proprietor business income and Schedule F, farm income.

Percentages should not be totaled because abatements could occur on returns with more than one selected characteristic.

Source: GAO compilation of IRS data.

Table IV.21: Distribution of Returns With Failure to Pay Penalty Abatements by Selected Characteristic and Fiscal Year of Abatement—Individual Tax Returns

Fiscal year of failure to pay penalty abatement	Number of returns	Selected characteristic			
		Primary taxpayer over age 65	Substitute for return prepared	Paid preparer on original return	Earned income credit on original return
1995	914,793	9.5%	4.5%	63.3%	3.1%
1996	933,188	10.9	5.0	61.9	3.5
1997	920,358	11.6	5.6	58.9	3.5
1998	1,355,750	9.6	4.1	61.4	5.1

Notes: Individual tax returns are Form 1040, Federal Individual Income Tax Returns, including those with Schedule C, sole proprietor business income and Schedule F, farm income.

Percentages should not be totaled because abatements could occur on returns with more than one selected characteristic.

Source: GAO compilation of IRS data.

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Abatements of Penalty and Interest Assessments on Individual and Business Tax Returns

Tables IV.22-IV.27 show information on the number or amount of abatements by selected IRS activities for penalties and interest combined, or separately for penalty and interest on individual returns.

Table IV.22: Distribution of Number of Penalty and Interest Abatements on Returns Associated With Selected IRS Activity by Fiscal Year of Abatement—Individual Tax Returns

Fiscal year of penalty and interest abatement	Selected IRS activity ^a							
	Number of abatements	Audit indicator ^b	Substitute for return ^c	Additional tax assessments ^d	Offer-in-compromise ^e	Collection ^f	Litigation ^g	Criminal investigation ^h
1995	3,653,754	10.5%	15.8%	30.1%	2.0%	97.6%	6.7%	0.2%
1996	3,616,482	11.1	17.7	31.1	0.9	97.7	4.0	0.1
1997	3,992,166	10.1	14.2	26.3	0.3	98.0	2.7	0.1
1998	4,540,374	10.7	9.2	22.5	0.2	97.7	3.0	0.1

Notes: Individual tax returns are Form 1040, Federal Individual Income Tax Returns, including those with Schedule C, sole proprietor business income and Schedule F, farm income.

Percentages should not be totaled because abatements could be preceded by more than one selected IRS activity.

^aIRS activity that occurred before the abatement.

^bIncludes audits that are still open and audits closed with a change in tax assessments or no change in tax assessments.

^cReturn prepared by IRS based on third party information of income paid to a nonfiler.

^dIRS makes additional tax assessments after the original tax assessment because of an IRS enforcement action, such as an audit, or a taxpayer action, such as filing amended returns.

^eIRS and taxpayer had reached an agreement on the portion of unpaid assessments the taxpayer would pay.

^fReturn was in collection stream (notices, installment agreements, delinquent accounts). Abatements on full paid returns result in refunds to taxpayers and would not be in collection status.

^gReturn was in some phase of the litigation process--open or closed. Would include bankruptcy cases and cases settled or closed before trial.

^hIRS investigation of criminal wrongdoing associated with the return. Includes cases open and closed, including those without further action by IRS.

Source: GAO compilation of IRS data.

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Abatements of Penalty and Interest Assessments on Individual and Business Tax Returns

Table IV.23: Distribution of Amount of Penalty and Interest Abatements on Returns Associated With Selected IRS Activity by Fiscal Year of Abatement—Individual Tax Returns

Dollars in Millions

Fiscal year of penalty and interest abatement	Selected IRS activity ^a								
	Amount of abatements	Audit indicator ^b	Substitute for return ^c	Additional tax assessments ^d	Offer-in-compromise ^e	Collection ^f	Litigation ^g	Criminal investigation ^h	
1995	\$2,382	34.6%	16.4%	48.1%	9.2%	98.8%	25.2%	4.8%	
1996	\$2,150	34.8	21.4	49.6	4.7	98.9	19.3	2.7	
1997	\$2,168	35.8	22.7	50.7	1.9	98.9	15.9	4.1	
1998	\$2,208	35.5	21.8	44.1	1.3	98.3	12.9	2.3	

Notes: Individual tax returns are Form 1040, Federal Individual Income Tax Returns, including those with Schedule C, sole proprietor business income and Schedule F, farm income.

Percentages should not be totaled because abatements could be preceded by more than one selected IRS activity.

^aIRS activity that occurred before the abatement.

^bIncludes audits that are still open and audits closed with a change in tax assessments or no change in tax assessments.

^cReturn prepared by IRS based on third-party information of income paid to a nonfiler.

^dIRS makes additional tax assessments after the original tax assessment because of an IRS enforcement action, such as an audit, or a taxpayer action, such as filing amended returns.

^eIRS and taxpayer had reached an agreement on the portion of unpaid assessments the taxpayer would pay.

^fReturn was in collection stream (notices, installment agreements, delinquent accounts). Abatements on full paid returns result in refunds to taxpayers and would not be in collection status.

^gReturn was in some phase of the litigation process--open or closed. Would include bankruptcy cases, and cases settled or closed before trial.

^hIRS investigation of criminal wrongdoing associated with the return. Includes cases open and closed, including those without further action by IRS.

Source: GAO compilation of IRS data.

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Abatements of Penalty and Interest Assessments on Individual and Business Tax Returns

Table IV.24: Distribution of Number of Penalty Abatements on Returns Associated With Selected IRS Activity by Fiscal Year of Abatement—Individual Tax Returns

Fiscal year of penalty abatement	Number of abatements	Selected IRS activity ^a						
		Audit indicator ^b	Substitute for return ^c	Additional tax assessments ^d	Offer-in-compromise ^e	Collection ^f	Litigation ^g	Criminal investigation ^h
1995	1,955,572	11.0%	18.6%	27.6%	2.5%	97.9%	8.5%	0.3%
1996	1,898,792	11.0	21.1	29.2	1.1	98.0	5.3	0.2
1997	1,888,977	10.3	18.4	25.8	0.4	97.3	3.9	0.1
1998	2,373,303	11.4	11.2	20.3	0.3	97.1	4.4	0.1

Notes: Individual tax returns are Form 1040, Federal Individual Income Tax Returns, including those with Schedule C, sole proprietor business income and Schedule F, farm income.

Percentages should not be totaled because abatements could be preceded by more than one selected IRS activity.

^aIRS activity that occurred before the abatement.

^bIncludes audits that are still open and audits closed with a change in tax assessments or no change in tax assessments.

^cReturn prepared by IRS based on third-party information of income paid to a nonfiler.

^dIRS makes additional tax assessments after the original tax assessment because of an IRS enforcement action, such as an audit, or a taxpayer action, such as filing amended returns.

^eIRS and taxpayer had reached an agreement on the portion of unpaid assessments the taxpayer would pay.

^fReturn was in collection stream (notices, installment agreements, delinquent accounts). Abatements on full paid returns result in refunds to taxpayers and would not be in collection status.

^gReturn was in some phase of the litigation process--open or closed. Would include bankruptcy cases, and cases settled or closed before trial.

^hIRS investigation of criminal wrongdoing associated with the return. Includes cases open and closed, including those without further action by IRS.

Source: GAO compilation of IRS data.

Appendix IV
Abatements of Penalty and Interest Assessments on Individual and Business Tax Returns

Table IV.25: Distribution of Amount of Penalty Abatements on Returns Associated With Selected IRS Activity by Fiscal Year of Abatement—Individual Tax Returns
Dollars in Millions

Fiscal year of penalty abatement	Amount of abatements	Selected IRS activity ^a							
		Audit indicator ^b	Substitute for return ^c	Additional tax assessments ^d	Offer-in-compromise ^e	Collection ^f	Litigation ^g	Criminal investigation ^h	
1995	\$1,454	20.6%	13.1%	28.7%	9.1%	98.7%	18.9%	2.9%	
1996	1,330	21.1	17.0	30.7	4.9	99.0	15.4	1.8	
1997	1,352	22.3	17.1	31.1	2.0	98.0	12.5	2.9	
1998	1,452	22.2	14.4	26.1	1.2	98.6	10.7	1.4	

Notes: Individual tax returns are Form 1040, Federal Individual Income Tax Returns, including those with Schedule C, sole proprietor business income and Schedule F, farm income.

Percentages should not be totaled because abatements could be preceded by more than one selected IRS activity.

^aIRS activity that occurred before the abatement.

^bIncludes audits that are still open and audits closed with a change in tax assessments or no change in tax assessments.

^cReturn prepared by IRS based on third party information of income paid to a nonfiler.

^dIRS makes additional tax assessments after the original tax assessment because of an IRS enforcement action, such as an audit, or a taxpayer action, such as filing amended returns.

^eIRS and taxpayer had reached an agreement on the portion of unpaid assessments the taxpayer would pay.

^fReturn was in collection stream (notices, installment agreements, delinquent accounts). Abatements on full paid returns result in refunds to taxpayers and would not be in collection status.

^gReturn was in some phase of the litigation process--open or closed. Would include bankruptcy cases, and cases settled or closed before trial.

^hIRS investigation of criminal wrongdoing associated with the return. Includes cases open and closed, including those without further action by IRS.

Source: GAO compilation of IRS data.

Appendix IV
Abatements of Penalty and Interest Assessments on Individual and Business Tax Returns

Table IV.26: Distribution of Number of Interest Abatements on Returns Associated With Selected IRS Activity by Fiscal Year of Abatement—Individual Tax Returns

Fiscal year of interest abatement	Number of abatements	Selected IRS activity ^a						
		Audit indicator ^b	Substitute for return ^c	Additional tax assessments ^d	Offer-in-compromise ^e	Collection ^f	Litigation ^g	Criminal investigation ^h
1995	1,698,182	10.0%	12.6%	33.0%	1.4%	97.4%	4.7%	0.2%
1996	1,717,690	11.2	13.8	33.2	0.6	97.4	2.7	0.1
1997	2,103,189	9.9	10.3	26.8	0.2	98.6	1.6	0.1
1998	2,167,071	10.1	7.1	24.8	0.1	98.3	1.4	0.1

Notes: Individual tax returns are Form 1040, Federal Individual Income Tax Returns, including those with Schedule C, sole proprietor business income and Schedule F, farm income.

Percentages should not be totaled because abatements could be preceded by more than one selected IRS activity.

^aIRS activity that occurred before the abatement.

^bIncludes audits that are still open and audits closed with a change in tax assessments or no change in tax assessments.

^cReturn prepared by IRS based on third party information of income paid to a nonfiler.

^dIRS makes additional tax assessments after the original tax assessment because of an IRS enforcement action, such as an audit, or a taxpayer action, such as filing amended returns.

^eIRS and taxpayer had reached an agreement on the portion of unpaid assessments the taxpayer would pay.

^fReturn was in collection stream (notices, installment agreements, delinquent accounts). Abatements on full paid returns result in refunds to taxpayers and would not be in collection status.

^gReturn was in some phase of the litigation process--open or closed. Would include bankruptcy cases, and cases settled or closed before trial.

^hIRS investigation of criminal wrongdoing associated with the return. Includes cases open and closed, including those without further action by IRS.

Source: GAO compilation of IRS data.

Appendix IV
Abatements of Penalty and Interest Assessments on Individual and Business Tax Returns

Table IV.27: Distribution of Amount of Interest Abatements on Returns Associated With Selected IRS Activity by Fiscal Year of Abatement—Individual Tax Returns
Dollars in Millions

Fiscal year of interest abatement	Amount of abatements	Selected IRS activity ^a						
		Audit indicator ^b	Substitute for return ^c	Additional tax assessments ^d	Offer-in-compromise ^e	Collection ^f	Litigation ^g	Criminal investigation ^h
1995	\$927	56.7%	21.4%	78.5%	9.6%	99.1%	35.1%	7.7%
1996	820	57.1	28.6	80.3	4.3	98.8	25.5	4.2
1997	816	58.2	32.1	83.3	1.8	99.0	21.5	6.2
1998	756	61.1	36.0	78.8	1.3	97.7	17.3	4.1

Notes: Individual tax returns are Form 1040, Federal Individual Income Tax Returns, including those with Schedule C, sole proprietor business income and Schedule F, farm income.

Percentages should not be totaled because abatements could be preceded by more than one selected IRS activity.

^aIRS activity that occurred before the abatement.

^bIncludes audits that are still open and audits closed with a change in tax assessments or no change in tax assessments.

^cReturn prepared by IRS based on third party information of income paid to a nonfiler.

^dIRS makes additional tax assessments after the original tax assessment because of an IRS enforcement action, such as an audit, or a taxpayer action, such as filing amended returns.

^eIRS and taxpayer had reached an agreement on the portion of unpaid assessments the taxpayer would pay.

^fReturn was in collection stream (notices, installment agreements, delinquent accounts). Abatements on full paid returns result in refunds to taxpayers and would not be in collection status.

^gReturn was in some phase of the litigation process--open or closed. Would include bankruptcy cases, and cases settled or closed before trial.

^hIRS investigation of criminal wrongdoing associated with the return. Includes cases open and closed, including those without further action by IRS.

