

## EFFECTIVE DATE OF 2020 AMENDMENT

Amendment by Pub. L. 116-260 applicable to taxable years beginning after Dec. 31, 2020, see section 212(d) of div. EE of Pub. L. 116-260, set out as a note under section 62 of this title.

## EFFECTIVE DATE OF 2018 AMENDMENT

Amendment by section 101(a)(2)(A) of Pub. L. 115-141 effective as if included in section 11011 of Pub. L. 115-97, see section 101(d) of Pub. L. 115-141, set out as a note under section 62 of this title.

Pub. L. 115-141, div. U, title I, §104(c), Mar. 23, 2018, 132 Stat. 1170, provided that: “The amendments made by this section [amending this section and section 9503 of this title] shall take effect as if included in the provision of the Surface Transportation and Veterans Health Care Choice Improvement Act of 2015 [Pub. L. 114-41] to which they relate.”

## EFFECTIVE DATE OF 2017 AMENDMENT

Amendment by Pub. L. 115-97 applicable to taxable years beginning after Dec. 31, 2017, see section 11011(e) of Pub. L. 115-97, set out as a note under section 62 of this title.

## EFFECTIVE DATE OF 2015 AMENDMENT

Amendment by Pub. L. 114-41 applicable to property with respect to which an estate tax return is filed after July 31, 2015, see section 2004(d) of Pub. L. 114-41, set out as a note under section 1014 of this title.

## EFFECTIVE DATE OF 2014 AMENDMENT

Pub. L. 113-295, div. A, title II, §208(b), Dec. 19, 2014, 128 Stat. 4028, provided that: “The amendment made by this section [amending this section] shall take effect as if included in the provision of the Hiring Incentives to Restore Employment Act [Pub. L. 111-147] to which it relates.”

## EFFECTIVE DATE OF 2010 AMENDMENT

Pub. L. 111-152, title I, §1409(e), Mar. 30, 2010, 124 Stat. 1070, provided that:

“(1) IN GENERAL.—Except as otherwise provided in this subsection, the amendments made by this section [amending this section and sections 6662A, 6664, 6676, and 7701 of this title] shall apply to transactions entered into after the date of the enactment of this Act [Mar. 30, 2010].

“(2) UNDERPAYMENTS.—The amendments made by subsections (b) and (c)(1) [amending this section and sections 6662A and 6664 of this title] shall apply to underpayments attributable to transactions entered into after the date of the enactment of this Act.

“(3) UNDERSTATEMENTS.—The amendments made by subsection (c)(2) [amending section 6664 of this title] shall apply to understatements attributable to transactions entered into after the date of the enactment of this Act.

“(4) REFUNDS AND CREDITS.—The amendment made by subsection (d) [amending section 6676 of this title] shall apply to refunds and credits attributable to transactions entered into after the date of the enactment of this Act.”

Pub. L. 111-147, title V, §512(b), Mar. 18, 2010, 124 Stat. 111, provided that: “The amendments made by this section [amending this section] shall apply to taxable years beginning after the date of the enactment of this Act [Mar. 18, 2010].”

## EFFECTIVE DATE OF 2006 AMENDMENT

Amendment by Pub. L. 109-280 applicable to returns filed after Aug. 17, 2006, with special rule for certain easements, see section 1219(e)(1), (3) of Pub. L. 109-280, set out as a note under section 170 of this title.

## EFFECTIVE DATE OF 2005 AMENDMENT

Amendment by section 403(x)(1) of Pub. L. 109-135 effective as if included in the provision of the American

Jobs Creation Act of 2004, Pub. L. 108-357, to which such amendment relates, see section 403(nn) of Pub. L. 109-135, set out as a note under section 26 of this title.

## EFFECTIVE DATE OF 2004 AMENDMENT

Pub. L. 108-357, title VIII, §812(f), Oct. 22, 2004, 118 Stat. 1580, as amended by Pub. L. 109-135, title IV, §403(x)(3), Dec. 21, 2005, 119 Stat. 2629, provided that:

“(1) IN GENERAL.—Except as provided in paragraph (2), the amendments made by this section [enacting section 6662A of this title and amending this section and section 6664 of this title] shall apply to taxable years ending after the date of the enactment of this Act [Oct. 22, 2004].

