12 CHAPTER: PENALTY AND INTEREST CALCULATOR

12.1 Overview

This chapter describes how to use the Penalty and Interest Calculator. The calculator is a tool used to calculate the penalty and interest that a taxpayer would owe for a given tax account period. Any calculations performed are informational only and are not posted to the taxpayer's tax account period. Penalty and Interest calculations can be performed for Individual, Fiduciary, and Corporate Income taxes. The Penalty and Interest Calculator has a separate tab for 760C charges.

12.2 Penalty and Interest Calculator

The Penalty and Interest amounts calculated will depend on the information entered for each of the following variables:

- Specific tax type

- The submitted date of the return

- Due date of the filing period

- Penalty and interest effective date

- The amount of the tax liability

- The amount of tax due

- Payment information

Once all the desired information is entered, IRMS verifies the information and calculates penalty and interest. If required information is missing or incorrect, the system will prompt you to re-enter or correct specific entries.

P & I Calculator Window

The illustration below is the Penalty and Interest Calculator window with the P & I Calculator window visible.

P & I Calculator Window Fields

The table below lists the fields on the Penalty and Interest Calculator window, and provides a brief description of each.

Field	Field Type	Description
Tax Type	Required	A list containing the available Tax Types.
Due Date	Required	The date the tax is due. The date format is MM/DD/YYYY.
Extended Due Date	System Generated	The date the customer must file a return. The system will calculate it by adding six months to the original Due Date of the return. The date format is MM/DD/YYYY.
Submitted Date	Required	The date the return was submitted. If it was submitted electronically, it is the submission date. For a mailed return, it is the postmarked date. If hand carried to TAX, it is the hand stamped date. If the date entered is before the Due Date, the system will change the Submitted Date to the Due Date. The date format is MM/DD/YYYY.

Field	Field Type	Description
Assessment Date	Required	The date the penalty and interest are calculated through. This date must be later than the tax account period due date. This is the date the bill is to be sent to the customer. The date format is MM/DD/YYYY.
Tax Liability	Required	The amount of tax owed prior to deducting withholding, estimated, or extension payments or credits claimed by the taxpayer. The amount cannot be zero or a negative number.
Tax Due	Optional	The tax owed with the return, prior to any adjustment for penalties, interest, or C charges and for contributions and consumer use.
Additional Tax	Optional	A supplementary tax assessment for liability above what the customer claimed was owed. This includes the decrease in overpayment as well as the increase in tax liability.
760C/760F/500C	Optional	A charge imposed for underpayment of estimated tax for the period.
Payment Date	Conditionally Required	Required if Payment Amount is entered. Multiple payment dates can be added. Dates can be updated and deleted. The Payment Date must either be the same as the Submitted Date (for a return payment received with the return) or after the Assessment Date. The date format is MM/DD/YYYY.
Payment Amount	Conditionally Required	Required if a Date is entered. The return payment amount cannot exceed the sum of the Tax Due, Additional Tax (ATAX), and 760C/760F/500C charges. If multiple payments are received with the return enter them as one payment amount. Multiple amounts can be added for payments received after the assessment date. Amounts can be updated and deleted.
Payment Date	System Generated	Displayed date of payment(s) when the Date in the Payment Information section has been entered.
Payment Amount	System Generated	Displayed amount of payment(s) when the Amount in the Payment Information section has been entered.