Source: GAO compilation of IRS data.

Appendix IV
Abatements of Penalty and Interest Assessments on Individual and Business Tax Returns

Tables IV.28-IV.55 show information on penalty and interest abatements on business tax returns. Tables on corporate income tax, employment tax, and other business tax returns, generally, are subsets of the tables titled business tax returns.

Table IV.28: Number and Percent of Penalty and Interest Abatements by Fiscal Year of Abatement—Business Tax Returns

Penalty (IRC section)	Fiscal year of abatement									
	1995		1996		1997		1998		Average	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Failure to file (6651(a)(1))	388,319	16.0	375,819	15.1	391,828	16.6	375,457	16.1	382,856	15.9
Estimated tax (6654 and 6655)	26,737	1.1	29,105	1.2	31,992	1.4	36,730	1.6	31,141	1.3
Failure to make tax deposit (6656)	866,594	35.6	809,347	32.5	773,695	32.7	740,374	31.7	797,503	33.2
Failure to furnish taxpayer identification number (6723)	a	a	a	a	a	a	a	a	a	a
Daily delinquency (6652(c)(2)(A)) ^b	39,644	1.6	39,829	1.6	38,905	1.6	58,106	2.5	44,121	1.8
Miscellaneous civil-trust fund (6672) ^c	a	a	a	a	a	a	a	a	a	a
Miscellaneous civil-other (6721(e) and others) ^d	63,818	2.6	62,415	2.5	43,474	1.8	48,027	2.1	54,434	2.3
Incomplete partnership return (6698)	4,661	0.2	3,321	0.1	3,077	0.1	2,339	0.1	3,350	0.1
Failure to pay (6651(a)(2)-(3))	1,038,745	42.7	1,169,099	46.9	1,076,456	45.6	1,062,182	45.5	1,086,621	45.2
Bad check (6657)	2,037	0.1	1,977	0.1	2,879	0.1	8,665	0.4	3,890	0.2
Tip income (6652(b))	a	a	a	a	a	a	a	a	a	a
Fraud (6663)	226	e	259	e	217	e	88	e	198	e
Negligence (6662(c)) ^f	485	e	453	e	369	e	210	e	379	e
Total penalty abatements	2,431,266	100.0	2,491,624	100.0	2,362,892	100.0	2,332,178	100.0	2,404,490	100.0
Interest abatements	1,376,550	100.0	1,499,031	100.0	1,403,958	100.0	1,365,054	100.0	1,411,148	100.0
Total	3,807,816	100.0	3,990,655	100.0	3,766,850	100.0	3,697,232	100.0	3,815,638	100.0

Note: Business tax returns include corporate income tax, various employment taxes, and other types of returns on IRS' business master file.

^aDoes not apply.

^bFee accumulated by certain trusts and exempt organizations for failure to file in a timely manner.

^cTrust fund penalties are assessed against responsible individuals of a business when they fail to pay IRS the taxes they withheld from employees' earnings.

^dFrom fiscal year 1995 through 1998, abatements of penalties for intentional disregard of the information return filing requirements (section 6721(e)) accounted for an average of 75 percent of other miscellaneous civil penalty abatements. The remaining abatements, averaging 25 percent, were spread over numerous types of other miscellaneous civil penalties.

^eLess than one-tenth of 1 percent.

^fNegligence includes any failure to make a reasonable attempt to comply with the provisions of the Code.

Source: GAO compilation of IRS data.

Appendix IV
Abatements of Penalty and Interest Assessments on Individual and Business Tax Returns

Table IV.29: Amount and Percent of Penalty and Interest Abatements by Fiscal Year of Abatement—Business Tax Returns
Dollars in Millions

	Fiscal year of abatement									
	1995		1996		1997		1998		Average	
Penalty (IRC section)	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Failure to file (6651(a)(1))	\$606	17.5	\$913	19.5	\$977	23.3	\$855	25.6	\$838	21.4
Estimated tax (6654 and 6655)	76	2.2	122	2.6	103	2.5	184	5.5	122	3.1
Failure to make tax deposit (6656)	1,831	52.7	2,493	53.3	2,182	52.1	1,343	40.2	1,962	50.0
Failure to furnish taxpayer identification number (6723)	a	a	a	a	a	a	a	a	a	a
Daily delinquency (6652(c)(2)(A)) ^b	55	1.6	58	1.2	55	1.3	110	3.3	70	1.8
Miscellaneous civil-trust fund (6672) ^c	a	a	a	a	a	a	a	a	a	a
Miscellaneous civil-other (6721(e) and others) ^d	566	16.3	553	11.8	545	13.0	540	16.2	551	14.1
Incomplete partnership return (6698)	125	3.6	67	1.4	22	0.5	7	0.2	55	1.4
Failure to pay (6651(a)(2)-(3))	205	5.9	467	10.0	286	6.8	264	7.9	306	7.8
Bad check (6657)	1	e	1	e	2	e	7	0.2	3	0.1
Tip income (6652(b))	a	a	a	a	a	a	a	a	a	a
Fraud (6663)	5	0.1	4	0.1	3	0.1	1	e	3	0.1
Negligence (6662(c)) ^f	2	0.1	3	0.1	13	0.3	29	0.9	12	0.3
Total penalty abatements	\$3,471	100.0	\$4,680	100.0	\$4,188	100.0	\$3,343	100.0	\$3,920	100.0
Interest abatements	\$1,720	100.0	\$2,375	100.0	\$1,972	100.0	\$1,381	100.0	\$1,862	100.0
Total	\$5,191	100.0	\$7,054	100.0	\$6,160	100.0	\$4,724	100.0	\$5,782	100.0

Notes: Business tax returns include corporate income tax, various employment taxes, and other types of returns on IRS' business master file.

Note: Amounts may not sum to totals because of rounding.

^aDoes not apply.

^bFee accumulated by certain trusts and exempt organizations for failure to file in a timely manner.

^cTrust fund penalties are assessed against responsible individuals of a business when they fail to pay IRS the taxes they withheld from employees' earnings.

^dFrom fiscal year 1995 through 1998, abatements of penalties for intentional disregard of the information return filing requirements (section 6721(e)) accounted for an average of 86 percent of abatement amounts for other miscellaneous civil penalty abatements. The remaining abatement amounts, averaging 14 percent, were spread over numerous types of other miscellaneous civil penalties.

^eLess than one-tenth of 1 percent.

^fNegligence includes any failure to make a reasonable attempt to comply with the provisions of the Code.

Source: GAO compilation of IRS data.

Appendix IV
Abatements of Penalty and Interest Assessments on Individual and Business Tax Returns

Table IV.30: Percent of Penalty and Interest Abatements Computed Manually and by Computer by Fiscal Year of Abatement—Business Tax Returns

Penalty (IRC section)	Fiscal year of abatement							
	1995		1996		1997		1998	
	Manual	Computer	Manual	Computer	Manual	Computer	Manual	Computer
Failure to file (6651(a)(1))	47.7	52.3	46.6	53.4	51.3	48.7	50.1	49.9
Estimated tax (6654 and 6655)	77.3	22.7	82.7	17.3	82.8	17.2	85.6	14.4
Failure to make tax deposit (6656)	57.7	42.3	55.1	44.9	50.8	49.2	49.4	50.6
Failure to furnish taxpayer identification number (6723)	a	a	a	a	a	a	a	a
Daily delinquency (6652(c)(2)(A)) ^b	100.0	0	100.0	0	100.0	0	100.0	0
Miscellaneous civil-trust fund (6672) ^c	100.0	0	100.0	0	100.0	0	100.0	0
Miscellaneous civil-other (6721(e) and others) ^d	100.0	0	100.0	0	100.0	0	100.0	0
Incomplete partnership return (6698)	100.0	0	100.0	0	100.0	0	100.0	0
Failure to pay (6651(a) (2)-(3))	11.8	88.2	9.5	90.5	9.9	90.1	11.0	89.0
Bad check (6657)	95.2	4.8	95.2	4.8	95.6	4.4	98.8	1.2
Tip income (6652(b))	a	a	a	a	a	a	a	a
Fraud (6663)	100.0	0	100.0	0	100.0	0	100.0	0
Negligence (6662(c)) ^e	100.0	0	100.0	0	100.0	0	100.0	0
Percent of total penalty abatements	38.4	61.6	34.6	65.4	34.4	65.6	35.0	65.0
Percent of interest abatements	1.8	98.2	1.4	98.6	1.3	98.7	1.2	98.8

Notes: Business tax returns include corporate income tax, various employment taxes, and other types of returns on IRS' business master file.

IRS employees manually make decisions on abatements when taxpayers establish that penalty assessments are in error or they had reasonable cause for being delinquent. IRS computers automatically abate all or portions of penalty and interest assessments when IRS reduces associated tax or other penalty assessments or applies timely payments to taxpayers' accounts.

^aDoes not apply.

^bFee accumulated by certain trusts and exempt organizations for failure to file in a timely manner.

^cTrust fund penalties are assessed against responsible individuals of a business when they fail to pay IRS the taxes they withheld from employees' earnings.

^dFrom fiscal year 1995 through 1998, abatements of penalties for intentional disregard of the information return filing requirements (section 6721(e)) accounted for an average of 75 percent of other miscellaneous civil penalty abatements. The remaining abatements, averaging 25 percent, were spread over numerous types of other miscellaneous civil penalties.

^eNegligence includes any failure to make a reasonable attempt to comply with the provisions of the Code.

Source: GAO compilation of IRS data.

Appendix IV
Abatements of Penalty and Interest Assessments on Individual and Business Tax Returns

Table IV.31: Percent of Amount of Penalty and Interest Abatements Computed Manually and by Computer by Fiscal Year of Abatement—Business Tax Returns

Penalty (IRC section)	Fiscal year of abatement							
	1995		1996		1997		1998	
	Manual	Computer	Manual	Computer	Manual	Computer	Manual	Computer
Failure to file (6651(a)(1))	58.4	41.6	56.2	43.8	69.6	30.4	64.8	35.2
Estimated tax (6654 and 6655)	98.0	2.0	97.7	2.3	97.6	2.4	98.0	2.0
Failure to make tax deposit (6656)	83.7	16.3	84.9	15.1	77.7	22.3	72.0	28.0
Failure to furnish taxpayer identification number (6723)	^a	^a	^a	^a	^a	^a	^a	^a
Daily delinquency (6652(c)(2)(A)) ^b	100.0	0	100.0	0	100.0	0	100.0	0
Miscellaneous civil-trust fund (6672) ^c	100.0	0	100.0	0	100.0	0	100.0	0
Miscellaneous civil-other (6721(e) and others) ^d	100.0	0	100.0	0	100.0	0	100.0	0
Incomplete partnership return (6698)	100.0	0	100.0	0	100.0	0	100.0	0
Failure to pay (6651(a) (2)-(3))	31.1	68.9	57.4	42.6	38.7	61.3	36.0	64.0
Bad check (6657)	82.9	17.1	99.1	0.9	99.6	0.4	99.9	0.1
Tip income (6652(b))	^a	^a	^a	^a	^a	^a	^a	^a
Fraud (6663)	100.0	0	100.0	0	100.0	0	100.0	0
Negligence (6662(c)) ^e	100.0	0	100.0	0	100.0	0	100.0	0
Percent of total penalty abatements	76.4	23.6	77.7	22.3	76.5	23.5	74.4	25.6
Percent of interest abatements	57.3	42.7	55.7	44.3	61.1	38.9	56.9	43.1

Notes: Business tax returns include corporate income tax, various employment taxes, and other types of returns on IRS' business master file.

IRS employees manually make decisions on abatements when taxpayers establish that penalty assessments are in error or they had reasonable cause for being delinquent. IRS computers automatically abate all or portions of penalty and interest assessments when IRS reduces associated tax or other penalty assessments or applies timely payments to taxpayers' accounts.

^aDoes not apply.

^bFee accumulated by certain trusts and exempt organizations for failure to file in a timely manner.

^cTrust fund penalties are assessed against responsible individuals of a business when they fail to pay IRS the taxes they withheld from employees' earnings.

^dFrom fiscal year 1995 through 1998, abatements of penalties for intentional disregard of the information return filing requirements (section 6721(e)) accounted for an average of 86 percent of abatement amounts for other miscellaneous civil penalty abatements. The remaining abatement amounts, averaging 14 percent, were spread over numerous types of other miscellaneous civil penalties.

^eNegligence includes any failure to make a reasonable attempt to comply with the provisions of the Code.

Source: GAO compilation of IRS data.