“(2) DISQUALIFIED OPINIONS.—Section 6664(d)(3)(B) of the Internal Revenue Code of 1986 [now section 6664(d)(4)(B)] (as added by subsection (c)) shall not apply to the opinion of a tax advisor if—

“(A) the opinion was provided to the taxpayer before the date of the enactment of this Act,

“(B) the opinion relates to one or more transactions all of which were entered into before such date, and

“(C) the tax treatment of items relating to each such transaction was included on a return or statement filed by the taxpayer before such date.”

Pub. L. 108-357, title VIII, §819(c), Oct. 22, 2004, 118 Stat. 1585, provided that: “The amendments made by this section [amending this section] shall apply to taxable years beginning after the date of the enactment of this Act [Oct. 22, 2004].”

## EFFECTIVE DATE OF 1997 AMENDMENT

Amendment by Pub. L. 105-34 applicable to items with respect to transactions entered into after Aug. 5, 1997, see section 1028(e)(2) of Pub. L. 105-34, set out as a note under section 6111 of this title.

## EFFECTIVE DATE OF 1994 AMENDMENT

Pub. L. 103-465, title VII, §744(c), Dec. 8, 1994, 108 Stat. 5011, provided that: “The amendments made by this section [amending this section] shall apply to items related to transactions occurring after the date of the enactment of this Act [Dec. 8, 1994].”

## EFFECTIVE DATE OF 1993 AMENDMENT

Pub. L. 103-66, title XIII, §13236(e), Aug. 10, 1993, 107 Stat. 506, provided that: “The amendments made by this section [amending this section] shall apply to taxable years beginning after December 31, 1993.”

Pub. L. 103-66, title XIII, §13251(b), Aug. 10, 1993, 107 Stat. 531, provided that: “The amendment made by this section [amending this section] shall apply to returns the due dates for which (determined without regard to extensions) are after December 31, 1993.”

## EFFECTIVE DATE OF 1990 AMENDMENT

Pub. L. 101-508, title XI, §11312(c), Nov. 5, 1990, 104 Stat. 1388-455, provided that: “The amendments made by this section [amending this section] shall apply to taxable years ending after the date of the enactment of this Act [Nov. 5, 1990].”

## EFFECTIVE DATE

Section applicable to returns the due date for which (determined without regard to extensions) is after Dec. 31, 1989, see section 7721(d) of Pub. L. 101-239, set out as an Effective Date of 1989 Amendment note under section 461 of this title.

**§ 6662A. Imposition of accuracy-related penalty on understatements with respect to reportable transactions**

**(a) Imposition of penalty**

If a taxpayer has a reportable transaction understatement for any taxable year, there shall be added to the tax an amount equal to 20 percent of the amount of such understatement.

**(b) Reportable transaction understatement**

For purposes of this section—

**(1) In general**

The term “reportable transaction understatement” means the sum of—

(A) the product of—

(i) the amount of the increase (if any) in taxable income which results from a difference between the proper tax treatment of an item to which this section applies and the taxpayer’s treatment of such item (as shown on the taxpayer’s return of tax), and

(ii) the highest rate of tax imposed by section 1 (section 11 in the case of a taxpayer which is a corporation), and

(B) the amount of the decrease (if any) in the aggregate amount of credits determined under subtitle A which results from a difference between the taxpayer’s treatment of an item to which this section applies (as shown on the taxpayer’s return of tax) and the proper tax treatment of such item.

For purposes of subparagraph (A), any reduction of the excess of deductions allowed for the taxable year over gross income for such year, and any reduction in the amount of capital losses which would (without regard to section 1211) be allowed for such year, shall be treated as an increase in taxable income.

**(2) Items to which section applies**

This section shall apply to any item which is attributable to—

(A) any listed transaction, and

(B) any reportable transaction (other than a listed transaction) if a significant purpose of such transaction is the avoidance or evasion of Federal income tax.

**(c) Higher penalty for nondisclosed listed and other avoidance transactions**

Subsection (a) shall be applied by substituting “30 percent” for “20 percent” with respect to the portion of any reportable transaction understatement with respect to which the requirement of section 6664(d)(3)(A) is not met.

**(d) Definitions of reportable and listed transactions**

For purposes of this section, the terms “reportable transaction” and “listed transaction” have the respective meanings given to such terms by section 6707A(c).

