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The Penalty Abatement Report

The IRS assessed 46.7 million individual civil penalties in fiscal year 2025, the most in the eleven year series, and abated 8.3 percent of them. An original analysis of IRS Data Book figures, FY2015 to FY2025.

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KEY FINDINGS

More penalties, the same share reversed

46.7M	8.3%	1.4%	$708
individual penalties assessed in FY2025, the most in the series	abated, about one penalty in twelve	abatement rate on the estimated tax penalty	average penalty assessed, up from $391 in FY2015

The IRS assessed 46,748,796 civil penalties against individuals, estates, and trusts in fiscal year 2025 and abated 3,884,049 of them, a rate of 8.31 percent. In dollars the same year shows $7.51 billion abated against $33.10 billion assessed, or 22.70 percent.

The notable pattern is stability in the share reversed against sharp growth in the volume assessed. In ten of the eleven years studied the count based abatement rate stayed between 8.0 and 12.3 percent, the single exception being fiscal 2022 at 18.8 percent, which coincides with broad automatic relief the IRS announced for certain 2019 and 2020 returns. Over the same period penalties assessed rose 47.0 percent, from 31,809,876 to 46,748,796. Fiscal 2025 is the second lowest abatement rate of the eleven years; fiscal 2020 was lower at 8.03 percent.

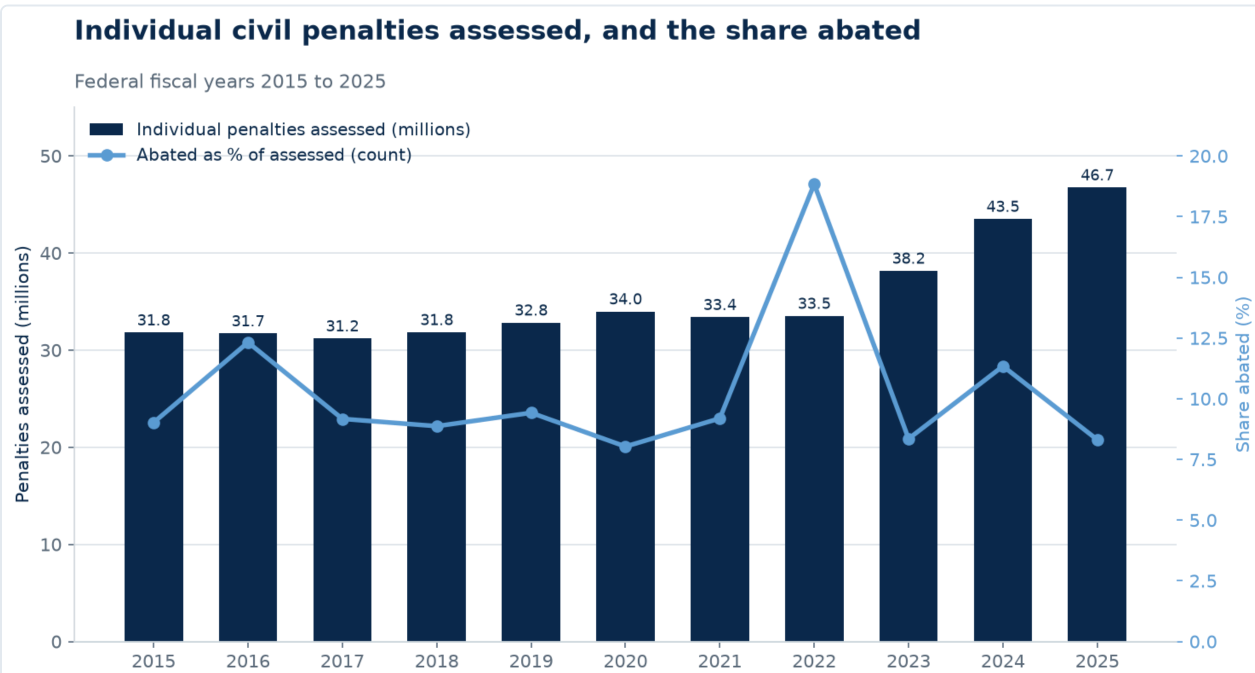

Figure 1. Individual civil penalties assessed (bars, left axis) and penalties abated as a share of penalties assessed (line, right axis), by federal fiscal year. Source: IRS Data Book, civil penalties assessed and abated table, FY2015 through FY2025 editions.

