

IRS Explains Safe Harbor For De Minimis Errors On Information Returns And Statements

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Now that January 31st has passed, it is worth noting that the IRS recently issued proposed regulations providing for a de minimis error safe harbor exception to penalties for failing to provide accurate statements or information returns, such as Forms W-2 or 1099.

Generally, penalties apply when an employer files a Form W-2 or 1099 (or other statement or return) late, or files it with inaccurate information. Under this de minimis safe harbor, an error on an information return or statement need not be corrected, and is not subject to penalty, where the error relates to an incorrect dollar amount that does not differ from the accurate amount by more than \$100 (or \$25 in the case of an error with respect to the amount of tax withheld).

The safe harbor is not available where the error results from intentional disregard of the requirement to provide correct information, filing the statement untimely, or where the payee elects to receive a corrected statement.

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