**(e) Special rules****(1) Coordination with penalties, etc., on other understatements**

In the case of an understatement (as defined in section 6662(d)(2))—

(A) the amount of such understatement (determined without regard to this paragraph) shall be increased by the aggregate amount of reportable transaction understatements for purposes of determining whether such understatement is a substantial understatement under section 6662(d)(1), and

(B) the addition to tax under section 6662(a) shall apply only to the excess of the

amount of the substantial understatement (if any) after the application of subparagraph (A) over the aggregate amount of reportable transaction understatements.

**(2) Coordination with other penalties****(A) Coordination with fraud penalty**

This section shall not apply to any portion of an understatement on which a penalty is imposed under section 6663.

**(B) Coordination with certain increased underpayment penalties**

This section shall not apply to any portion of an understatement on which a penalty is imposed under section 6662 if the rate of the penalty is determined under subsections (h) or (i) of section 6662.

**(3) Special rule for amended returns**

Except as provided in regulations, in no event shall any tax treatment included with an amendment or supplement to a return of tax be taken into account in determining the amount of any reportable transaction understatement if the amendment or supplement is filed after the earlier of the date the taxpayer is first contacted by the Secretary regarding the examination of the return or such other date as is specified by the Secretary.

(Added Pub. L. 108-357, title VIII, § 812(a), Oct. 22, 2004, 118 Stat. 1577; amended Pub. L. 109-135, title IV, § 403(x)(2), Dec. 21, 2005, 119 Stat. 2629; Pub. L. 111-152, title I, § 1409(b)(3), Mar. 30, 2010, 124 Stat. 1069; Pub. L. 113-295, div. A, title II, § 220(w), Dec. 19, 2014, 128 Stat. 4036.)

**Editorial Notes****CODIFICATION**

Section 1409(b)(3) of Pub. L. 111-152, which directed the amendment of section 6662A without specifying the act to be amended, was executed to this section, which is section 6662A of the Internal Revenue Code of 1986, to reflect the probable intent of Congress. See 2010 Amendment note below.

**AMENDMENTS**

2014—Subsec. (c). Pub. L. 113-295 substituted “section 6664(d)(3)(A)” for “section 6664(d)(2)(A)”.

2010—Subsec. (e)(2)(B). Pub. L. 111-152 substituted “certain increased underpayment penalties” for “gross valuation misstatement penalty” in heading and “subsections (h) or (i) of section 6662” for “section 6662(h)” in text. See Codification note above.

2005—Subsec. (e)(2). Pub. L. 109-135 reenacted heading without change and amended text generally. Prior to amendment, text read as follows:

“(A) APPLICATION OF FRAUD PENALTY.—References to an underpayment in section 6663 shall be treated as including references to a reportable transaction understatement.

“(B) NO DOUBLE PENALTY.—This section shall not apply to any portion of an understatement on which a penalty is imposed under section 6663.

**(C) COORDINATION WITH VALUATION PENALTIES.—**

“(i) SECTION 6662(e).—Section 6662(e) shall not apply to any portion of an understatement on which a penalty is imposed under this section.

“(ii) SECTION 6662(h).—This section shall not apply to any portion of an understatement on which a penalty is imposed under section 6662(h).”

**Statutory Notes and Related Subsidiaries****EFFECTIVE DATE OF 2010 AMENDMENT**

Amendment by Pub. L. 111-152 applicable to underpayments attributable to transactions entered into

after Mar. 30, 2010, see section 1409(e)(2) of Pub. L. 111-152, set out as a note under section 6662 of this title.

#### EFFECTIVE DATE OF 2005 AMENDMENT

Amendment by Pub. L. 109-135 effective as if included in the provision of the American Jobs Creation Act of 2004, Pub. L. 108-357, to which such amendment relates, see section 403(nn) of Pub. L. 109-135, set out as a note under section 26 of this title.

#### EFFECTIVE DATE

Section applicable to taxable years ending after Oct. 22, 2004, see section 812(f) of Pub. L. 108-357, set out as an Effective Date of 2004 Amendment note under section 6662 of this title.

