

Your Firm Name, CPAs

Your address · Your phone · you@yourfirm.com

October 10, 2026

Internal Revenue Service
Penalty unit shown on Notice CP162
Address as shown on the notice

Re: Notice CP162 dated for the tax period ending December 31, 2024; Form 1120-S; Employer Identification Number [TIN]; penalty of \$2,940 under Internal Revenue Code section 6699; response date September 23, 2026

Dear Sir or Madam:

Identification

Item	Detail
Taxpayer	[Taxpayer name], an S corporation
Taxpayer identification number	[TIN]
Tax form	Form 1120-S
Tax period	Year ending December 31, 2024
Notice	CP162
Penalty asserted	\$2,940 under Internal Revenue Code section 6699
Return due date shown on the notice	March 17, 2025
Return received date shown on the notice	June 20, 2025
Response date shown on the notice	September 23, 2026

We represent the above taxpayer and submit this request on its behalf. A Form 2848 for the Form 1120-S period ending December 31, 2024 is enclosed or already on file. Please direct correspondence on this matter to the undersigned at the address and telephone number shown below.

Relief requested and summary

The corporation requests abatement in full of the \$2,940 failure to file penalty asserted under Internal Revenue Code section 6699 for the tax period ending December 31, 2024. The primary ground is the administrative waiver known as First Time Abate, which the Service makes available for a failure to file penalty under Internal Revenue Code section 6699(a)(1) where the stated criteria are met (IRM 20.1.3.3.2.1). The corporation also reserves reasonable cause as an alternative ground, as described in a later section of this letter.

The corporation does not contest the arithmetic shown on the notice. It accepts that the Form 1120-S for the period was filed after the date prescribed and that the computation of the monthly amount, the shareholder count and the number of months is consistent with Internal Revenue Code section 6699 on the dates and shareholder count stated on the notice. The request is for relief from the penalty, not for a recomputation of it.

The corporation elected S corporation status in 2019 and has filed its returns since that election. The shareholders each reported the 2024 Schedule K-1 amounts on individual returns filed and paid by April 15, 2025, so the late filing of the entity return did not defer the collection of tax. We ask that the penalty be abated and that the account be adjusted to zero for this item.

First time abatement eligibility, condition by condition

The administrative waiver provides relief from the failure to file penalty under Internal Revenue Code section 6699(a)(1) the first time a taxpayer is subject to that penalty for a single return, where the taxpayer filed the same return for the three years preceding the penalized tax period or had no filing requirement for those years, where those prior year returns carry no unreversed penalty other than an estimated tax penalty, and where no prior penalty was suppressed or reversed with Penalty Reason Code 018, 020 or 021 (IRM 2011.3.3.2.1).

The waiver was implemented for tax periods with ending dates after December 31, 2000, and the period ending December 31, 2024 is within that range (IRM 2011.3.3.2.1). We address each condition below.

- The penalty is one of those covered by the waiver. The notice asserts a failure to file penalty under Internal Revenue Code section 6699 for a late Form 1120-S, and the failure to file penalty under Internal Revenue Code section 6699(a)(1) is among the penalties the waiver reaches (IRM 2011.3.3.2.1). The notice describes lateness alone and does not assert that the return as filed was incomplete.
- The same return was filed for the three preceding tax periods. The corporation elected S corporation status in 2019 and filed Forms 1120-S for the tax years ending December 31, 2021, December 31, 2022 and December 31, 2023, each on time.
- The three preceding periods carry no unreversed penalty. The corporation's records show no penalty assessed against it for the three tax years preceding 2024. We ask the Service to confirm this from the account, which is the clean compliance history the waiver describes (IRM 2011.3.3.2.1).
- No prior penalty was suppressed or reversed with Penalty Reason Code 018, 020 or 021. The corporation has not previously requested or received this administrative waiver for this return type. This condition is visible on the account, and we ask that it be verified there (IRM 2011.3.3.2.1).
- Currently required returns are filed and any tax due is paid or arranged to be paid. The 2024 Form 1120-S was filed on June 20, 2025, and each shareholder reported and paid the 2024 Schedule K-1 amounts by April 15, 2025. The corporation will bring any other current filing or payment obligation into compliance on request.