Field	Field Type	Description
Penalty and Interest Effective Date(s)	Conditionally Required	Date for which the penalty and interest should be calculated. Multiple penalty and interest dates can be added. Dates can be updated and deleted. The Penalty and Interest Dates must not be the same as a Payment Date. If the Penalty and Interest Date is less than 30 days after the Assessment Date, no further penalty and interest will be calculated. The date format is MM/DD/YYYY.
Outstanding Tax	System Generated	The system will display the amount entered in the Tax Due field after applying any payment entered with a payment date equal to the Submitted Date.
Outstanding ATAX	System Generated	The system will display the amount entered in the Additional Tax field after applying any payment entered with a payment date equal to the Submitted Date.
Outstanding 760C/760F/500C	System Generated	The system will display the amount entered in the 760C/760F/500C field after applying any payment entered with a payment date equal to the Submitted Date.
Extension Penalty	System Generated	The system will display the amount calculated based on the values entered in the Due Date, Submitted Date, Tax Liability, and Tax Due fields.
Late File Penalty	System Generated	The system will display the Late File Penalty amount calculated based on the values entered in the Due Date and Submitted Date fields and the Outstanding Tax value calculated by the system.
Late Pay Penalty	System Generated	The system will display the Late Pay Penalty amount calculated based on the values entered in the Due Date, Submitted Date, Tax Due, and Assessment Date fields and the Outstanding Tax value calculated by the system.
Interest	System Generated	The system will display the amount calculated based on the values entered in the Due Date, Submitted Date, and Assessment Date fields and on the amounts calculated by the system for the Outstanding Tax and ATAX, using the applicable interest rates. An original assessment does not include interest on any penalties or C charges included in the original assessment.

Field	Field Type	Description
Assessment Balance	System Generated	The system will display the Assessment Balance amount calculated based on adding the Outstanding Tax, Outstanding ATAX, and Outstanding 760C/760F/500C, Extension Penalty, Late File Penalty, Late Pay Penalty, and Interest values calculated by the system.
Date	System Generated	The date of the next available Penalty and Interest Effective Date or Payment.
Balance of Assessment	System Generated	The outstanding balance of the original assessment from the previous line or the Original Assessment.
Payment	System Generated	The payment amount if this entry is for a payment.
Outstanding Tax	System Generated	The system will display the amount calculated by subtracting the portion of the payment amount applied to the Outstanding Tax from the previous line or the Original Assessment.
Outstanding ATAX	System Generated	The system will display the amount calculated by subtracting the portion of the payment amount applied to the Outstanding ATAX from the previous line or the Original Assessment.
Outstanding 760C/760F/500C	System Generated	The system will display the amount calculated by subtracting the portion of the payment amount applied to the 760C/760F/500C from the previous line or the Original Assessment.
Extension Penalty	System Generated	The system will display the amount calculated by subtracting the portion of the payment amount applied to the Extension Penalty from the previous line or the Original Assessment.
Late File Penalty	System Generated	The system will display the amount calculated by subtracting the portion of the payment amount applied to the Late File Penalty from the previous line or the Original Assessment.
Late Pay Penalty	System Generated	The system will display the amount calculated by subtracting the portion of the payment amount applied to the Late Pay Penalty from the previous line or the Original Assessment.
Interest	System Generated	The system will display the amount calculated by subtracting the portion of the payment amount applied to the Interest from the previous line or the Original Assessment.

Field	Field Type	Description
Outstanding Original Assessment	System Generated	The system will display the amount calculated by subtracting the payment amount from the Balance of Assessment.
Additional Late Pay Penalty	System Generated	The system will calculate Additional Late Pay Penalty from the Assessment Date or the date of the previous line to the date of the current line.
Additional Interest	System Generated	The system will calculate Additional Interest from the Assessment Date or the date of the previous line to the date of the current line.
Updated Balance	System Generated	The system will display the amount calculated based on adding the Assessment Balance, Additional Late Pay Penalty, and Additional Interest values calculated by the system and subtracting the payment associated with this entry (if applicable).

Calculate Penalty and Interest

To calculate Penalty and Interest for Individual, Fiduciary or Corporate tax types, the following steps are performed:

Step 1: From the IRMS Main window, select **Tax Information: P and I Calculator – Individual/Fiduciary/Corporate**.
The P&I Calculator window opens with the P&I Calculator tab visible.

Step 2: Select the **Tax Type** of the taxpayer from the drop-down list.

Step 3: Change the **Due Date** of the tax account period if it is not May 1 of the current year. Format is MM/DD/YYYY.

Step 4: Enter the **Submitted Date**. Format is MM/DD/YYYY.

Step 5: Change the **Assessment Date** if it should not be today's date. Format is MM/DD/YYYY.

Step 6: Enter the **Tax Liability**.