#### REPORT ON TAX SHELTER PENALTIES AND CERTAIN OTHER ENFORCEMENT ACTIONS

Pub. L. 111-240, title II, §2103, Sept. 27, 2010, 124 Stat. 2564, provided that:

“(a) IN GENERAL.—The Commissioner of Internal Revenue, in consultation with the Secretary of the Treasury, shall submit to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate an annual report on the penalties assessed by the Internal Revenue Service during the preceding year under each of the following provisions of the Internal Revenue Code of 1986:

“(1) Section 6662A (relating to accuracy-related penalty on understatements with respect to reportable transactions).

“(2) Section 6700(a) (relating to promoting abusive tax shelters).

“(3) Section 6707 (relating to failure to furnish information regarding reportable transactions).

“(4) Section 6707A (relating to failure to include reportable transaction information with return).

“(5) Section 6708 (relating to failure to maintain lists of advisees with respect to reportable transactions).

“(b) ADDITIONAL INFORMATION.—The report required under subsection (a) shall also include information on the following with respect to each year:

“(1) Any action taken under section 330(b) [now 330(c)] of title 31, United States Code, with respect to any reportable transaction (as defined in section 6707A(c) of the Internal Revenue Code of 1986).

“(2) Any extension of the time for assessment of tax enforced, or assessment of any amount under such an extension, under paragraph (10) of section 6501(c) of the Internal Revenue Code of 1986.

“(c) DATE OF REPORT.—The first report required under subsection (a) shall be submitted not later than December 31, 2010.”

### § 6663. Imposition of fraud penalty

#### (a) Imposition of penalty

If any part of any underpayment of tax required to be shown on a return is due to fraud, there shall be added to the tax an amount equal to 75 percent of the portion of the underpayment which is attributable to fraud.

#### (b) Determination of portion attributable to fraud

If the Secretary establishes that any portion of an underpayment is attributable to fraud, the entire underpayment shall be treated as attributable to fraud, except with respect to any portion of the underpayment which the taxpayer establishes (by a preponderance of the evidence) is not attributable to fraud.

#### (c) Special rule for joint returns

In the case of a joint return, this section shall not apply with respect to a spouse unless some

part of the underpayment is due to the fraud of such spouse.

(Added Pub. L. 101-239, title VII, §7721(a), Dec. 19, 1989, 103 Stat. 2397.)

#### Statutory Notes and Related Subsidiaries

##### EFFECTIVE DATE

Section applicable to returns the due date for which (determined without regard to extensions) is after Dec. 31, 1989, see section 7721(d) of Pub. L. 101-239, set out as an Effective Date of 1989 Amendment note under section 461 of this title.

### § 6664. Definitions and special rules

#### (a) Underpayment

For purposes of this part, the term “underpayment” means the amount by which any tax imposed by this title exceeds the excess of—

(1) the sum of—

(A) the amount shown as the tax by the taxpayer on his return, plus

(B) amounts not so shown previously assessed (or collected without assessment), over

(2) the amount of rebates made.

For purposes of paragraph (2), the term “rebate” means so much of an abatement, credit, refund, or other repayment, as was made on the ground that the tax imposed was less than the excess of the amount specified in paragraph (1) over the rebates previously made. A rule similar to the rule of section 6211(b)(4) shall apply for purposes of this subsection.

#### (b) Penalties applicable only where return filed

The penalties provided in this part shall apply only in cases where a return of tax is filed (other than a return prepared by the Secretary under the authority of section 6020(b)).

#### (c) Reasonable cause exception for underpayments

##### (1) In general

No penalty shall be imposed under section 6662 or 6663 with respect to any portion of an underpayment if it is shown that there was a reasonable cause for such portion and that the taxpayer acted in good faith with respect to such portion.

##### (2) Exception

Paragraph (1) shall not apply to any portion of an underpayment which is attributable to one or more transactions described in section 6662(b)(6) or to any disallowance of a deduction described in section 6662(b)(10).

##### (3) Special rule for certain valuation overstatements

In the case of any underpayment attributable to a substantial or gross valuation overstatement under chapter 1 with respect to charitable deduction property, paragraph (1) shall not apply. The preceding sentence shall not apply to a substantial valuation overstatement under chapter 1 if—

(A) the claimed value of the property was based on a qualified appraisal made by a qualified appraiser, and

(B) in addition to obtaining such appraisal, the taxpayer made a good faith investiga-