

IRS Waives Penalty for Underpayments

Many times during 2018 IRS advised taxpayers to check their withholding to help avoid shortfalls at tax time. The online “Withholding Calculator” on [irs.gov](https://www.irs.gov) was about as difficult to complete as completing a tax return, which caused many taxpayers to sit back and hope they had enough withheld.

On January 16th IRS announced it would waive the underpayment penalty for taxpayers whose tax withholding and estimated tax payments fell short of their 2018 tax liability. But it’s not a total waiver - it reduces the “90% of current year tax” test to “85%”.

Normally the penalty is waived if the taxpayer’s income tax withholding and timely estimated tax payments. It is a waiver if the taxpayer has submitted 90% of the current year’s tax liability or 100% of the prior year’s tax liability.

Because of the many tax changes affecting the 2018 returns, the current IRS waiver has lowered this percentage to 85%. However, any taxpayer who does not meet this 85% test (or 100% of the prior year test) will be subject to the underpayment penalty as normal, applying the 90% threshold.

IRS also reminds taxpayers to check their withholding for 2019 to avoid shortfalls next year.

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