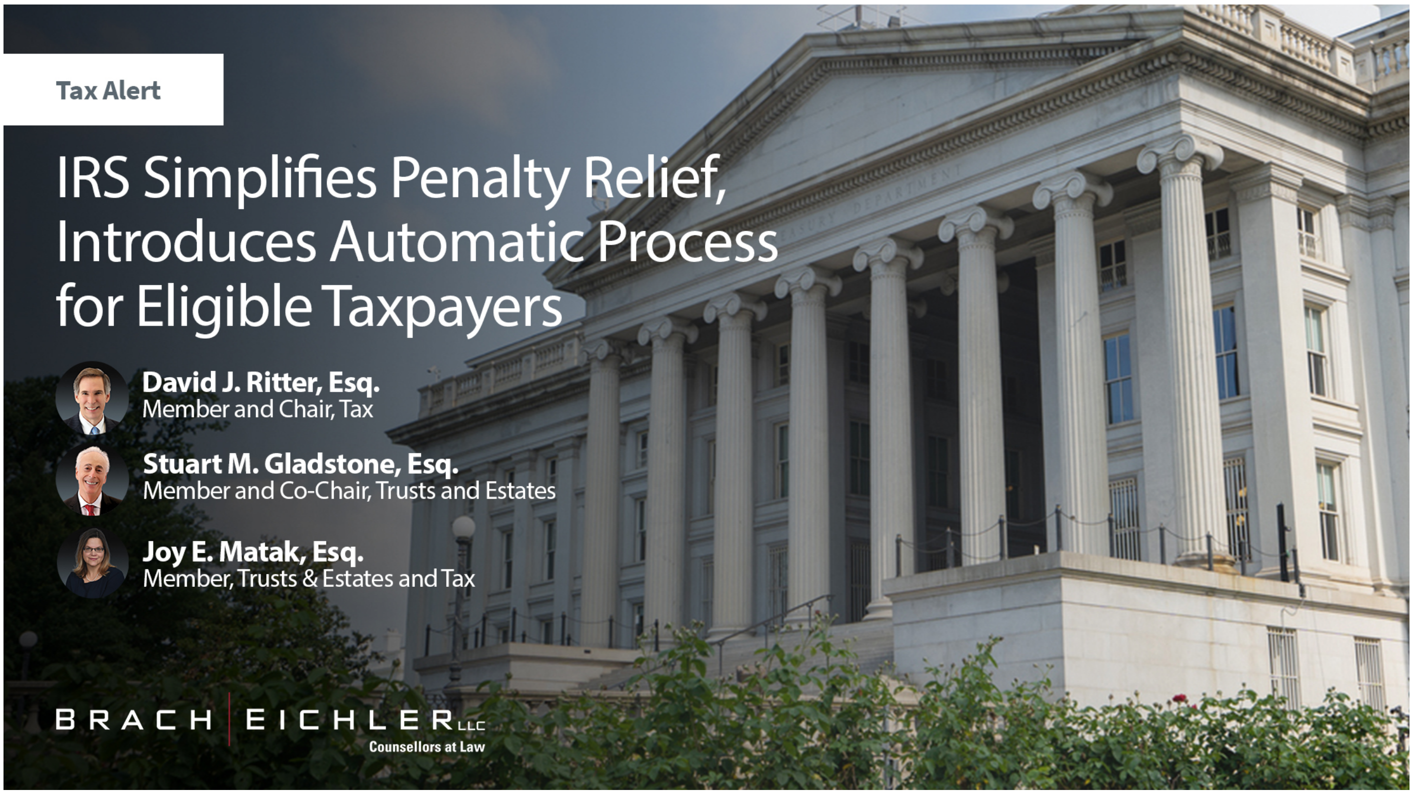
IRS Simplifies Penalty Relief, Introduces Automatic Process for Eligible Taxpayers



Published: 8/3/2026 | Last Updated: 8/3/2026

On July 8, 2026, the IRS issued IR-2026-83, a new automatic process to provide penalty relief for taxpayers with a history of filing and paying on time, reducing the need for taxpayers to request assistance. An Information Release (IR) is an official, public statement issued by the IRS to announce matters of general interest. Unlike formal registrations, it provides the public with quick, non-binding guidance.

The new Automatic Exemption from Penalty (AEP) will replace the long standing First Time Abate administrative relief and is designed to simplify the process and reduce burden for those with a timely compliance history. The program will eliminate the requirement for taxpayers who historically pay on time, to make a formal request for relief, which is routinely granted.

The new AEP is a systematic administrative relief program expected to begin this summer and will apply to eligible original returns beginning with tax year 2025 and 2026 quarterly returns as well as future tax periods. Taxpayers qualify if they have a history of filing timely returns and paying any tax due within the three-year period. When taxpayers qualify, penalties are not assessed during processing for:

- failure to file,
- failure to pay, or
- failure to deposit.

Taxpayers do not need to take action to receive this relief. If eligible, the IRS will apply AEP and issue a notice confirming that the relief was granted.

However, not all returns are eligible for AEP. For example, information returns and returns that are only in response to specific transactions or infrequent events (such as Form 706, U.S. Estate Tax Return or Form 709 Gift Tax Return) are generally not eligible.

Taxpayers who do not qualify for AEP may still request penalty relief based on reasonable cause. Most Code sections that impose a filing and/or late payment penalty also provide statutorily for reasonable cause abatement of penalties. The request is usually accompanied by an affidavit detailing the factual background and a memorandum applying the law to the fact pattern. Taxpayers whose requests are denied, have appeal rights with the Independent Office of Appeals.

If you have questions concerning eligibility, a specific penalty notice, whether you may have a reasonable cause basis to contest the penalty, or wish to appeal to the Independent Office of Appeals, please contact a member of the Brach Eichler Tax and Trusts and Estates teams.

David J. Ritter, Esq., *Member and Chair*, Tax, at dritter@bracheichler.com or 973-403-3117

Stuart M. Gladstone, Esq., *Member and Co-Chair*, Trusts and Estates, at sgladstone@bracheichler.com or 973-403-3109

Joy E. Matak, Esq., *Member*, Trusts and Estates and Tax practices, at jmatak@bracheichler.com or 973-364-8307

Authors

The following attorneys contributed to this insight.

David J. Ritter

Member
Tax, Corporate Transactions & Financial Services, Trusts and Estates

973.403.3117 · 973.618.5517 Fax

dritter@bracheichler.com

Stuart M. Gladstone

Member
Trusts and Estates, Corporate Transactions & Financial Services, Tax

973.403.3109 · 973.618.5509 Fax

sgladstone@bracheichler.com

Joy Elizabeth Matak

Member
Trusts and Estates, Tax

973.287.4286 · 973.602.8673 Fax

jmatak@bracheichler.com