THE ELEVEN YEAR SERIES

Fiscal year	Penalties assessed	Dollars assessed	Penalties abated	Dollars abated	Abated, count	Abated, dollars
2015	31,809,876	$12.44B	2,868,559	$3.62B	9.02%	29.11%
2016	31,713,538	$12.07B	3,908,121	$3.86B	12.32%	31.94%
2017	31,194,792	$11.01B	2,861,242	$2.89B	9.17%	26.28%
2018	31,840,318	$11.99B	2,824,101	$2.10B	8.87%	17.49%
2019	32,828,655	$14.17B	3,091,328	$2.25B	9.42%	15.85%
2020	33,976,400	$14.10B	2,729,818	$1.70B	8.03%	12.06%
2021	33,393,194	$17.13B	3,069,510	$2.70B	9.19%	15.77%
2022	33,518,147	$50.30B	6,314,592	$36.66B	18.84%	72.88%
2023	38,165,237	$44.44B	3,185,987	$2.85B	8.35%	6.41%
2024	43,503,051	$20.24B	4,932,701	$32.74B	11.34%	161.75%
2025	**46,748,796**	**$33.10B**	**3,884,049**	**$7.51B**	**8.31%**	**22.70%**

Individual and estate and trust income taxes. Ratios divide abatements recorded in a fiscal year by assessments recorded in the same fiscal year, which is why some dollar ratios exceed 100 percent.

Abatement rates differ by a factor of ten across penalty types

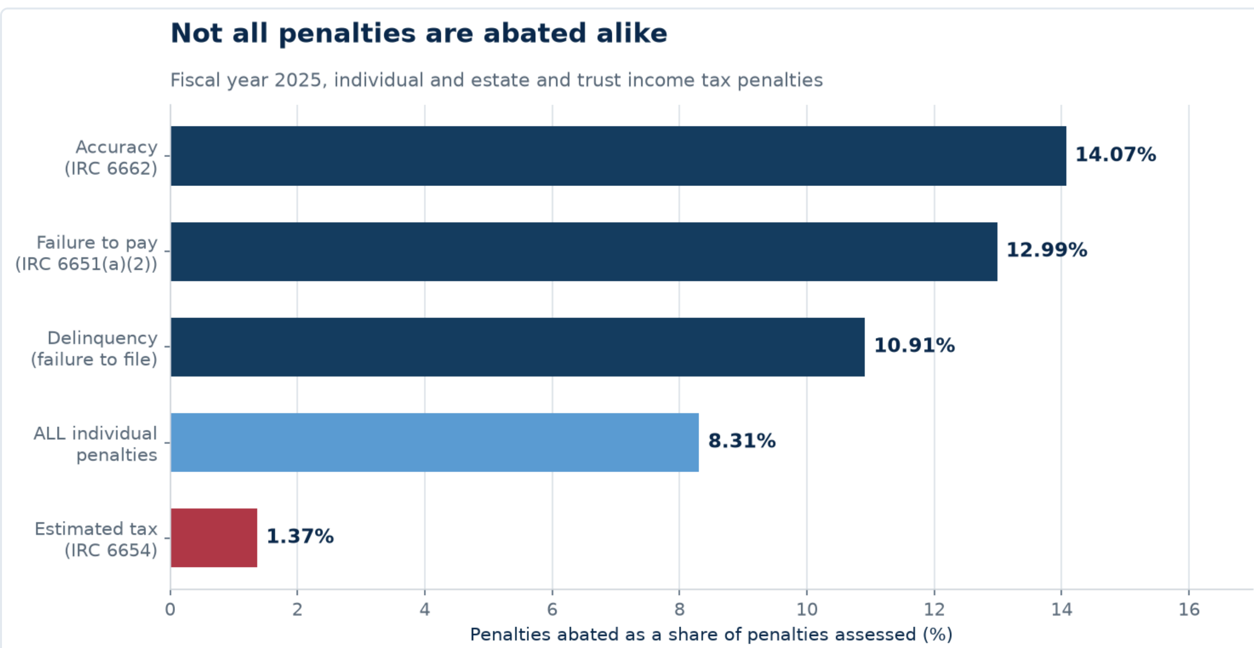

Figure 2. Penalties abated as a share of penalties assessed, by penalty type, fiscal year 2025.

THE ESTIMATED TAX PENALTY

The fastest growing penalty is the one least often reversed

The estimated tax penalty under IRC Section 6654 now accounts for 15,734,656 assessments, or 33.7 percent of all individual civil penalties, and was abated 1.37 percent of the time in fiscal 2025. That is the lowest rate of any major penalty type and roughly one sixth of the individual average.