Step 7: In the **Tax Due** field, enter the amount of tax owed with the return as reported by the taxpayer.

Step 8: In the **Additional Tax (ATAX)** field, enter any additional tax owed as a result of adjustments made to the taxpayer's return.

Step 9: Follow the instructions for the current year's Form 760C, 760F, or 500C to calculate the value to enter in the **760C/760F/500C Charge** field.

Step 10: Enter Payment **Date** and **Amount** in the **Payment Information** section of the screen, and then click **Add** to display it in the Payment Date/Payment Amount box. There should be an entry for any payment received with the return. Or, if you are using the calculator to forecast an original assessment, then there should be an entry for any payment planned to be made with the return.

Note: To update a payment, click the **Payment** in the Payment Date/Payment Amount box and click **Delete**. Then enter a new Date and/or Amount in the Date and/or Amount field(s) and click **Add**. To delete a payment, click the **Payment** in the Payment Date/Payment Amount box, and click **Delete**.

Note: If you enter a **Payment Date** and **Amount** in the Payment Information section of the screen, but do not click **Add**, that information is ignored.

Step 11: If desired, enter a Penalty and Interest Effective **Date** in the **Penalty & Interest Dates** section of the screen, and then click **Add** to display it in the Date box. This is the date through which the system will calculate additional penalty and interest.

Note: To delete a date, click the **Date** in the Date box, and click **Delete**.

Note: If you enter a **Penalty and Interest Effective Date** in the Penalty & Interest Dates section of the screen, but do not click **Add**, that information is ignored.

Step 12: Select **Calculate** to calculate penalty and interest. Calculations will display in the **Original Assessment** section of the window, or select **Clear** to start over.

Step 13: If necessary, you can correct the values you entered and click **Calculate** again.

Note: If there is a payment and a penalty and interest date in the same month, you should add the additional penalty and interest amounts together to get the total for that period. In

the example above, the August bill to the taxpayer should include a Late Pay Penalty of $36.00 and Interest of 6.40.

Step 14: Click **Close** to exit the window and return to the IRMS Main window.

12.3 Penalty & Interest Calculator – 760C

The penalty and interest calculator allows for online calculation of the additional charge owed by individuals, estates, or trusts due to the underpayment of estimated tax. The calculator can be used to see how the 760C charges are calculated. The 760C charge that is calculated is not posted to a tax account period. A detail window is also available for you to view the details of the calculation.

760C Tab

The illustration below is the Penalty & Interest Calculator window when the 760C tab is selected.

760C Tab Fields

The table below lists the fields on the 760C tab of the Penalty & Interest Calculator window and provides a brief description of each.

Field	Field Type	Description
Period Type	Required	Indicates if the tax period is Fiscal or Calendar.
Tax Year	Required	The tax year used for the 760C calculation. Format is YYYY.

Field	Field Type	Description
Fiscal End Month	Conditionally Required	Month when the fiscal year ends. Required if Period Type is Fiscal. Format is MM.
Current Year Liability Amount	Required	The dollar amount of tax liability for the current year after subtracting credits. This amount cannot be zero or a negative amount.
Current Year Withholding Amount	Required	The dollar amount of tax withheld during the current year.
Prior Year Liability Amount	Optional	The dollar amount of tax liability for the previous year after subtracting credits.
Resource/Payment Type	Required	Indicates if the resource is an Estimated Payment (default), Return Payment, Miscellaneous Payment or an Overpayment Credit Approval.
Submitted Date	Conditionally Required	The date a payment was submitted. Inactive if Resource/Payment type is Overpayment Credit Approval. Format is MM/DD/YYYY.
Amount	Required	Indicates the dollar amount of the resource/payment.
Quarter	Conditionally Required	Indicates the quarter to which the estimated payment is applied. Only active if Resource/Payment Type is Estimated Payment.
Resource/Payment Type	System Generated	Displays the value selected in the Resource/Payment Type field when the Add button is clicked.
Quarter	System Generated	Displays the value selected in the Quarter field when the Add button is clicked.
Submitted Date	System Generated	Displays the value entered in the Submitted Date field when the Add button is clicked.
Amount	System Generated	Displays the value entered in the Amount field when the Add button is clicked.
Calculated 760C Charge	System Generated	Total 760C charge as calculated by the system after required information is entered.