Appendix IV
Abatements of Penalty and Interest Assessments on Individual and Business Tax Returns

Table IV.32: Number and Percent of Penalty and Interest Abatements by Fiscal Year of Abatement—Corporate Income Tax Returns

Penalty (IRC section)	Fiscal year of abatement									
	1995		1996		1997		1998		Average	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Failure to file (6651(a)(1))	22,428	16.4	23,807	16.9	25,350	18.5	22,599	16.4	23,546	17.0
Estimated tax (6654 and 6655)	20,316	14.9	21,438	15.2	21,715	15.8	22,684	16.4	21,538	15.6
Failure to make tax deposit (6656)	a	a	a	a	a	a	a	a	a	a
Failure to furnish taxpayer identification number (6723)	a	a	a	a	a	a	a	a	a	a
Daily delinquency (6652(c)(2)(A)) ^b	a	a	a	a	a	a	a	a	a	a
Miscellaneous civil-trust fund (6672) ^c	a	a	a	a	a	a	a	a	a	a
Miscellaneous civil-other (6721(e) and others) ^d	142	0.1	186	0.1	229	0.2	204	0.1	190	0.1
Incomplete partnership return (6698)	a	a	a	a	a	a	a	a	a	a
Failure to pay (6651(a) (2)-(3))	93,552	68.5	95,213	67.6	89,670	65.4	92,345	66.8	92,695	67.1
Bad check (6657)	105	0.1	101	0.1	142	0.1	286	0.2	159	0.1
Tip income (6652(b))	a	a	a	a	a	a	a	a	a	a
Fraud (6663)	30	e	24	e	29	e	16	e	25	e
Negligence (6662(c)) ^f	70	0.1	41	e	48	e	26	e	46	e
Total penalty abatements	136,643	100.0	140,810	100.0	137,183	100.0	138,160	100.0	138,199	100.0
Interest abatements	117,415	100.0	120,185	100.0	118,260	100.0	122,757	100.0	119,654	100.0
Total	254,058	100.0	260,995	100.0	255,443	100.0	260,917	100.0	257,853	100.0

Note: Corporate returns include all Form 1120, Federal Corporate Income Tax returns.

^aDoes not apply.

^bFee accumulated by certain trusts and exempt organizations for failure to file in a timely manner.

^cTrust fund penalties are assessed against responsible individuals of a business when they fail to pay IRS the taxes they withheld from employees' earnings.

^dBecause miscellaneous civil penalties account for less than 3 percent of all business penalties, we did not develop information on specific penalties below the level of all businesses.

^eLess than one-tenth of 1 percent.

^fNegligence includes any failure to make a reasonable attempt to comply with the provisions of the Code.

Source: GAO compilation of IRS data.

Appendix IV
Abatements of Penalty and Interest Assessments on Individual and Business Tax Returns

Table IV.33: Amount and Percent of Penalty and Interest Abatements by Fiscal Year of Abatement—Corporate Income Tax Returns

Dollars in Millions	Fiscal year of abatement									
	1995		1996		1997		1998		Average	
Penalty (IRC section)	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Failure to file (6651(a)(1))	\$202	53.3	\$434	49.2	\$150	43.9	\$190	39.8	\$244	47.0
Estimated tax (6654 and 6655)	71	18.7	113	12.9	95	27.8	171	35.8	112	21.6
Failure to make tax deposit (6656)	a	a	a	a	a	a	a	a	a	a
Failure to furnish taxpayer identification number (6723)	a	a	a	a	a	a	a	a	a	a
Daily delinquency (6652(c)(2)(A)) ^b	a	a	a	a	a	a	a	a	a	a
Miscellaneous civil-trust fund (6672) ^c	a	a	a	a	a	a	a	a	a	a
Miscellaneous civil-other (6721(e) and others) ^d	2	0.5	2	0.2	3	0.8	2	0.5	2	0.4
Incomplete partnership return (6698)	a	a	a	a	a	a	a	a	a	a
Failure to pay (6651(a) (2)-(3))	100	26.5	331	37.5	80	23.5	84	17.6	149	28.7
Bad check (6657)	e	0.1	e	f	e	0.1	1	0.3	e	0.1
Tip income (6652(b))	a	a	a	a	a	a	a	a	a	a
Fraud (6663)	2	0.6	1	0.1	2	0.5	1	0.1	1	0.3
Negligence (6662(c)) ^g	1	0.3	1	0.1	11	3.4	28	5.9	10	2.0
Total penalty abatements	\$379	100.0	\$881	100.0	\$342	100.0	\$477	100.0	\$520	100.0
Interest abatements	\$1,243	100.0	\$1,883	100.0	\$1,299	100.0	\$912	100.0	\$1,334	100.0
Total	\$1,622	100.0	\$2,765	100.0	\$1,641	100.0	\$1,389	100.0	\$1,854	100.0

Notes: Corporate returns include all Form 1120, Federal Corporate Income Tax returns.

Amounts may not sum to totals because of rounding.

^aDoes not apply.

^bFee accumulated by certain trusts and exempt organizations for failure to file in a timely manner.

^cTrust fund penalties are assessed against responsible individuals of a business when they fail to pay IRS the taxes they withheld from employees' earnings.

^dBecause miscellaneous civil penalties account for less than 3 percent of all business penalties we did not develop information on specific penalties below the level of all businesses.

^eLess than \$1 million.

^fLess than one-tenth of 1 percent.

^gNegligence includes any failure to make a reasonable attempt to comply with the provisions of the Code.

Source: GAO compilation of IRS data.

Appendix IV
Abatements of Penalty and Interest Assessments on Individual and Business Tax Returns

Penalty (IRC section)	Table IV.34: Number and Percent of Penalty and Interest Abatements by Fiscal Year of Abatements—Employment Tax Returns									
	Dollars in Millions									
	Fiscal year of abatement									
	1995		1996		1997		1998		Average	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Failure to file (6651(a)(1))	266,206	13.9	241,556	13.3	228,085	13.0	229,001	12.8	241,212	13.3
Estimated tax (6654 and 6655)	a	a	a	a	a	a	a	a	a	a
Failure to make tax deposit (6656)	824,772	43.2	779,226	42.8	745,366	42.4	716,595	40.1	766,490	42.1
Failure to furnish taxpayer identification number (6723)	a	a	a	a	a	a	a	a	a	a
Daily delinquency (6652(c)(2)(A)) ^b	a	a	a	a	a	a	a	a	a	a
Miscellaneous civil-trust fund (6672) ^c	a	a	a	a	a	a	a	a	a	a
Miscellaneous civil-other (6721(e) and others) ^d	705	e	665	e	677	e	523	e	643	e
Incomplete partnership return (6698)	a	a	a	a	a	a	a	a	a	a
Failure to pay (6651(a)(2)-(3))	816,661	42.8	798,850	43.8	782,587	44.5	833,261	46.6	807,840	44.4
Bad check (6657)	1,568	0.1	1,469	0.1	2,228	0.1	7,404	0.4	3,167	0.2
Tip income (6652(b))	a	a	a	a	a	a	a	a	a	a
Fraud (6663)	67	e	41	e	140	e	42	e	73	e
Negligence (6662(c)) ^f	273	e	253	e	255	e	130	e	228	e
Total penalty abatements	1,910,252	100.0	1,822,060	100.0	1,759,338	100.0	1,786,956	100.0	1,819,652	100.0
Interest abatements	1,084,668	100.0	1,060,487	100.0	1,033,848	100.0	1,060,169	100.0	1,059,793	100.0
Total	2,994,920	100.0	2,882,547	100.0	2,793,186	100.0	2,847,125	100.0	2,879,445	100.0

Notes: Employment tax returns include Form 940, Employer's Annual Federal Unemployment Tax Return; Form 941, Employer's Quarterly Federal Tax Return; Form 942, Employer's Quarterly Federal Return for Household Employees (for tax periods prior to the requirement that these taxes be reported on Schedule H of the employer's Form 1040); and Form 943, Employer's Annual Tax Return for Agriculture Employees.

^aDoes not apply.

^bFee accumulated by certain trusts and exempt organizations for failure to file in a timely manner.

^cTrust fund penalties are assessed against responsible individuals of a business when they fail to pay IRS the taxes they withheld from employees' earnings.

^dBecause miscellaneous civil penalties account for less than 3 percent of all business penalties, we did not develop information on specific penalties below the level of all businesses.

^eLess than one-tenth of 1 percent.

^fNegligence includes any failure to make a reasonable attempt to comply with the provisions of the Code.

Source: GAO compilation of IRS data.

Appendix IV
Abatements of Penalty and Interest Assessments on Individual and Business Tax Returns

Table IV.35: Amount and Percent of Penalty and Interest Abatements by Fiscal Year of Abatement—Employment Tax Returns

Dollars in Millions	Fiscal year of abatement									
	1995		1996		1997		1998		Average	
Penalty (IRC section)	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Failure to file (6651(a)(1))	\$134	7.6	\$156	6.5	\$243	10.7	117	8.3	\$162	8.3
Estimated tax (6654 and 6655)	a	a	a	a	a	a	a	a	a	a
Failure to make tax deposit (6656)	1,580	89.2	2,148	90.2	1,885	83.2	1,194	84.7	1,702	87.0
Failure to furnish taxpayer identification number (6723)	a	a	a	a	a	a	a	a	a	a
Daily delinquency (6652(c)(2)(A)) ^b	a	a	a	a	a	a	a	a	a	a
Miscellaneous civil-trust fund (6672) ^c	a	a	a	a	a	a	a	a	a	a
Miscellaneous civil-other (6721(e) and others) ^d	1	0.1	5	0.2	2	0.1	2	0.2	3	0.1
Incomplete partnership return (6698)	a	a	a	a	a	a	a	a	a	a
Failure to pay (6651(a) (2)-(3))	54	3.1	70	3.0	132	5.8	92	6.5	87	4.5
Bad check (6657)	e	f	e	f	1	f	5	0.3	2	0.1
Tip income (6652(b))	a	a	a	a	a	a	a	a	a	a
Fraud (6663)	e	f	e	f	1	f	e	f	e	f
Negligence (6662(c)) ^g	e	f	1	0.1	1	f	e	f	1	f
Total penalty abatements	\$1,770	100.0	\$2,381	100.0	\$2,264	100.0	\$1,410	100.0	\$1,956	100.0
Interest abatements	\$219	100.0	\$298	100.0	\$436	100.0	\$239	100.0	\$298	100.0
Total	\$1,989	100.0	\$2,679	100.0	\$2,701	100.0	\$1,649	100.0	\$2,254	100.0

Notes: Employment tax returns include Form 940, Employer's Annual Federal Unemployment Tax Return; Form 941, Employer's Quarterly Federal Tax Return; Form 942, Employer's Quarterly Federal Return for Household Employees (for tax periods prior to the requirement that these taxes be reported on Schedule H of the employer's Form 1040); and Form 943, Employer's Annual Tax Return for Agriculture Employees.

Amounts may not sum to totals because of rounding.

^aDoes not apply.

^bFee accumulated by certain trusts and exempt organizations for failure to file in a timely manner.

^cTrust fund penalties are assessed against responsible individuals of a business when they fail to pay IRS the taxes they withheld from employees' earnings.

^dBecause miscellaneous civil penalties account for less than 3 percent of all business penalties we did not develop information on specific penalties below the level of all businesses.

^eLess than \$1 million.

^fLess than one-tenth of 1 percent.

^gNegligence includes any failure to make a reasonable attempt to comply with the provisions of the Code.

Source: GAO compilation of IRS data.

Appendix IV
Abatements of Penalty and Interest Assessments on Individual and Business Tax Returns

Table IV.36: Number and Percent of Penalty and Interest Abatements by Fiscal Year of Abatement—Other Business Tax Returns

Penalty (IRC section)	Fiscal year of abatement									
	1995		1996		1997		1998		Average	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Failure to file (6651(a)(1))	99,685	25.9	110,456	20.9	138,393	29.7	123,857	30.4	118,098	26.4
Estimated tax (6654 and 6655)	6,421	1.7	7,667	1.5	10,277	2.2	14,046	3.5	9,603	2.2
Failure to make tax deposit (6656)	41,822	10.9	30,121	5.7	28,329	6.1	23,779	5.8	31,013	6.9
Failure to furnish taxpayer identification number (6723)	a	a	a	a	a	a	a	a	a	a
Daily delinquency (6652(c)(2)(A)) ^b	39,644	10.3	39,829	7.5	38,905	8.3	58,106	14.3	a	9.9
Miscellaneous civil-trust fund (6672) ^c	a	a	a	a	a	a	a	a	a	a
Miscellaneous civil-other (6721(e) and others) ^d	62,971	16.4	61,564	11.6	42,568	9.1	47,300	11.6	53,601	12.0
Incomplete partnership return (6698)	4,661	1.2	3,321	0.6	3,077	0.7	2,339	0.6	3,350	0.7
Failure to pay (6651(a) (2)-(3))	128,532	33.4	275,036	52.0	204,199	43.8	136,576	33.6	186,086	41.7
Bad check (6657)	364	0.1	407	0.1	509	0.1	975	0.2	564	0.1
Tip income (6652(b))	a	a	a	a	a	a	a	a	a	a
Fraud (6663)	129	e	194	e	48	e	30	e	100	e
Negligence (6662(c)) ^f	142	e	159	e	66	e	54	e	105	e
Total penalty abatements	384,371	100.0	528,754	100.0	466,371	100.0	407,062	100.0	446,640	100.0
Interest abatements	174,467	100.0	318,359	100.0	251,850	100.0	182,128	100.0	231,701	100.0
Total	558,838	100.0	847,113	100.0	718,221	100.0	589,190	100.0	678,341	100.0

Note: Other business tax returns include numerous types of returns, such as, estate, gift, partnerships, and fiduciaries, and returns used by taxpayers to report withholdings from revenues paid to nonemployees.