The structural reason is that the two standard relief routes do not reach it. The IRS states that reasonable cause does not apply to the estimated tax penalty, and First Time Abate covers only failure to file, failure to pay, and failure to deposit. Section 6654 provides narrow waivers for casualty, disaster, or other unusual circumstances, and for taxpayers who retired after reaching age 62 or became disabled.

The exposure has grown quickly. Assessments rose 62.5 percent by count between FY2015 and FY2025, while the dollars assessed rose more than nine times over, from $1.29 billion to $12.06 billion, including a 150.2 percent increase in the single year from FY2024 to FY2025. The average estimated tax penalty went from $133 to $766. The penalty is computed like interest at the underpayment rate under IRC Section 6621, the federal short term rate plus three percentage points, so the same underpayment produces a materially larger penalty when that rate rises.

Figure 3. Estimated tax penalties assessed in dollars (top) and the average estimated tax penalty assessed (bottom), by federal fiscal year.

READING THE NUMBER CORRECTLY

Four defensible rates come from one table

The same FY2025 table supports abatement rates from 8 percent to 97 percent depending on whether penalties or dollars are counted and whether business taxes are included. Published figures that appear to contradict each other are usually reporting different bases from the identical source.

Basis, all from FY2025 Table 4-2	Rate	What it measures
Individual income tax, by count (this report)	**8.31%**	Share of penalties on Form 1040 and 1041 filers reversed
Individual income tax, by dollars	22.70%	Same population weighted by penalty size
All tax types, by count	10.14%	Adds corporate, partnership, employment, excise, estate
All tax types, by dollars	97.06%	Dominated by one employment tax line

The all tax types dollar basis warrants caution. In FY2025 the employment tax line alone shows $1,150.62 billion assessed and $1,149.81 billion abated, against $26.85 billion assessed on that line in FY2024. Those figures appear identically in the machine readable file and the printed Data Book, so they are not a transcription error, but a measure driven by one line behaving that way does not describe what happens to ordinary taxpayers.

An abatement is not a granted request

The 8.3 percent figure is the share of assessed penalties reversed, not the share of relief requests granted. Its denominator includes tens of millions of penalties nobody contested. Its numerator includes abatements requiring no taxpayer request at all: the Data Book states the IRS may abate a penalty for IRS error, reasonable cause, administrative and collection costs not warranting collection, discharge in bankruptcy, and acceptance of partial payment. Reasonable cause is one ground among five, and the Data Book does not publish how many requests are made.

WHAT CHANGES NEXT

FY2025 is the last full year before automatic relief

On July 8, 2026 the IRS announced the Automatic Exemption from Penalty, which replaces First Time Abate. Taxpayers who filed and paid on time for the three prior years, or twelve consecutive quarters, will not be assessed the penalty rather than having to request its removal afterward. It covers failure to file, failure to pay, and failure to deposit penalties, and does not apply to daily delinquency, accuracy related, or information return penalties. Phase in begins in the summer of 2026 for eligible original returns starting with tax year 2025, with full implementation for original returns due on or after January 1, 2027.

Two effects are worth watching in next year's data. First, whether the failure to pay abatement rate falls as relief moves from after the fact abatement to prevention at assessment, since a penalty never assessed never appears in the abated column. Second, whether the estimated tax penalty gap widens, because the new exemption does not reach it.

Methodology. Tax Expert Today extracted the individual and estate and trust income taxes block from the civil penalties assessed and abated table in eleven consecutive editions of the IRS Data Book, Publication 55-B, covering fiscal years 2015 through 2025. The table appears as Table 17 in the FY2015 through FY2018 editions, Table 26 in FY2019 through FY2022, Table 28 in FY2023 and FY2024, and Table 4-2 in FY2025; each table number and fiscal year was read from the source file itself rather than inferred. This table reports a single fiscal year per edition, so no overlapping year cross check is available within the series. In its place the machine readable file was checked against the same table as typeset in the printed Data Book for four editions spanning the series (FY2015, FY2019, FY2023, FY2025). All counts matched exactly; two FY2019 dollar values differed by $1 thousand on figures of $14.2 billion and $2.2 billion, affecting no published figure. Abatement rates divide abatements recorded in a fiscal year by assessments recorded in the same fiscal year; both are recorded in the year they occur regardless of the tax year to which the penalty applies. A corroboration sweep of the National Taxpayer Advocate 2025 Annual Report to Congress, TIGTA, and GAO found no competing published figure for this measure. All source files, extraction scripts, and a workpaper mapping every published figure to its source and calculation are retained and available on request. The verified series is downloadable at taxexperttoday.com and may be reused with attribution.

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