Penalty and Interest Calculator – 760C Tab – Detail Window

The illustration below is the 760C Detail window accessed from the 760C tab on the Penalty and Interest Calculator window.

Penalty and Interest Calculator – 760C Detail Fields

The table below identifies the fields on the Penalty and Interest Calculator-760C Detail window. All fields are display only.

Field	Field Type	Description
Addition to Tax – 760C Charge	System Generated	Dollar amount of the 760C charge.
100% Prior Year Liability	System Generated	Dollar amount of tax liability from the previous tax year.
90% Current Year Liability	System Generated	Dollar amount of 90% of the current tax year liability.
Quarter Due Date	System Generated	Date when estimated payments are due for the quarter (shown for all four quarters).
Tax Liability	System Generated	Dollar amount of tax liability (shown by quarter).
Timely Est. Payments and/or WH	System Generated	Total dollar amount of estimated payments and/or withholdings (shown by quarter).
Overpayment Credit Applied	System Generated	Dollar amount of overpayment, if any (shown by quarter).
Underpayment/ Overpayment	System Generated	Balance of Tax Liability less timely estimated payments and/or withholdings and overpayment credits applied (shown by quarter).
Other Payments	System Generated	Total dollar amount of any other payments received (shown by quarter).

Field	Field Type	Description
Total Underpayment/ Overpayment	System Generated	Total dollar amount of the underpayment or overpayment (shown by quarter).
Total Underpayment Paid	System Generated	Total dollar amount of a payment (each payment listed separately; shown by quarter).
Date Paid	System Generated	Date payment was made (each payment listed separately; shown by quarter).
Days Late	System Generated	Number of days the payment was late (each payment listed separately; shown by quarter).
Days Late x Interest Rate	System Generated	Number of days the payment was late multiplied by the daily interest rate (each payment listed separately; shown by quarter).
Addition to Tax – 760C Charge	System Generated	Total dollar amount of the 760C charge (each payment listed separately; shown by quarter).

Calculate 760C Charge

To calculate the 760C charge, the following steps are performed.

Step 1: From the IRMS Main window, select **Tax Information: P&I Calculator – Individual/Fiduciary/Corporate**.
The P&I Calculator window opens with the P&I Calculator tab visible

Step 2: Click on the **760C** tab.
The fields on the 760C tab display.

Step 3: Select the **Period Type** from the list.

Step 4: Enter the **Tax Year**. Format is YYYY.

Step 5: Enter the **Fiscal End Month,** if the Period Type is Fiscal. Format is MM.

Step 6: Enter the **Current Year Liability Amount**. If a comparison to the prior year is necessary, enter the **Prior Year Liability Amount**.

Step 7: Enter the **Current Year Withholding Amount**.

Step 8: Select **Resource/Payment Type** from the list. If the resource type is Estimated Payment, then select the **Quarter** from the list.

Step 9: Enter the **Amount** of the resource.

Step 10: Enter the **Submitted Date**, if the resource type is a payment. Format is MM/DD/YYYY.

Step 11: Click **Add**. This copies the Resource/Payment Information into a line on the list at the bottom of the window.

Step 12: Repeat steps 8 through 11 until all resources are entered.

Step 13: To modify an existing line, double-click the line. This copies the information from the line into the Resource/Payment Information fields. Make any necessary changes, and click **Update** to save the modifications. To delete an existing line, select the line and click **Delete**.

Step 14: Click **Calculate** to calculate the 760C charge, or click **Clear** to clear the current values from the window and re-calculate the 760C charge.

Step 15: Click **Detail**, if desired, to open the 760C Detail window and review details about the calculation of the 760C charge.

Step 16: Click **Close** to exit the window.
You are returned to the 760C tab on the Penalty and Interest window.

Step 17: Click **Close** to exit the window and return to the IRMS Main window.