^aDoes not apply.

^bFee accumulated by certain trusts and exempt organizations for failure to file in a timely manner.

^cTrust fund penalties are assessed against responsible individuals of a business when they fail to pay IRS the taxes they withheld from employees' earnings.

^dBecause miscellaneous civil penalties account for less than 3 percent of all business penalties we did not develop information on specific penalties below the level of all businesses.

^eLess than one-tenth of 1 percent.

^fNegligence includes any failure to make a reasonable attempt to comply with the provisions of the Code.

Source: GAO compilation of IRS data.

Appendix IV
Abatements of Penalty and Interest Assessments on Individual and Business Tax Returns

Table IV.37: Amount and Percent of Penalty and Interest Abatements by Fiscal Year of Abatement—Other Business Tax Returns
Dollars in Millions

Penalty (IRC section)	Fiscal year of abatement									
	1995		1996		1997		1998		Average	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Failure to file (6651(a)(1))	\$270	20.4	\$324	22.8	\$584	36.9	\$468	34.0	\$411	28.9
Estimated tax (6654 and 6655)	5	0.4	9	0.6	9	0.5	14	1.0	9	0.6
Failure to make tax deposit (6656)	251	19.0	345	24.3	297	18.8	149	10.8	260	18.3
Failure to furnish taxpayer identification number (6723)	a	a	a	a	a	a	a	a	a	a
Daily delinquency (6652(c)(2)(A)) ^b	55	4.2	58	4.1	55	3.5	110	8.0	70	4.9
Miscellaneous civil-trust fund (6672) ^c	a	a	a	a	a	a	a	a	a	a
Miscellaneous civil-other (6721(e) and others) ^d	563	42.6	546	38.5	540	34.1	536	39.0	546	38.4
Incomplete partnership return (6698)	125	9.5	67	4.7	22	1.4	7	0.5	55	3.9
Failure to pay (6651(a)(2)-(3))	50	3.8	66	4.7	73	4.6	88	6.4	70	4.9
Bad check (6657)	e	f	e	f	e	f	1	0.1	1	f
Tip income (6652(b))	a	a	a	a	a	a	a	a	a	a
Fraud (6663)	2	0.2	2	0.2	e	f	1	f	1	0.1
Negligence (6662(c)) ^g	e	f	1	0.1	1	f	1	0.1	1	0.1
Total penalty abatements	\$1,322	100.0	\$1,417	100.0	\$1,582	100.0	\$1,374	100.0	\$1,424	100.0
Interest abatements	\$258	100.0	193	100.0	237	100.0	230	100.0	230	100.0
Total	\$1,580	100.0	\$1,610	100.0	\$1,819	100.0	\$1,605	100.0	\$1,653	100.0

Notes: Other business tax returns include numerous types of returns, such as, estate, gift, partnerships, and fiduciaries, and returns used by taxpayers to report withholdings from revenues paid to nonemployees.

Amounts may not sum to totals because of rounding.

^aDoes not apply.

^bFee accumulated by certain trusts and exempt organizations for failure to file in a timely manner.

^cTrust fund penalties are assessed against responsible individuals of a business when they fail to pay IRS the taxes they withheld from employees' earnings.

^dBecause miscellaneous civil penalties account for less than 3 percent of all business penalties we did not develop information on specific penalties below the level of all businesses.

^eLess than \$1 million.

^fLess than one-tenth of 1 percent.

^gNegligence includes any failure to make a reasonable attempt to comply with the provisions of the Code.

Source: GAO compilation of IRS data.

Appendix IV
Abatements of Penalty and Interest Assessments on Individual and Business Tax Returns

Table IV.38: Number and Amount of Penalty Abatements by Asset Size and Fiscal Year of Abatement—Corporate Income Tax Returns

Dollars in Millions Asset size reported on balance sheet	Fiscal year of abatement								Total	
	1995		1996		1997		1998		Number	Amount
	Number	Amount	Number	Amount	Number	Amount	Number	Amount		
Small corporation										
No balance sheet ^a	6,263	\$49	6,916	\$22	7,970	\$35	7,793	\$133	28,942	\$239
Assets < \$250,000	64,215	10	66,090	11	64,842	13	65,472	14	260,619	48
\$250,000 < \$1 million	32,973	11	33,266	14	31,566	14	32,021	15	129,826	54
\$1 million < \$5 million	17,865	15	19,287	19	17,991	23	17,948	24	73,091	81
\$5 million < \$10 million	3,231	8	3,459	10	3,379	14	3,558	13	13,627	45
Subtotal	124,547	\$92	129,018	\$76	125,748	\$99	126,792	\$199	506,105	\$467
Large corporation										
\$10 million < \$50 million	3,897	29	4,130	33	4,043	50	3,962	37	16,032	149
\$50 million < \$100 million	962	32	1,133	32	1,018	17	975	22	4,088	104
\$100 million < \$250 million	927	54	980	67	877	39	868	29	3,652	189
\$250 million or more	1,032	153	1,097	665	1,133	132	1,097	185	4,359	1,134
Subtotal	6,818	\$269	7,340	\$796	7,071	\$238	6,902	\$273	28,131	1,577
Asset size not available ^b	5,278	18	4,452	9	4,364	5	4,466	5	18,560	36
Total penalty abatements	136,643	\$379	140,810	\$881	137,183	\$342	138,160	\$477	552,796	\$2,079

Notes: Corporate returns include all Form 1120, Federal Corporate Income Tax returns.

We could not provide the asset size for businesses on noncorporate returns because the information is only available for corporate income tax returns.

Totals are based on abatements, not returns.

Amounts may not sum to totals because of rounding.

^aTaxpayer did not provide, or it is missing.

^bAsset size was not available on returns transferred from IRS' historical files or non-master file and on special types of assessments.

Source: GAO compilation of IRS data.

Appendix IV
Abatements of Penalty and Interest Assessments on Individual and Business Tax Returns

Table IV.39: Number and Amount of Interest Abatements by Asset Size and Fiscal Year of Abatement—Corporate Income Tax Returns

Dollars in Millions Asset size reported on balance sheet	Fiscal year of abatement								Total	
	1995		1996		1997		1998		Number	Amount
	Number	Amount	Number	Amount	Number	Amount	Number	Amount		
Small corporation										
No balance sheet ^a	4,646	\$33	4,949	\$25	5,469	\$52	5,751	\$80	20,815	\$190
Assets < \$250,000	54,502	5	56,326	5	56,416	12	58,601	7	225,845	30
\$250,000 < \$1 million	27,116	6	27,746	12	26,674	8	27,762	7	109,298	32
\$1 million < \$5 million	14,892	9	16,061	9	14,836	11	15,523	12	61,312	41
\$5 million < \$10 million	2,961	4	2,891	4	2,882	7	3,011	6	11,745	22
Subtotal	104,117	\$56	107,973	\$56	106,277	\$90	110,648	\$113	429,015	\$316
Large corporation										
\$10 million < \$50 million	3,473	32	3,538	28	3,477	40	3,521	22	14,009	122
\$50 million < \$100 million	938	35	958	24	979	26	890	18	3,765	103
\$100 million < \$250 million	1,004	73	991	50	928	43	989	29	3,912	196
\$250 million or more	2,124	981	2,240	1,678	2,179	1,007	2,250	714	8,793	4,380
Subtotal	7,539	\$1,120	7,727	\$1,781	7,563	\$1,116	7,650	\$783	30,479	\$4,800
Asset size not available ^b	5,759	\$67	4,485	\$47	4,420	\$93	4,459	\$16	19,123	\$223
Total interest abatements	117,415	\$1,243	120,185	\$1,883	118,260	\$1,299	122,757	\$912	478,617	\$5,338

Notes: Corporate returns include all Form 1120, Federal Corporate Income Tax returns.

We could not provide the asset size for businesses on noncorporate returns because the information is only available for corporate income tax returns

Totals are based on abatements, not returns.

Amounts may not sum to totals because of rounding.

^aTaxpayer did not provide, or it is missing.

^bAsset size was not available on returns transferred from IRS' historical files or non-master file and on special types of assessments.

Source: GAO compilation of IRS data.

Appendix IV
Abatements of Penalty and Interest Assessments on Individual and Business Tax Returns

Table IV.40: Number of Penalty Abatements by Tax Year and Fiscal Year of Abatement—Business Tax Returns

Tax year of return	Fiscal year of abatement				Total
	1995	1996	1997	1998	
Before 1980 ^a	6,384	7,547	8,774	10,139	32,844
1980-84	5,397	3,135	2,039	1,021	11,592
1985-89	57,159	35,033	24,780	17,136	134,108
1990	34,437	16,959	10,295	6,621	68,312
1991	138,603	38,230	19,066	10,607	206,506
1992	135,813	117,874	34,265	16,335	304,287
1993	317,009	141,823	109,188	32,015	600,035
1994	1,482,759	365,451	132,619	82,529	2,063,358
1995	253,705	1,485,025	353,335	125,218	2,217,283
1996	^b	280,547	1,394,962	374,352	2,049,861
1997	^b	^b	273,569	1,319,677	1,593,246
1998	^b	^b	^b	336,528	336,528
Total penalty abatements	2,431,266	2,491,624	2,362,892	2,332,178	9,617,960

Notes: Business tax returns include corporate income tax, various employment taxes, and other types of returns on IRS' business master file.

Totals are based on abatements, not returns.

^aEarliest tax year was 1962.

^bDoes not apply.

Source: GAO compilation of IRS data.

Table IV.41: Amount of Penalty Abatements by Tax Year and Fiscal Year of Abatement—Business Tax Returns

Tax year of return	Fiscal year of abatement				Total
	1995	1996	1997	1998	
Before 1980 ^a	\$56	\$87	\$90	\$114	\$347
1980-84	14	10	5	23	52
1985-89	80	51	60	30	221
1990	96	425	38	12	571
1991	597	193	26	16	832
1992	227	575	82	24	908
1993	519	206	581	95	1,400
1994	1,063	594	253	461	2,371
1995	820	2,160	1,012	241	4,232
1996	^b	380	1,944	976	3,300
1997	^b	^b	96	851	948
1998	^b	^b	^b	499	499
Total penalty abatements	\$3,471	\$4,680	\$4,188	\$3,343	\$15,682

Notes: Business tax returns include corporate income tax, various employment taxes, and other types of returns on IRS' business master file.

Totals are based on abatements, not returns.

Amounts may not sum to totals because of rounding.

^aEarliest tax year was 1962.

^bDoes not apply.

Source: GAO compilation of IRS data.

Appendix IV
Abatements of Penalty and Interest Assessments on Individual and Business Tax Returns

Table IV.42: Number of Interest Abatements by Tax Year and Fiscal Year of Abatements—Business Tax Returns

Tax year of return	Fiscal year of abatement				Total
	1995	1996	1997	1998	
Before 1980 ^a	8,014	8,283	9,000	9,802	35,099
1980-84	3,892	2,277	1,587	898	8,654
1985-89	35,850	22,590	16,308	11,490	86,238
1990	22,991	11,567	7,150	4,988	46,696
1991	90,253	23,490	11,398	6,672	131,813
1992	84,576	69,478	19,824	9,427	183,305
1993	155,212	92,484	65,640	18,685	332,021
1994	842,380	189,132	73,258	35,761	1,140,531
1995	133,382	917,238	173,148	70,141	1,293,909
1996	^b	162,492	856,939	180,485	1,199,916
1997	^b	^b	169,706	824,356	994,062
1998	^b	^b	^b	192,349	192,349
Total interest abatements	1,376,550	1,499,031	1,403,958	1,365,054	5,644,593

Notes: Business tax returns include corporate income tax, various employment taxes, and other types of returns on IRS' business master file.

Totals are based on abatements, not returns.

^aEarliest tax year was 1961.

^bDoes not apply.

Source: GAO compilation of IRS data.

Table IV.43: Amount of Interest Abatements by Tax Year and Fiscal Year of Abatement—Business Tax Returns

Tax year of return	Fiscal year of abatement				Total
	1995	1996	1997	1998	
Before 1980 ^a	\$274	\$260	\$398	\$166	\$1,097
1980-84	418	321	323	219	1,282
1985-89	362	665	449	337	1,813
1990	268	297	111	82	757
1991	170	297	66	63	596
1992	48	264	80	52	444
1993	95	55	194	65	409
1994	76	111	73	68	327
1995	9	97	140	65	311
1996	^b	9	131	145	284
1997	^b	^b	8	111	118
1998	^b	^b	^b	9	9
Total interest abatements	\$1,720	\$2,375	\$1,972	\$1,381	\$7,448

Notes: Business tax returns include corporate income tax, various employment taxes, and other types of returns on IRS' business master file.

Totals are based on abatements, not returns.

Amounts may not sum to totals because of rounding.

^aEarliest tax year was 1961.

^bDoes not apply.