The Service researches the three prior years and the current periods and documents the clean compliance history before granting the waiver, and where the Reasonable Cause Assistant is not used or cannot complete the look back the modules are reviewed manually (IRM 2011.3.3.2.1). We ask that this research be performed on the corporation's account for the tax years ending December 31, 2021, December 31, 2022 and December 31, 2023.

We understand that the waiver applies to a single tax period for a given return type, and that relief for any later period would rest on reasonable cause (IRM 2011.3.3.2.1). The corporation applies the waiver to the period ending December 31, 2024 with that understanding. We also understand that First Time Abate is considered before reasonable cause (IRM 2011.3.3.2.1).

The computation shown on the notice

The corporation does not dispute the computation. Internal Revenue Code section 6699(b) sets the amount for any month as the per return dollar amount multiplied by the number of persons who were shareholders in the S corporation during any part of the taxable year, charged for each month or fraction of a month during which the failure continues, for not more than 12 months (26 U.S.C. § 6699).

The inflation adjustment in Internal Revenue Code section 6699(e) is keyed to the calendar year in which the return is required to be filed, rounded to the next lowest multiple of five dollars, so a Form 1120-S for the tax year ending December 31, 2024 that was required to be filed in 2025 takes the figure for calendar year 2025 (26 U.S.C. § 6699).

Three persons were shareholders during the year, which is the multiplier required by Internal Revenue Code section 6699(b)(2) (26 U.S.C. § 6699). Counting monthly periods from March 17, 2025 to the June 20, 2025 received date shown on the notice produces three full monthly periods and a fraction of a fourth, which is the four months or parts of months reflected on the notice. The 12 month limit in Internal Revenue Code section 6699(a) is not reached (26 U.S.C. § 6699).

We state this only to confirm that the amount in issue is \$2,940 and that no recomputation is sought. Internal Revenue Code section 6699(a) provides that the penalty does not apply where it is shown that the failure is due to reasonable cause, which is a question separate from the accuracy of the arithmetic (26 U.S.C. § 6699). The relief requested in this letter is abatement of the penalty as computed.

Reasonable cause reserved as an alternative ground

If the administrative waiver is not granted, the corporation requests consideration of reasonable cause as an alternative ground, and we ask for the opportunity to submit a separate statement and supporting documents before the penalty is sustained. Internal Revenue Code section 6699(a) provides that the penalty does not apply where it is shown that the failure to file timely is due to reasonable cause (26 U.S.C. § 6699).

The corporation will address the events of the filing period, the dates on which they occurred and the documents that evidence them in that separate statement.

We note that the administrative waiver is considered before reasonable cause (IRM 2011.3.3.2.1), which is why the waiver is requested first in this letter. Reserving the alternative ground is not a withdrawal of it. Please treat this paragraph as preserving the corporation's reasonable cause position for the same tax period and the same penalty.

Matters to be confirmed from the account

Certain conditions of the administrative waiver can be verified only from the Service's account records, and we ask that they be checked as part of this request. These are whether any penalty of this type was assessed for the three tax years before 2024, whether any prior penalty on this entity was suppressed or reversed with Penalty Reason Code 018, 020 or 021, and whether any prior administrative waiver has been applied to this return type (IRM 2011.3.3.2.1).

We also ask the Service to confirm the inflation adjusted per shareholder monthly amount applicable to returns required to be filed in calendar year 2025, which the notice states as \$245, against the published figure for that calendar year. Internal Revenue Code section 6699(e) fixes the method of adjustment, and the published amount for the year governs the result (26 U.S.C. § 6699). If any part of the \$2,940 has already been paid or

offset, we ask that the abatement be applied as a credit or refund to the corporation.

Action requested

We request that the Service abate the \$2,940 failure to file penalty asserted under Internal Revenue Code section 6699 for the tax period ending December 31, 2024 under the First Time Abate administrative waiver (IRM 20.1.3.3.2.1), adjust the account balance for this item to zero, and refund or credit any amount already paid or offset.

If the waiver is not applied, we request written notice of that determination and an opportunity to submit the reasonable cause statement described above before the penalty is sustained. Please address any questions to the undersigned.

