NATIONAL SOFTWARE INC

IRS ACA PENALTIES GUIDELINES

IRS-APPROVED IRIS TRANSMITTER

IRC §6721 & §6722 PENALTY REFERENCE GUIDE FOR ACA INFORMATION RETURNS

About 1099FIRE

1099FIRE is an IRS-approved IRIS transmitter with validated TCC credentials. We provide end-to-end information return filing services so your organization can file through IRIS without needing to obtain your own TCC, build XML infrastructure, or manage the submission lifecycle in-house. Visit 1099fire.com to get started.

What This Guide Covers

- IRC §6721 & §6722 penalty rate tiers (2023–2026)
- Penalty rates for large businesses (gross receipts over $5 million)
- Penalty rates for small businesses and government entities
- The "intentional disregard" penalty tier and its implications
- When the 30-day and August 1st deadlines matter
- How prompt filing can dramatically reduce penalty exposure

Key Takeaway

Penalties for late or incorrect ACA information returns (Forms 1094-C and 1095-C) are tiered based on how late the correction is made. Per-form penalties for large businesses reach $680 for filings after August 1st, with no annual maximum for intentional disregard. Acting before the first deadline (30 days after the due date) reduces exposure by more than 80%.

Understanding IRC §6721 & §6722 penalty structure

IRC §6721 covers penalties for failure to file correct information returns with the IRS on time. IRC §6722 covers penalties for failure to furnish correct payee statements (e.g., copies to employees). Both sections use the same tiered penalty structure based on how quickly the error is corrected after the original filing deadline.

Penalty amounts are adjusted annually for inflation. The tables below reflect IRS guidance for tax years 2023 through 2026.

Key Principle

The sooner you correct an error, the lower the penalty. A return corrected within 30 days of the due date carries the lowest per-form rate. After August 1st, the rate more than doubles. Intentional disregard carries no annual cap.

Table 1: Large businesses and government entities

Applies to filers with average annual gross receipts over $5 million for the most recent 3 taxable years.

Filing Year	Rate	Within 30 Days Late	31 Days Late Through Aug. 1	After August 1	Intentional Disregard
2026	Per Form Maximum	$60 $683,000	$130 $2,049,000	$340 $4,098,500	$680 Unlimited
2025	Per Form Maximum	$60 $664,500	$130 $1,993,500	$330 $3,987,000	$660 Unlimited
2024	Per Form Maximum	$60 $630,500	$120 $1,891,500	$310 $3,783,000	$630 Unlimited
2023	Per Form Maximum	$50 $588,500	$110 $1,766,000	$290 $3,532,500	$580 Unlimited

Table 2: Small businesses and certain government entities

Applies to filers with average annual gross receipts of $5 million or less for the most recent 3 taxable years. Lower per-form rates and annual caps apply.

Filing Year	Rate	Within 30 Days Late	31 Days Late Through Aug. 1	After August 1	Intentional Disregard
2026	Per Form Maximum	$60 $239,000	$130 $683,000	$340 $1,366,000	$680 Unlimited
2025	Per Form Maximum	$60 $232,500	$130 $664,500	$330 $1,329,000	$660 Unlimited
2024	Per Form Maximum	$60 $220,500	$120 $630,500	$310 $1,261,000	$630 Unlimited
2023	Per Form Maximum	$50 $206,000	$110 $588,500	$290 $1,177,500	$580 Unlimited

Reducing and avoiding penalties

File on time, even if data is incomplete

Filing on time with incomplete data and correcting promptly carries far lower penalties than filing late. A complete correction within 30 days of the original deadline keeps you in the lowest penalty tier.

Reasonable cause exception

Penalties may be waived if the filer can demonstrate reasonable cause — meaning the failure to file correct returns was not due to willful neglect and significant mitigating factors exist. Document all compliance efforts, system issues, or extraordinary circumstances that contributed to any filing error.

De minimis error safe harbor

Under IRC §6721(c), a de minimis safe harbor applies when the number of incorrect information returns does not exceed the greater of 10 returns or 0.5% of the total number of information returns required to be filed. Returns corrected by August 1 of the calendar year in which the due date falls may also qualify for the safe harbor.

⚠️ Important: Intentional Disregard

If the IRS determines that a failure to file correct information returns was due to intentional disregard of the filing requirements, the $680 per-form penalty (2026 rate) applies with no annual cap. There is no de minimis exception and no reasonable-cause waiver for intentional disregard. The potential exposure for large-volume filers in this tier is unlimited.

Disclaimer

This document is provided for general informational purposes only and does not constitute legal, tax, or accounting advice. Rules and penalty amounts are subject to change — verify current requirements at IRS.gov and SSA.gov before relying on this guide for a specific situation. Please consult a qualified tax professional or attorney before taking action.