Source: GAO compilation of IRS data.

Appendix IV
Abatements of Penalty and Interest Assessments on Individual and Business Tax Returns

Table IV.44: Number of Penalty Abatements by Tax Year and Fiscal Year of Abatement—Corporate Income Tax Returns

Tax year of return	Fiscal year of abatement				Total
	1995	1996	1997	1998	
Before 1980 ^a	94	43	38	25	200
1980-84	336	235	151	78	800
1985-89	2,717	1,627	1,005	579	5,928
1990	1,904	1,012	614	376	3,906
1991	3,600	1,743	917	539	6,799
1992	7,520	3,563	1,787	842	13,712
1993	33,035	7,823	3,798	1,745	46,401
1994	81,106	54,100	10,047	4,172	149,425
1995	6,331	64,053	42,465	9,456	122,305
1996	^b	6,611	70,253	44,016	120,880
1997	^b	^b	6,108	69,458	75,566
1998	^b	^b	^b	6,874	6,874
Total penalty abatements	136,643	140,810	137,183	138,160	552,796

Notes: Corporate returns include all Form 1120, Federal Corporate Income Tax returns.

Totals are based on abatements, not returns.

^aEarliest tax year was 1964.

^bDoes not apply.

Source: GAO compilation of IRS data.

Table IV.45: Amount of Penalty Abatements by Tax Year and Fiscal Year of Abatement—Corporate Income Tax Returns

Tax year of return	Fiscal year of abatement				Total
	1995	1996	1997	1998	
Before 1980 ^a	\$3	\$1	^b	^b	\$4
1980-84	9	7	3	22	41
1985-89	18	18	29	14	79
1990	46	403	25	5	479
1991	131	113	5	3	252
1992	33	112	8	3	154
1993	90	12	7	5	113
1994	48	171	21	8	248
1995	1	45	160	30	237
1996	^c	1	82	291	374
1997	^c	^c	1	94	95
1998	^c	^c	^c	2	2
Total penalty abatements	\$379	\$881	\$342	\$477	\$2,079

Notes: Corporate returns include all Form 1120, Federal Corporate Income Tax returns.

Totals are based on abatements, not returns.

Amounts may not sum to totals because of rounding.

^aEarliest tax year was 1964.

^bLess than \$1 million.

^cDoes not apply.

Source: GAO compilation of IRS data.

Appendix IV
Abatements of Penalty and Interest Assessments on Individual and Business Tax Returns

Table IV.46: Number of Interest Abatements by Tax Year and Fiscal Year of Abatement—Corporate Income Tax Returns

Tax year of return	Fiscal year of abatement				Total
	1995	1996	1997	1998	
Before 1980 ^a	308	237	209	59	813
1980-84	737	598	397	257	1,989
1985-89	3,743	2,425	1,596	1,145	8,909
1990	2,914	1,389	869	585	5,757
1991	4,782	2,404	1,258	784	9,228
1992	7,865	4,751	2,585	1,280	16,481
1993	26,365	8,090	5,038	2,548	42,041
1994	65,585	43,957	10,443	5,749	125,734
1995	5,116	50,952	33,878	9,754	99,700
1996	^b	5,382	56,880	36,464	98,726
1997	^b	^b	5,107	58,237	63,344
1998	^b	^b	^b	5,895	5,895
Total interest abatements	117,415	120,185	118,260	122,757	478,617

Notes: Corporate returns include all Form 1120, Federal Corporate Income Tax returns.

Totals are based on abatements, not returns.

^aEarliest tax year was 1961.

^bDoes not apply.

Source: GAO compilation of IRS data.

Table IV.47: Amount of Interest Abatements by Tax Year and Fiscal Year of Abatement—Corporate Income Tax Returns

Tax year of return	Fiscal year of abatement				Total
	1995	1996	1997	1998	
Before 1980 ^a	\$176	\$163	\$262	\$40	\$641
1980-84	351	312	315	214	1,191
1985-89	318	611	415	310	1,654
1990	247	283	98	73	702
1991	84	268	50	52	454
1992	24	158	39	41	263
1993	27	11	17	38	93
1994	16	65	21	23	125
1995	^b	13	57	25	95
1996	^c	^b	24	77	102
1997	^c	^c	^b	18	18
1998	^c	^c	^c	1	1
Total interest abatements	\$1,243	\$1,883	\$1,299	\$912	\$5,338

Notes: Corporate returns include all Form 1120, Federal Corporate Income Tax returns.

Totals are based on abatements, not returns.

Amounts may not sum to totals because of rounding.

^aEarliest tax year was 1961.

^bLess than \$1 million.

^cDoes not apply.

Source: GAO compilation of IRS data.

Appendix IV

Abatements of Penalty and Interest Assessments on Individual and Business Tax Returns

Table IV.48: Number of Penalty Abatements by Tax Year and Fiscal Year of Abatement—Employment Tax Returns

Tax year of return	Fiscal year of abatement				Total
	1995	1996	1997	1998	
Before 1980 ^a	214	86	193	94	587
1980-84	3,899	2,117	1,550	731	8,297
1985-89	43,913	26,057	19,346	13,354	102,670
1990	25,635	12,453	7,621	5,008	50,717
1991	90,141	28,678	14,308	8,123	141,250
1992	96,289	72,760	25,060	12,128	206,237
1993	191,883	100,003	70,249	22,886	385,021
1994	1,215,070	196,633	85,261	40,995	1,537,959
1995	243,208	1,116,212	184,975	83,076	1,627,471
1996	^b	267,061	1,092,954	198,627	1,558,642
1997	^b	^b	257,821	1,081,064	1,338,885
1998	^b	^b	^b	320,870	320,870
Total penalty abatements	1,910,252	1,822,060	1,759,338	1,786,956	7,278,606

Notes: Employment tax returns include Form 940, Employer's Annual Federal Unemployment Tax Return; Form 941, Employer's Quarterly Federal Tax Return; Form 942, Employer's Quarterly Federal Return for Household Employees (for tax periods prior to the requirement that these taxes be reported on Schedule H of the employer's Form 1040); and Form 943, Employer's Annual Tax Return for Agriculture Employees.

Totals are based on abatements, not returns.

^aEarliest tax year was 1962.

^bDoes not apply.

Source: GAO compilation of IRS data.

Appendix IV
Abatements of Penalty and Interest Assessments on Individual and Business Tax Returns

Table IV.49: Amount of Penalty Abatements by Tax Year and Fiscal Year of Abatement—Employment Tax Returns

Dollars in Millions Tax year of return	Fiscal year of abatement				Total
	1995	1996	1997	1998	
Before 1980 ^a	\$2	^b	^b	^b	\$2
1980-84	2	\$2	\$1	^b	4
1985-89	34	18	10	\$7	69
1990	12	8	5	3	27
1991	55	21	10	6	93
1992	52	75	26	8	161
1993	160	63	135	20	378
1994	637	195	84	45	961
1995	816	1,623	355	89	2,883
1996	^c	376	1,545	270	2,191
1997	^c	^c	94	547	641
1998	^c	^c	^c	496	496
Total penalty abatements	\$1,770	\$2,381	\$2,264	\$1,491	\$7,907

Notes: Employment tax returns include Form 940, Employer's Annual Federal Unemployment Tax Return; Form 941, Employer's Quarterly Federal Tax Return; Form 942, Employer's Quarterly Federal Return for Household Employees (for tax periods prior to the requirement that these taxes be reported on Schedule H of the employer's Form 1040); and Form 943, Employer's Annual Tax Return for Agriculture Employees.

Totals are based on abatements, not returns.

Amounts may not sum to totals because of rounding.

^aEarliest tax year was 1962.

^bLess than \$1 million.

^cDoes not apply.

Source: GAO compilation of IRS data.

Appendix IV
Abatements of Penalty and Interest Assessments on Individual and Business Tax Returns

Table IV.50: Number of Interest Abatements by Tax Year and Fiscal Year of Abatement—Employment Tax Returns

Tax year of return	Fiscal year of abatement				Total
	1995	1996	1997	1998	
Before 1980 ^a	152	50	85	53	340
1980-84	2,316	1,164	930	486	4,896
1985-89	26,774	16,295	12,349	8,417	63,835
1990	17,219	8,419	5,250	3,780	34,668
1991	78,054	17,912	8,391	4,971	109,328
1992	68,501	57,361	14,501	6,686	147,049
1993	101,704	75,200	53,813	13,370	244,087
1994	665,634	109,771	53,040	24,085	852,530
1995	124,314	623,729	102,614	50,854	901,511
1996	^b	150,586	627,866	106,504	884,956
1997	^b	^b	155,009	663,091	818,100
1998	^b	^b	^b	177,872	177,872
Total interest abatements	1,084,668	1,060,487	1,033,848	1,060,169	4,239,172

Notes: Employment tax returns include Form 940, Employer's Annual Federal Unemployment Tax Return; Form 941, Employer's Quarterly Federal Tax Return; Form 942, Employer's Quarterly Federal Return for Household Employees (for tax periods prior to the requirement that these taxes be reported on Schedule H of the employer's Form 1040); and Form 943, Employer's Annual Tax Return for Agriculture Employees.

Totals are based on abatements, not returns.

^aEarliest tax year was 1962.

^bDoes not apply.

Source: GAO compilation of IRS data.

Appendix IV
Abatements of Penalty and Interest Assessments on Individual and Business Tax Returns

Table IV.51: Amount of Interest Abatements by Tax Year and Fiscal Year of Abatement—Employment Tax Returns

Dollars in millions Tax year of return	Fiscal year of abatement				Total
	1995	1996	1997	1998	
Before 1980 ^a	^b	^b	^b	^b	\$1
1980-84	\$3	\$4	\$3	\$2	11
1985-89	31	36	23	16	106
1990	17	9	10	5	42
1991	81	27	10	8	126
1992	19	99	34	9	162
1993	24	40	171	20	255
1994	34	25	39	38	136
1995	8	49	59	29	146
1996	^c	8	80	35	123
1997	^c	^c	7	69	76
1998	^c	^c	^c	8	8
Total interest abatements	\$219	\$298	\$436	\$239	\$1,192

Notes: Employment tax returns include Form 940, Employer's Annual Federal Unemployment Tax Return; Form 941, Employer's Quarterly Federal Tax Return; Form 942, Employer's Quarterly Federal Return for Household Employees (for tax periods prior to the requirement that these taxes be reported on Schedule H of the employer's Form 1040); and Form 943, Employer's Annual Tax Return for Agriculture Employees.

Totals are based on abatements, not returns.

Amounts may not sum to totals because of rounding.

^aEarliest tax year was 1962.

^bLess than \$1 million.

^cDoes not apply.

Source: GAO compilation of IRS data.

Appendix IV
Abatements of Penalty and Interest Assessments on Individual and Business Tax Returns

Table IV.52: Number of Penalty Abatements by Tax Year and Fiscal Year of Abatement—Other Business Tax Returns

Tax year of return	Fiscal year of abatement				Total
	1995	1996	1997	1998	
Before 1980 ^a	6,076	7,418	8,543	10,020	32,057
1980-84	1,162	783	338	212	2,495
1985-89	10,529	7,349	4,429	3,203	25,510
1990	6,898	3,494	2,060	1,237	13,689
1991	44,862	7,809	3,841	1,945	58,457
1992	32,004	41,551	7,418	3,365	84,338
1993	92,091	33,997	35,141	7,384	168,613
1994	186,583	114,718	37,311	37,362	375,974
1995	4,166	304,760	125,895	32,686	467,507
1996	^b	6,875	231,755	131,709	370,339
1997	^b	^b	9,640	169,155	178,795
1998	^b	^b	^b	8,784	8,784
Total penalty abatements	384,371	528,754	466,371	407,062	1,786,558

Notes: Other business tax returns include numerous types of returns, such as, estate, gift, partnerships, and fiduciaries, and returns used by taxpayers to report withholdings from revenues paid to nonemployees.

Totals are based on abatements, not returns.

^aEarliest tax year was 1963.

^bDoes not apply.

Source: GAO compilation of IRS data.

Table IV.53: Amount of Penalty Abatements by Tax Year and Fiscal Year of Abatement—Other Business Tax Returns

Tax year of return	Fiscal year of abatement				Total
	1995	1996	1997	1998	
Before 1980 ^a	\$51	\$86	\$90	\$114	\$341
1980-84	4	1	1	^b	7
1985-89	28	15	21	9	73
1990	38	14	9	4	64
1991	410	58	11	7	487
1992	142	389	48	13	592
1993	270	132	439	69	909
1994	377	228	149	408	1,161
1995	2	492	497	122	1,112
1996	^c	2	317	416	735
1997	^c	^c	1	211	212
1998	^c	^c	^c	1	1
Total penalty abatements	\$1,322	\$1,417	\$1,582	\$1,374	\$5,695

Notes: Other business tax returns include numerous types of returns, such as, estate, gift, partnerships, and fiduciaries, and returns used by taxpayers to report withholdings from revenues paid to nonemployees. Totals are based on abatements, not returns.

Amounts may not sum to totals because of rounding.

^aEarliest tax year was 1963.