Enclosures

1. Copy of Notice CP162 for the tax period ending December 31, 2024
2. Form 2848, Power of Attorney and Declaration of Representative, for Form 1120-S, period ending December 31, 2024
3. Signed statement of the corporate officer requesting abatement
4. Copy of the Form 1120-S as filed for the tax year ending December 31, 2024, with all Schedules K-1
5. Filing and payment confirmations for each shareholder's 2024 individual income tax return
6. Account transcripts or filing confirmations for the Forms 1120-S for the tax years ending December 31, 2021, December 31, 2022 and December 31, 2023

For the firm before sending (remove this section)

Coverage, positions that did not pass the citation gate, positions to confirm, and facts the response still needs:

- A2: A penalty of \$2,940 is due under Internal Revenue Code section 6699 because the Form 1120-S for the tax year ending December 31, 2024 was du ... no authority survived the citation check (citation failed the text check). Not included in the letter.
- A2: The return was filed late and no extension was requested, so the penalty applies for each shareholder for each month or part of a month the ... no authority survived the citation check (citation failed the text check). Not included in the letter.
- Needed: Confirmation from the IRS account transcript that no penalty of this type was assessed for the three tax years before 2024 and that no prior first-time penalty relief has been applied to this entity
- Needed: Whether any other federal returns for this entity (for example Forms 940, 941, W-2 or 1099) were filed late for the three preceding years, which bears on clean compliance
- Needed: Whether a Form 2848 or Form 8821 for the 2024 Form 1120-S period is already on file for the firm
- Needed: The name and title of the corporate officer who will sign the statement, and authority to sign for the corporation
- Needed: Whether any part of the \$2,940 has already been paid or offset
- Needed: Whether this CP162 is the first notice of this penalty for the period, or whether earlier notices were received

- Needed: The exact date the bookkeeper's departure was discovered, the date the accounting file was received in late April 2025, and the date the firm was engaged in May 2025
- Needed: Any documentation of the bookkeeper's retirement and of the delay in release of the accounting file (correspondence, engagement termination, delivery records)
- Needed: Whether the corporation requested any extension by any means, and whether the Form 1120-S as filed was complete and included all required Schedules K-1 as section 6699 requires
- Needed: The number of shareholders for each month of 2024 and whether that number was three for the full year
- Needed: Confirmation that each shareholder's 2024 individual return was filed and paid by April 15, 2025, with the filing confirmations to be enclosed
- Needed: Whether the corporation was in a federally declared disaster area or otherwise covered by a postponement of the March 17, 2025 due date
- Needed: The state in which the corporation operates and whether a corresponding state filing obligation or state penalty is in issue (the facts do not state a state)
- Needed: The corporation's EIN and the full notice as issued, needed to confirm identifiers and the penalty computation on the notice

Sincerely,

[Name], CPA, Your Firm Name, CPAs, Your address, Your phone

Your Firm Name, CPAs

Authorities cited in this letter

IRM 2011.3.3.2.1

• PROCEDURAL

"IRS provides administrative relief from the following penalties if the qualifying criteria contained in this subsection are met: Failure to File (FTF) penalty under IRC 6651(a)(1), IRC 6698(a)(1), or IRC 6699(a)(1)"

IRM 4.23.9

Corroborating authority; not independently text-checked for this letter.

• CPA TO CONFIRM

IRM 2011.3.6.1

Corroborating authority; not independently text-checked for this letter.

• CPA TO CONFIRM

26 CFR § 301.6651-1

Withheld: citation failed the text check

• WITHHELD

IRM 4.19.26

Corroborating authority; not independently text-checked for this letter.

• CPA TO CONFIRM

IRM 201.1

Corroborating authority; not independently text-checked for this letter.

• CPA TO CONFIRM

Estate of John RH Thouron v. United States, 752 F.3d 311

Withheld: citation failed the text check

• WITHHELD

IRM 201.2.6.1

Corroborating authority; not independently text-checked for this letter.

• CPA TO CONFIRM

26 U.S.C. § 6699

"For purposes of subsection (a), the amount determined under this subsection for any month is the product of--(1) \$195, multiplied by (2) the number of persons who were shareholders in the S corporation during any part of the taxable year."

• VERIFIED

IRM 201.2

Corroborating authority; not independently text-checked for this letter.

• CPA TO CONFIRM

IRB 2022-45

Corroborating authority; not independently text-checked for this letter.

• CPA TO CONFIRM

Draft prepared for the signing professional's review. Verify every fact against the notice and the return, attach the enclosures listed, and remove the section headed "For the firm" before sending.