

## **Also Referred to as Internal Revenue Code Section 6672; I.R.C. § 6672; Section 6672; Trust Fund Recovery Penalty**

**Background.** In certain instances, the Internal Revenue Code (the “**Code**”) requires persons to withhold certain taxes (*e.g.*, excise or employment) on the government’s behalf and then remit those same taxes to the government. In this manner, the person acts similar to a fiduciary on behalf of the government until such amounts are paid in full. A person’s failure to pay the government can result in so-called “trust fund recovery penalties.”

### **Additional Freeman Law Analysis.**

#### **[The Basics of the Trust Fund Recovery Penalty](#)**

#### **[Understanding Trust Fund Penalty Liability](#)**

#### **[Tax Court Determines § 6672 Penalties are Penalties Subject to § 6751\(b\) Requirements](#)**

#### **[TIGTA Finds IRS Faults in Trust Fund Recovery Penalty Appeals](#)**

#### **[“Extreme Personal Hardship” Doesn’t Excuse Trust Fund Recovery Penalties](#)**

### **Full Statutory Text**

#### **a. General Rule.**

Any person required to collect, truthfully account for, and pay over any tax imposed by this title who willfully fails to collect such tax, or truthfully account for and pay over such tax, or willfully attempts in any manner to evade or defeat any such tax or the payment thereof, shall, in addition to other penalties provided by law, be liable to a penalty equal to the total amount of the tax evaded, or not collected, or not accounted for and paid over. No penalty shall be imposed under section 6653 or part II of subchapter A of chapter 68 for any offense to which this section is applicable.

#### **b. Preliminary Notice Requirement.**

##### **1. In General.**

No penalty shall be imposed under subsection (a) unless the Secretary notifies the taxpayer in writing by mail to an address as determined under section 6212(b) or in person that the taxpayer shall be subject to an assessment of such penalty.

##### **2. Timing of Notice.**

The mailing of the notice described in paragraph (1) (or, in the case of such a notice delivered in person, such delivery) shall precede any notice and demand of any penalty under subsection (a) by at least 60 days.

### 3. Statute of Limitations.

If a notice described in paragraph (1) with respect to any penalty is mailed or delivered in person before the expiration of the period provided by section 6501 for the assessment of such penalty (determined without regard to this paragraph), the period provided by such section for the assessment of such penalty shall not expire before the later of—

- A. the date 90 days after the date on which such notice was mailed or delivered in person, or
- B. if there is a timely protest of the proposed assessment, the date 30 days after the Secretary makes a final administrative determination with respect to such protest.

### 4. Exception for Jeopardy.

This subsection shall not apply if the Secretary finds that the collection of the penalty is in jeopardy.

#### c. Extension of Period of Collection Where Bond is Filed.

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##### 1. In General.

If, within 30 days after the day on which notice and demand of any penalty under subsection (a) is made against any person, such person –

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- A. pays an amount which is not less than the minimum amount required to commence a proceeding in court with respect to his liability for such penalty,
- B. files a claim for refund of the amount so paid, and
- C. furnishes a bond which meets the requirements of paragraph (3),

no levy or proceeding in court for the collection of the remainder of such penalty shall be made, begun, or prosecuted until a final resolution of a proceeding begun as provided in paragraph (2). Notwithstanding the provisions of section 7421(a), the beginning of such proceeding or levy during the time such prohibition is in force may be enjoined by a proceeding in the proper court. Nothing in this paragraph shall be construed to prohibit any counterclaim for the remainder of such penalty in a proceeding begun as provided in paragraph (2).

##### 2. Suit Must be Brought to Determine Liability for Penalty.

If, within 30 days after the day on which his claim for refund with respect to any penalty under subsection (a) is denied, the person described in paragraph (1) fails to begin a proceeding in the appropriate United States district court (or in the Court of Federal Claims) for the determination

of his liability for such penalty, paragraph (1) shall cease to apply with respect to such penalty, effective on the day following the close of the 30-day period referred to in this paragraph.

### **3. Bond.**

The bond referred to in paragraph (1) shall be in such for and with such sureties as the Secretary may be regulations prescribe and shall be in an amount equal to 1 ½ times the amount of excess of the penalty assessed over the payment described in paragraph (1).

### **4. Suspension of Running of Period of Limitations on Collection.**

The running of the period of limitations provided in section 6502 on the collection by levy or by a proceeding in court in respect of any penalty described in paragraph (1) shall be suspended for the period during which the Secretary is prohibited from collecting by levy or a proceeding in court.

### **5. Jeopardy Collection.**

If the Secretary makes a finding that the collection of the penalty is in jeopardy, nothing in this subsection shall prevent the immediate collection of such penalty.

#### **d. Right of Contribution Where More than 1 Person Liable for Penalty.**

If more than 1 person is liable for the penalty under subsection (a) with respect to any tax, each person who paid such penalty shall be entitled to recover from other persons who are liable for such penalty an amount equal to the excess of the amount paid by such person over such person's proportionate share of the penalty. Any claim for such a recovery may be made only in a proceeding which is separate from, and is not joined or consolidated with—

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  1. an action for collection of such penalty brought by the United States, or
  2. a proceeding in which the United States files a counterclaim or third-party complaint for the collection of such penalty.

#### **e. Exception for Voluntary Board Members of Tax-Exempt Organizations.**

No penalty shall be imposed by subsection (a) on any unpaid, volunteer member of any board of trustees or directors of an organization exempt from tax under subtitle A if such member—

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  1. is solely serving in an honorary capacity,
  2. does not participate in the day-to-day or financial operations of the organization, and
  3. does not have actual knowledge of the failure on which such penalty is imposed.

The preceding sentence shall not apply if it results in no person being liable for the penalty imposed by subsection (a).

**Trust Fund Recovery Penalty IRS Examinations, Appeals and Litigation.**

Freeman Law represents clients across the United States in all aspects of trust fund recovery penalty determinations, including IRS examinations, Appeals, and litigation. Our team of attorneys has extensive experience in successfully contesting assertions of trust fund recovery liability.