^bLess than \$1 million.

^cDoes not apply.

Source: GAO compilation of IRS data.

Appendix IV
Abatements of Penalty and Interest Assessments on Individual and Business Tax Returns

Table IV.54: Number of Interest Abatements by Tax Year and Fiscal Year of Abatement—Other Business Tax Returns

Tax year of return	Fiscal year of abatement				Total
	1995	1996	1997	1998	
Before 1980 ^a	7,554	7,996	8,706	9,690	33,946
1980-84	839	515	260	155	1,769
1985-89	5,333	3,870	2,363	1,928	13,494
1990	2,858	1,759	1,031	623	6,271
1991	7,417	3,174	1,749	917	13,257
1992	8,210	7,366	2,738	1,461	19,775
1993	27,143	9,194	6,789	2,767	45,893
1994	111,161	35,404	9,775	5,927	162,267
1995	3,952	242,557	36,656	9,533	292,698
1996	^b	6,524	172,193	37,517	216,234
1997	^b	^b	9,590	103,028	112,618
1998	^b	^b	^b	8,582	8,582
Total interest abatements	174,467	318,359	251,850	182,128	926,804

Notes: Other business tax returns include numerous types of returns, such as, estate, gift, partnerships, and fiduciaries, and returns used by taxpayers to report withholdings from revenues paid to nonemployees.

Totals are based on abatements, not returns.

^aEarliest tax year was 1963.

^bDoes not apply.

Source: GAO compilation of IRS data.

Table IV.55: Amount of Interest Abatements by Tax Year and Fiscal Year of Abatement—Other Business Tax Returns

Tax year of return	Fiscal year of abatement				Total
	1995	1996	1997	1998	
Before 1980 ^a	\$97	\$97	\$135	\$126	\$455
1980-84	65	5	6	3	79
1985-89	13	18	11	11	54
1990	3	4	2	4	13
1991	5	2	6	3	16
1992	4	6	6	2	19
1993	44	4	6	7	62
1994	25	21	13	7	66
1995	1	35	24	11	70
1996	^b	^c	27	33	59
1997	^b	^b	^c	23	24
1998	^b	^b	^b	1	1
Total interest abatements	\$258	\$193	\$237	\$230	\$918

Notes: Other business tax returns include numerous types of returns, such as, estate, gift, partnerships, and fiduciaries, and returns used by taxpayers to report withholdings from revenues paid to nonemployees.

Totals are based on abatements, not returns.

Amounts may not sum to totals because of rounding.

^aEarliest tax year was 1963.

^bDoes not apply.

^cLess than \$1 million.

Source: GAO compilation of IRS data.

Abatements of Tax Assessments on Individual and Business Tax Returns

Table V.1: Number and Distribution of Tax Abatements by Fiscal Year of Abatement—Individual and Business Tax Returns

Abatement type	Fiscal year of abatement								Total	
	1995		1996		1997		1998			
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Abatement of prior tax assessment—non-Examination	2,320,900	87.9	2,129,665	87.2	3,132,257	91.3	2,818,688	91.0	10,401,510	89.6
Abatement of prior tax assessment—Examination	65,928	2.5	73,305	3.0	65,556	1.9	58,847	1.9	263,636	2.3
Abatements due to net operating loss carryback	254,443	9.6	240,031	9.8	233,545	6.8	221,137	7.1	949,156	8.2
Total	2,641,271	100.0	2,443,001	100.0	3,431,358	100.0	3,098,672	100.00	11,614,302	100.0

Notes: Individual tax returns are Form 1040, Federal Individual Income Tax Returns, including those with Schedule C, sole proprietor business income and Schedule F, farm income. Business tax returns include corporate income tax, various employment taxes, and other types of returns on IRS' business master file.

Totals are based on abatements, not returns.

Columns may not sum to totals because of rounding.

Source: GAO compilation of IRS data.

Table V.2: Amount and Distribution of Tax Abatements by Fiscal Year of Abatement—Individual and Business Tax Returns

Abatement type	Fiscal year of abatement								Total	
	1995		1996		1997		1998			
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
Abatement of prior tax assessment—non-Examination	\$9,249	44.4	\$10,005	44.5	\$10,384	46.9	\$10,172	45.7	\$39,810	45.4
Abatement of prior tax assessment—Examination	3,176	15.3	3,608	16.0	3,140	14.2	3,317	14.9	13,241	15.1
Abatements due to net operating loss carryback	8,395	40.3	8,875	39.5	8,595	38.9	8,751	39.4	34,617	39.4
Total	\$20,820	100.0	\$22,489	100.0	\$22,119	100.0	\$22,240	100.0	\$87,668	100.0

Notes: Individual tax returns are Form 1040, Federal Individual Income Tax Returns, including those with Schedule C, sole proprietor business income and Schedule F, farm income. Business tax returns include corporate income tax, various employment taxes, and other types of returns on IRS' business master file.

Totals are based on abatements, not returns.

Amounts may not sum to totals because of rounding.

Source: GAO compilation of IRS data.

Appendix V
Abatements of Tax Assessments on Individual and Business Tax Returns

Tables V.3-V.5 show information on the three types of tax abatements for individual returns, business tax returns, and corporate income tax returns.

Table V.3: Number and Amount of Tax Abatements by Fiscal Year of Abatement—Individual Tax Return

Dollars in Millions	Fiscal year of abatement									
	1995		1996		1997		1998		Total	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Abatement of prior tax assessment—non-Examination	1,751,338	\$2,987	1,648,301	\$3,056	2,710,881	\$3,738	2,426,144	\$3,938	8,536,664	\$13,720
Abatement of prior tax assessment—Examination	52,146	410	53,936	464	51,624	468	45,915	435	203,621	1,777
Abatements due net operating loss carryback	102,714	995	91,837	1,178	86,030	1,060	76,500	1,095	357,081	4,327
Total	1,906,198	\$4,392	1,794,074	\$4,699	2,848,535	\$5,266	2,548,559	\$5,468	9,097,366	\$19,824

Notes: Individual tax returns are Form 1040, Federal Individual Income Tax Returns, including those with Schedule C, sole proprietor business income and Schedule F, farm income.

Totals are based on abatements, not returns.

Amounts may not sum to totals because of rounding.

Source: GAO compilation of IRS data.

Table V.4: Number and Amount of Tax Abatements by Fiscal Year of Abatement—Business Tax Returns

Dollars in Millions	Fiscal year of abatement									
	1995		1996		1997		1998		Total	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Abatement of prior tax assessment—non-Examination	569,562	\$6,262	481,364	\$6,949	421,376	\$6,646	392,544	\$6,234	1,864,846	\$26,090
Abatement of prior tax assessment—Examination	13,782	2,766	19,369	3,144	13,932	2,672	12,932	2,881	60,015	11,463
Abatements due to net operating loss carryback	151,729	7,401	148,194	7,697	147,515	7,535	144,637	7,657	592,075	30,290
Total	735,073	\$16,428	648,927	\$17,790	582,823	\$16,853	550,113	\$16,772	2,516,936	\$67,843

Notes: Business tax returns include corporate income tax, various employment taxes, and other types of returns on IRS' business master file.

Totals are based on abatements, not returns.

Amounts may not sum to totals because of rounding.

Source: GAO compilation of IRS data.

Appendix V
Abatements of Tax Assessments on Individual and Business Tax Returns

Table V.5: Number and Amount of Tax Abatements by Fiscal Year of Abatement—Corporate Income Tax Returns
Dollars in Millions

Abatement type	Fiscal year of abatement									
	1995		1996		1997		1998		Total	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Abatement of prior tax assessment—non-Examination	23,661	\$1,554	23,489	\$2,175	24,420	\$1,742	23,551	\$1,098	95,121	\$6,568
Abatement of prior tax assessment—Examination	5,025	2,205	5,661	2,716	5,785	2,252	5,566	2,539	22,037	9,713
Abatements due to net operating loss carryback	148,183	7,372	145,409	7,670	145,023	7,507	142,127	7,623	580,742	30,172
Total	176,869	\$11,131	174,559	\$12,560	175,228	\$11,501	171,244	\$11,260	697,900	\$46,452

Notes: Corporate returns include all Form 1120, Federal Corporate Income Tax returns.

Totals are based on abatements, not returns.

Amounts may not sum to totals because of rounding.

Source: GAO compilation of IRS data.

Tables V.6-V.8 show one of the three types of tax abatements by corporate asset size.

Table V.6: Number and Amount of Non-Examination Tax Abatements by Asset Size and Fiscal Year of Abatement—Corporate Income Tax Returns
Dollars in Millions

Asset size reported on balance sheet	Fiscal year of abatement									
	1995		1996		1997		1998		Total	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Small corporation										
No balance sheet ^a	1,151	\$153	1,276	\$48	1,577	\$97	1,448	\$204	5,452	\$503
Assets < \$250,000	9,851	27	10,205	26	10,574	33	10,277	36	40,907	121
\$250,000 < \$1 million	5,029	30	4,782	36	4,967	40	4,855	39	19,633	145
\$1 million < \$5 million	3,414	44	3,326	47	3,400	62	3,322	58	13,462	212
\$5 million < \$10 million	794	23	759	20	738	24	784	33	3,075	101
Subtotal	20,239	\$277	20,348	\$178	21,256	\$256	20,686	\$370	82,529	\$1,081
Large corporation										
\$10 million < \$50 million	1,183	\$60	1,193	\$80	1,104	\$137	1,002	\$95	4,482	\$372
\$50 million < \$100 million	396	98	390	64	393	41	344	97	1,523	299
\$100 million < \$250 million	425	180	346	102	366	105	388	105	1,525	493
\$250 million or more	540	816	460	1,729	494	1,152	480	414	1,974	4,110
Subtotal	2,544	\$1,153	2,389	\$1,974	2,357	\$1,436	2,214	\$711	9,504	\$5,274
Asset size not available ^b	878	\$124	752	\$22	807	\$49	651	\$17	3,088	\$212
Total	23,661	\$1,554	23,489	\$2,175	24,420	\$1,742	23,551	\$1,098	95,121	\$6,568

Notes: Corporate returns include all Form 1120, Federal Corporate Income Tax returns.

We could not provide the asset size for businesses on noncorporate returns because the information is only available for corporate income tax returns.

Totals are based on abatements, not returns.

^aTaxpayer did not provide, or it was missing.

^bAsset size was not available on returns transferred from IRS' historical files or non-master file and on special types of assessments.

Source: GAO compilation of IRS data.

Appendix V
Abatements of Tax Assessments on Individual and Business Tax Returns

Table V.7: Number and Amount of Examination Tax Abatements by Asset Size and Fiscal Year of Abatement—Corporate Income Tax Returns

Dollars in Millions Asset size reported on balance sheet	Fiscal year of abatement								Total	
	1995		1996		1997		1998			
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Small corporation										
No balance sheet ^a	167	\$36	171	\$67	204	\$76	183	\$171	725	\$350
Assets < \$250,000	417	2	611	4	794	11	581	14	2,403	30
\$250,000 < \$1 million	493	5	667	6	874	11	767	8	2,801	30
\$1 million < \$5 million	703	12	808	16	992	25	990	22	3,493	75
\$5 million < \$10 million	309	9	294	11	354	15	414	15	1,371	50
Subtotal	2,089	\$64	2,551	\$104	3,218	\$138	2,935	\$230	10,793	\$535
Large corporation										
\$10 million < \$50 million	750	\$95	892	\$79	748	\$74	739	\$67	3,129	\$315
\$50 million < \$100 million	318	59	279	45	245	51	266	101	1,108	257
\$100 million < \$250 million	372	134	423	105	322	120	373	103	1,490	462
\$250 million or more	1,018	1,738	1,122	2,295	1,024	1,804	1,072	2,005	4,236	7,842
Subtotal	2,458	\$2,027	2,716	\$2,524	2,339	\$2,049	2,450	\$2,276	9,963	\$8,876
Asset size not available ^b	478	\$114	394	\$88	228	\$65	181	\$34	1,281	\$302
Total	5,025	\$2,205	5,661	\$2,716	5,785	\$2,252	5,566	\$2,539	22,037	\$9,713

Notes: Corporate returns include all Form 1120, Federal Corporate Income Tax returns.

We could not provide the asset size for businesses on noncorporate returns because the information is only available for corporate income tax returns.

Totals are based on abatements, not returns.

^aTaxpayer did not provide, or it was missing.

^bAsset size was not available on returns transferred from IRS' historical files or non-master file and on special types of assessments.

Source: GAO compilation of IRS data.

Appendix V
Abatements of Tax Assessments on Individual and Business Tax Returns

Table V.8: Number and Amount of Tax Abatements Due to Net Operating Loss Carryback by Asset Size and Fiscal Year of Abatement—Corporate Income Tax Returns

Dollars in Millions Asset size reported on balance sheet	Fiscal year of abatement								Total	
	1995		1996		1997		1998		Total	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Small corporation										
No balance sheet ^a	1,091	\$791	1,082	\$380	959	\$131	1,000	\$122	4,132	\$1,424
Assets < \$250,000	70,049	111	75,912	149	76,850	145	74,324	148	297,135	553
\$250,000 < \$1 million	35,042	183	38,388	217	38,760	233	38,645	251	150,835	885
\$1 million < \$5 million	19,993	305	18,157	366	18,420	427	18,506	447	75,076	1,546
\$5 million < \$10 million	7,256	171	3,723	195	3,126	206	3,111	247	17,216	819
Subtotal	133,431	\$1,560	137,262	\$1,308	138,115	\$1,143	135,586	\$1,215	544,394	\$5,227
Large corporation										
\$10 million < \$50 million	3,143	\$569	3,206	\$575	3,333	\$594	3,381	\$716	13,063	\$2,454
\$50 million < \$100 million	719	309	738	323	687	345	718	373	2,862	1,350
\$100 million < \$250 million	699	332	736	517	738	663	748	616	2,921	2,128
\$250 million or more	1,051	4,283	1,179	4,756	1,082	4,462	1,069	4,646	4,381	18,146
Subtotal	5,612	\$5,493	5,859	\$6,171	5,840	\$6,064	5,916	\$6,350	23,227	\$24,078
Asset size not available ^b	9,140	\$319	2,288	\$191	1,068	\$300	625	\$57	13,121	\$867
Total	148,183	\$7,372	145,409	\$7,670	145,023	\$7,507	142,127	\$7,623	580,742	\$30,172

Notes: Corporate returns include all Form 1120, Federal Corporate Income Tax returns.

We could not provide the asset size for businesses on noncorporate returns because the information is only available for corporate income tax returns.

Totals are based on abatements, not returns.

^aTaxpayer did not provide, or it was missing.

^bAsset size was not available on returns transferred from IRS' historical files or non-master file and on special types of assessments.

Source: GAO compilation of IRS data.

Abatements Associated With Tax, Penalty, and Interest Assessments on Substitute for Returns

The Internal Revenue Service uses third-party information to prepare a substitute for return for nonfilers. IRS prepares the return without knowledge of filing status, exemptions, and other deductions. When the notice of deficiency is received, some taxpayers file a corrected return. IRS will then abate any overassessed portion of tax, penalty, and interest.

In this appendix, we have excluded tables on return characteristics because the data are unreliable, such as filing status and exemptions, or do not apply, such as paid preparer.

Table VI.1: Number and Amount of Abatements Associated With Assessments on Substitute for Returns by Fiscal Year of Abatement—Individual and Business Tax Returns

Fiscal year of abatement	Tax		Abatement type				Total	
	Number	Amount	Penalty		Interest		Number	Amount
			Number	Amount	Number	Amount		
1995	215,315	\$756	454,182	\$249	255,100	\$219	924,597	\$1,225
1996	234,138	878	466,613	274	267,216	256	967,967	1,408
1997	203,262	910	419,399	319	250,433	288	873,094	1,516
1998	152,440	869	347,449	283	191,494	306	691,383	1,457
Total	805,155	\$3,412	1,687,643	\$1,125	964,243	\$1,069	3,457,041	\$5,606

Notes: Individual tax returns are Form 1040, Federal Individual Income Tax Returns, including those with Schedule C, sole proprietor business income and Schedule F, farm income. Business tax returns include corporate income tax, various employment taxes, and other types of returns on IRS' business master file.

Totals are based on abatements, not returns.

Amounts may not sum to totals because of rounding.

Source: GAO compilation of IRS data.

Table VI.2: Number and Amount of Abatements Associated With Assessments on Substitute for Returns by Fiscal Year of Abatement—Individual Tax Returns

Fiscal year of abatement	Tax		Abatement type				Total	
	Number	Amount	Penalty		Interest		Number	Amount
			Number	Amount	Number	Amount		
1995	179,375	\$614	364,291	\$191	214,396	\$199	758,062	\$1,003
1996	207,410	757	401,402	225	236,961	235	845,773	1,217
1997	174,187	763	348,275	232	217,238	261	739,700	1,256
1998	119,660	667	265,036	209	153,931	272	538,627	1,148
Total	680,632	\$2,801	1,379,004	\$856	822,526	\$967	2,882,162	\$4,624

Notes: Individual tax returns are Form 1040, Federal Individual Income Tax Returns, including those with Schedule C, sole proprietor business income and Schedule F, farm income.

Totals are based on abatements, not returns.

Amounts may not sum to totals because of rounding.

Source: GAO compilation of IRS data.

Appendix VI
Abatements Associated With Tax, Penalty, and Interest Assessments on Substitute for Returns

Table VI.3: Number of Abatements Associated With Assessments on Substitute for Returns by Tax Year and Fiscal Year of Abatement—Individual Tax Returns

Tax year of return	Fiscal year of abatement				Total
	1995	1996	1997	1998	
Before 1980 ^a	20	6	5	10	41
1980-84	17,355	13,383	10,291	7,563	48,592
1985-89	287,750	199,687	148,612	97,983	734,032
1990	169,127	116,575	86,082	53,566	425,350
1991	226,368	176,137	108,462	65,480	576,447
1992	56,805	284,205	217,535	104,086	662,631
1993	624	55,500	159,219	138,389	353,732
1994	13	265	9,194	53,885	63,357
1995	0	15	291	14,041	14,347
1996	^b	0	9	3,620	3,629
1997	^b	^b	0	4	4
1998	^b	^b	^b	0	0
Total	758,062	845,773	739,700	538,627	2,882,162

Notes: Individual tax returns are Form 1040, Federal Individual Income Tax Returns, including those with Schedule C, sole proprietor business income and Schedule F, farm income.

Totals are based on abatements, not returns.

^aEarliest tax year was 1978.

^bDoes not apply.

Source: GAO compilation of IRS data.

Table VI.4: Amount of Abatements Associated With Assessments on Substitute for Returns by Tax Year and Fiscal Year of Abatement—Individual Tax Returns

Tax year of return	Fiscal year of abatement				Total
	1995	1996	1997	1998	
Before 1980 ^a	\$124	\$16	\$1	^b	\$142
1980-84	26,503	18,153	12,012	\$8,693	65,361
1985-89	419,778	349,063	294,944	243,017	1,306,801
1990	205,038	162,111	142,247	121,652	631,048
1991	288,068	229,396	168,765	140,057	826,286
1992	63,245	382,587	301,334	189,936	937,103
1993	299	75,586	307,724	274,721	658,330
1994	15	182	28,664	124,380	153,240
1995	0	8	325	33,104	33,436
1996	^c	0	4	12,315	12,319
1997	^c	^c	0	37	37
1998	^c	^c	^c	0	0
Total	\$1,003,069	\$1,217,101	\$1,256,020	\$1,147,912	\$4,624,103

Notes: Individual tax returns are Form 1040, Federal Individual Income Tax Returns, including those with Schedule C, sole proprietor business income and Schedule F, farm income.

Totals are based on abatements, not returns.

^aEarliest tax year was 1978.

^bLess than \$1,000.

^cDoes not apply.

Source: GAO compilation of IRS data.

Abatements of Tax, Penalty, and Interest Assessments Associated With Tax on Original Return

Original tax assessments are from returns filed by taxpayers. All abatements of tax, penalty, and interest shown in this appendix are associated with the tax assessment on the original return because IRS had not assessed additional taxes before these abatements. We have excluded substitute for return data fields from this set of tables as these types of returns do not show an original tax assessment amount and would not result in an abatement without an intervening tax assessment.

Table VII.1: Number and Amount of Abatements Associated With Tax on Original Return by Fiscal Year of Abatement—Individual and Business Tax Returns

Fiscal year of abatement	Dollars in Millions							
	Tax		Abatement type				Total	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
1995	2,182,626	\$13,353	3,711,340	\$4,135	2,327,540	\$598	8,221,506	\$18,086
1996	1,955,283	15,049	3,708,611	5,138	2,471,001	1,104	8,134,895	21,291
1997	2,981,590	14,058	3,655,941	4,835	2,797,727	656	9,435,258	19,549
1998	2,732,542	16,452	4,149,059	4,276	2,881,971	630	9,763,572	21,357
Total	9,852,041	\$58,912	15,224,951	\$18,383	10,478,239	\$2,988	35,555,231	\$80,284

Notes: Individual tax returns are Form 1040, Federal Individual Income Tax Returns, including those with Schedule C, sole proprietor business income and Schedule F, farm income. Business tax returns include corporate income tax, various employment taxes, and other types of returns on IRS' business master file.

Totals are based on abatements, not returns.

Amounts may not sum to totals because of rounding.

Source: GAO compilation of IRS data.

Table VII.2: Number and Amount of Abatements Associated With Tax on Original Return by Fiscal Year of Abatement—Individual Tax Returns

Fiscal year of abatement	Dollars in Millions							
	Tax		Abatement type				Total	
	Number	Amount	Number	Amount	Number	Amount	Number	Amount
1995	1,568,051	\$2,990	1,416,584	\$1,036	1,138,472	\$199	4,123,107	\$4,226
1996	1,417,480	2,983	1,343,692	921	1,147,064	162	3,908,236	4,066
1997	2,490,285	3,710	1,402,363	932	1,540,613	136	5,433,261	4,778
1998	2,247,338	4,014	1,890,811	1,073	1,629,120	160	5,767,269	5,247
Total	7,723,154	\$13,696	6,053,450	\$3,963	5,455,269	\$657	19,231,873	\$18,317

Notes: Individual tax returns are Form 1040, Federal Individual Income Tax Returns, including those with Schedule C, sole proprietor business income and Schedule F, farm income.

Totals are based on abatements, not returns.

Amounts may not sum to totals because of rounding.

Source: GAO compilation of IRS data.

Appendix VII

Abatements of Tax, Penalty, and Interest Assessments Associated With Tax on Original Return

Table VII.3: Number and Amount of Abatements Associated With Tax on Original Return by Income Level and Fiscal Year of Abatement—Individual Tax Returns

Dollars in Millions		Fiscal year of abatement								Total	
Income level reported on original return	1995		1996		1997		1998		Total		
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount	
Individual nonbusiness											
1040A TPI<\$25,000	479,996	\$94	497,377	\$98	817,873	\$227	824,288	\$290	2,619,534	\$708	
Non1040A TPI<\$25,000	392,182	143	406,915	71	463,456	99	490,487	105	1,753,040	418	
TPI \$25,000<\$50,000	847,430	335	821,056	311	1,374,619	572	1,394,568	609	4,437,673	1,827	
TPI \$50,000<\$100,000	676,169	522	670,788	427	1,167,764	741	1,156,208	687	3,670,929	2,378	
TPI \$100,000 or more	580,293	1,498	513,593	1,644	535,692	1,772	613,133	2,057	2,242,711	6,971	
Subtotal	2,976,070	\$2,592	2,909,729	\$2,551	4,359,404	\$3,411	4,478,684	\$3,747	14,723,887	\$12,301	
Individual business^a											
C-TGR < \$25,000	197,782	\$56	181,239	\$56	210,037	\$32	254,462	\$123	843,520	\$266	
C-TGR \$25,000<\$100,000	353,048	248	309,568	174	345,651	150	429,640	208	1,437,907	780	
C-TGR \$100,000 or more	268,134	441	236,314	496	229,983	401	289,371	450	1,023,802	1,789	
F-TGR<\$100,000	31,527	15	27,318	12	21,041	11	20,375	9	100,261	47	
F-TGR \$100,000 or more	39,693	69	33,586	80	26,795	68	24,578	59	124,652	276	
Subtotal	890,184	\$828	788,025	\$818	833,507	\$662	1,018,426	\$849	3,530,142	\$3,157	
Income level not available ^b	256,853	\$805	210,482	\$697	240,350	\$705	270,159	\$651	977,844	\$2,858	
Total	4,123,107	\$4,226	3,908,236	\$4,066	5,433,261	\$4,778	5,767,269	\$5,247	19,231,873	\$18,316	

Legend

1040A = Nonbusiness returns filed by individuals

TPI = Total positive income (income reported as a positive on tax return tables)

C-TGR = Form 1040 Schedule C (profit or loss from business) total gross receipts

F-TGR = Form 1040 Schedule F (profit or loss from farming) total gross receipts

Notes: Individual tax returns are Form 1040, Federal Individual Income Tax Returns, including those with Schedule C, sole proprietor business income and Schedule F, farm income.

Totals are based on abatements, not returns.

Amounts may not sum to totals because of rounding.

^aReturns with Schedules C or F may be categorized as nonbusiness rather than business if the reported primary source of income was wages, investments, and other nonbusiness income.

^bIncome level was not always available on certain penalties.

Source: GAO compilation of IRS data.

Appendix VII

Abatements of Tax, Penalty, and Interest Assessments Associated With Tax on Original Return

Table VII.4: Number of Abatements Associated With Tax on Original Return by Tax Year and Fiscal Year of Abatement—Individual Tax Returns

Tax year of return	Fiscal year of abatement				Total
	1995	1996	1997	1998	
Before 1980 ^a	2,601	1,269	709	630	5,209
1980-84	69,766	28,878	15,199	12,525	126,368
1985-89	356,621	193,456	128,612	137,329	816,018
1990	145,812	75,507	52,973	54,676	328,968
1991	313,788	111,529	69,530	69,177	564,024
1992	584,699	291,201	120,295	93,487	1,089,682
1993	1,301,600	649,974	307,825	150,126	2,409,525
1994	1,346,786	1,260,282	504,366	301,476	3,412,910
1995	1,434	1,293,844	1,314,666	589,266	3,199,210
1996	^b	2,296	2,916,556	1,910,184	4,829,036
1997	^b	^b	2,530	2,445,813	2,448,343
1998	^b	^b	^b	2,580	2,580
Total	4,123,107	3,908,236	5,433,261	5,767,269	19,231,873

Notes: Individual tax returns are Form 1040, Federal Individual Income Tax Returns, including those with Schedule C, sole proprietor business income and Schedule F, farm income.

Totals are based on abatements, not returns.

^aEarliest tax year was 1962.

^bDoes not apply.

Source: GAO compilation of IRS data.

Table VII.5: Amount of Abatements Associated With Tax on Original Return by Tax Year and Fiscal Year of Abatement—Individual Tax Returns

Tax year of return	Fiscal year of abatement				Total
	1995	1996	1997	1998	
Before 1980 ^a	\$11	\$5	\$3	\$4	\$23
1980-84	140	73	42	40	295
1985-89	713	407	229	176	1,526
1990	436	214	111	71	833
1991	657	380	147	110	1,294
1992	637	707	380	148	1,872
1993	966	688	757	435	2,846
1994	665	938	655	711	2,968
1995	1	652	1,040	681	2,375
1996	^b	1	1,414	1,285	2,699
1997	^b	^b	1	1,584	1,585
1998	^b	^b	^b	1	1
Total	\$4,226	\$4,066	\$4,778	\$5,247	\$18,317

Notes: Individual tax returns are Form 1040, Federal Individual Income Tax Returns, including those with Schedule C, sole proprietor business income and Schedule F, farm income.

Totals are based on abatements, not returns.

^aEarliest tax year was 1962.

^bDoes not apply.

Source: GAO compilation of IRS data.

Appendix VII
Abatements of Tax, Penalty, and Interest Assessments Associated With Tax on Original Return

Table VII.6: Distribution of Returns With Abatements Associated With Tax on Original Return by Filing Status and Fiscal Year of Abatement—Individual Tax Returns

Fiscal year of abatement	Number of returns	Filing Status					Total
		Single	Married, filing jointly	Married, filing separately	Head of household	Widow(er) with dependent child	
1995	a	a	a	a	a	a	a
1996	a	a	a	a	a	a	a
1997	3,545,398	24.1%	56.6%	3.5%	15.7%	0.1%	100%
1998	3,688,582	27.3	54.1	4.0	14.5	0.1	100

Notes: Individual tax returns are Form 1040, Federal Individual Income Tax Returns, including those with Schedule C, sole proprietor business income and Schedule F, farm income.

Percentages may not sum to 100 because of rounding.

^aIRS was unable to reconstruct the filing status data from its historical files within the time frame of our review.

Source: GAO compilation of IRS data.

Table VII.7: Distribution of Returns With Abatements Associated With Tax on Original Return by Selected Characteristic and Fiscal Year of Abatement—Individual Tax Returns

Fiscal year of abatement	Number of returns	Selected characteristic		
		Primary taxpayer over age 65	Paid preparer on original return	Earned income credit on original return
1995	2,600,897	12.3%	63.7%	3.6%
1996	2,479,891	12.5	62.2	3.9
1997	3,545,398	9.3	54.5	3.8
1998	3,688,582	9.5	57.0	4.3

Notes: Individual tax returns are Form 1040, Federal Individual Income Tax Returns, including those with Schedule C, sole proprietor business income and Schedule F, farm income.

Percentages should not be totaled because abatements could occur on returns with more than one selected characteristic.

Source: GAO compilation of IRS data.

Appendix VII

Abatements of Tax, Penalty, and Interest Assessments Associated With Tax on Original Return

Table VII.8: Distribution of Number of Abatements Associated With Tax on Original Return by Selected IRS Activity and Fiscal Year of Abatement—Individual Tax Returns

Fiscal year of abatement	Number of abatements	Selected IRS activity ^a			
		Audit indicator ^b	Offer-in-compromise ^c	Litigation ^d	Criminal investigation ^e
1995	4,123,107	4.1%	1.6%	4.6%	0.1%
1996	3,908,236	4.4	0.7	2.7	0.1
1997	5,433,261	2.7	0.2	1.3	0.0
1998	5,767,269	2.6	0.1	1.7	0.0

Notes: Individual tax returns are Form 1040, Federal Individual Income Tax Returns, including those with Schedule C, sole proprietor business income and Schedule F, farm income.

Percentages should not be totaled because the abatement could have been preceded by more than one selected IRS activity.

^aIRS activity that occurred before the abatement.

^bIncludes audits that are still open and audits closed with a change in tax assessments or no change in tax assessments.

^cIRS and taxpayer had reached an agreement on the portion of unpaid assessments the taxpayer would pay.

^dReturn was in some phase of the litigation process--open or closed. Would include bankruptcy cases, and cases settled or closed before trial.

^eIRS investigation of criminal wrongdoing associated with the return. Includes cases open and closed, including those without further action by IRS.

Source: GAO compilation of IRS data.

Table VII.9: Distribution of Amount of Abatements Associated With Tax on Original Return by Selected IRS Activity and Fiscal Year of Abatement—Individual Tax Returns

Dollars in Millions		Selected IRS activity ^a			
Fiscal year of abatement	Amount of abatements	Audit indicator ^b	Offer-in-compromise ^c	Litigation ^d	Criminal investigation ^e
1995	\$4,226	15.6%	4.7%	8.7%	0.6%
1996	4,066	19.4	2.4	5.7	0.4
1997	4,778	16.0	0.7	3.1	0.4
1998	5,247	14.8	0.4	3.2	0.2

Notes: Individual tax returns are Form 1040, Federal Individual Income Tax Returns, including those with Schedule C, sole proprietor business income and Schedule F, farm income.

Percentages should not be totaled because the abatement could have been preceded by more than one selected IRS activity.

^aIRS activity that occurred before the abatement.

^bIncludes audits that are still open and audits closed with a change in tax assessments or no change in tax assessments.

^cIRS and taxpayer had reached an agreement on the portion of unpaid assessments the taxpayer would pay.

^dReturn was in some phase of the litigation process--open or closed. Would include bankruptcy cases, and cases settled or closed before trial.

^eIRS investigation of criminal wrongdoing associated with the return. Includes cases open and closed, including those without further action by IRS.

Source: GAO compilation of IRS data.

Other Types of Abatements Associated With Unpaid Assessments on Individual and Business Tax Returns

This appendix provides abatement information on the unpaid balance of assessments that cannot be identified separately as tax, penalty, or interest. The information shown in this appendix is not shown or duplicated in any way in appendixes I through VII.

Table VIII.1: Number and Amount of Other Types of Abatements Associated With Unpaid Assessments—Individual and Business Tax Returns

Reason for abatement	Fiscal year of abatement								Total	
	1995		1996		1997		1998			
	Number	Amount	Number	Amount	Number	Amount	Number	Amount	Number	Amount
Determined currently not collectible	484	\$6	451	\$11	771	\$7	903	\$4	2,609	\$28
Bankruptcy or offer-in-compromise ^a	19,547	446	113,752	1,021	174,867	1,673	191,675	1,697	499,841	4,837
Collection statute expired	243,260	1,848	376,048	2,724	427,843	3,199	745,517	4,833	1,792,668	12,603
Trust fund recovery credit ^b	140,189	89	160,052	135	227,385	199	308,237	250	835,863	673
Total	403,480	\$2,389	650,303	\$3,891	830,866	\$5,077	1,246,332	\$6,783	3,130,981	\$18,140

Notes: Individual tax returns are Form 1040, Federal Individual Income Tax Returns, including those with Schedule C, sole proprietor business income and Schedule F, farm income. Business tax returns include corporate income tax, various employment taxes, and other types of returns on IRS' business master file.

Totals are based on abatements, not returns.

Amounts may not sum to totals because of rounding.

^aAbatements of unpaid assessments on bankruptcy and offer-in-compromise returns cannot be separated.

^bThe balance due on a business return that results from employers' not paying IRS withholdings from employees' earnings is abated when credit (payment) is recovered through trust fund penalties assessed on the individual accounts of responsible officers.

Source: GAO compilation of IRS data.

Appendix VIII

Other Types of Abatements Associated With Unpaid Assessments on Individual and Business Tax Returns

Table VIII.2: Number and Amount of Other Types of Abatements Associated With Unpaid Assessments—Individual Tax Returns
Dollars in Millions

Reason for abatement	Fiscal year of abatement								Total	
	1995		1996		1997		1998		Number	Amount
	Number	Amount	Number	Amount	Number	Amount	Number	Amount		
Determined currently not collectible	452	\$6	400	\$11	729	\$6	851	\$4	2,432	\$27
Bankruptcy or offer-in-compromise ^a	^b	^b	87,770 ^b	869 ^b	146,128	1,397	164,284	1,521	398,182	3,787
Collection statute expired	45,815	684	132,288	1,315	150,630	1,543	340,643	2,251	669,376	5,792
Total	46,267	\$690	220,458	\$2,195	297,487	\$2,946	505,778	\$3,775	1,069,990	\$9,606

Notes: Individual tax returns are Form 1040, Federal Individual Income Tax Returns, including those with Schedule C, sole proprietor business income and Schedule F, farm income.

Totals are based on abatements, not returns.

^aAbatements of unpaid assessments on bankruptcy and offer-in-compromise returns cannot be separated.

^bDuring fiscal year 1996 on individual returns, IRS began abating the balance due rather than specific assessments on bankruptcy and offer-in-compromise cases as it had done in prior years. Abatements on these types of cases before this procedural change are included in the appropriate tables in appendixes I through VII.

Source: GAO compilation of IRS data.

Table VIII.3: Number and Amount of Other Types of Abatements Associated With Unpaid Assessments—Business Tax Returns
Dollars in Millions

Reason for abatement	Fiscal year of abatement								Total	
	1995		1996		1997		1998		Number	Amount
	Number	Amount	Number	Amount	Number	Amount	Number	Amount		
Determined currently not collectible	32	^a	51	^a	42	^a	52	^a	177 ^a	
Bankruptcy or offer-in-compromise ^b	19,547	\$446	25,982	\$152	28,739	\$276	27,391	\$176	101,659	\$1,050
Collection statute expired	197,445	1,164	243,760	1,408	277,213	1,656	404,874	2,582	1,123,292	6,811
Trust fund recovery credit ^c	140,189	89	160,052	135	227,385	199	308,237	250	835,863	673
Total	357,213	\$1,699	429,845	\$1,696	533,379	\$2,131	740,554	\$3,008	2,060,991	\$8,534

Notes: Individual tax returns are Form 1040, Federal Individual Income Tax Returns, including those with Schedule C, sole proprietor business income and Schedule F, farm income.

Totals are based on abatements, not returns.

Amounts may not sum to totals because of rounding.

^aLess than \$1 million.

^bAbatements of unpaid assessments on bankruptcy and offer-in-compromise returns cannot be separated.

^cThe balance due on a business return that results from employers' not paying IRS withholdings from employees' earnings is abated when credit (payment) is recovered through trust fund penalties assessed on the individual accounts of responsible officers.

Source: GAO compilation of IRS data.

Comments From the Internal Revenue Service



CHIEF OPERATIONS OFFICER

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

May 21, 1999

Ms. Cornelia M. Ashby
Associate Director, Tax Policy and
Administration Issues
United States General Accounting Office
Washington, D.C. 20548

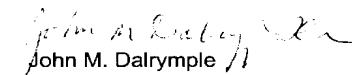
Dear Ms. Ashby:

Thank you for the opportunity to review and comment on your recent draft report entitled "Tax Administration: IRS' Abatement of Assessments in Fiscal Years 1995-98." We are pleased that you sought our comments as the study progressed and especially during its final stages. The result of this communication is a report that provides good information on certain aspects of the IRS' administration of abatements. For example, the report appropriately describes abatement scenarios which are indicative of the wide range of situations where abatements would be warranted. Further, the statistical tables you have included in the appendices are consistent with our abatement data. We are also pleased that additional footnotes will be added to clarify the data presented. We believe this information should be quite helpful to the Joint Committee on Taxation as they conduct the study mandated by the IRS' Restructuring and Reform Act of 1998 on the IRS' administration and implementation of the interest and penalty provisions of the Internal Revenue Code.

We take quite seriously the mandates of the IRS Restructuring and Reform Act of 1998. We will continue to provide whatever support is required to both the General Accounting Office and the Joint Committee as we all work to implement the requirements of the Act. We believe all of our efforts will help build a tax administration worthy of America's taxpayers.

If you have any questions or need additional information, please call me at (202) 622-6860 or a member of your staff may call Tom Wilson, Assistant Commissioner (Examination), at (202) 622-4400.

Sincerely,


John M. Dalrymple

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