

Internal Revenue Service, Treasury

§ 301.6651-1

(e) *Effective date.* Section 6621(c) and this section are effective for determining interest for periods after December 31, 1990, regardless of the taxable period to which the underlying tax may relate and even if the applicable date is prior to December 31, 1990.

[T.D. 8447, 57 FR 53554, Nov. 12, 1992; 57 FR 60846, Dec. 22, 1992]

§ 301.6622-1 Interest compounded daily.

(a) *General rule.* Effective for interest accruing after December 31, 1982, in computing the amount of any interest required to be paid under the Internal Revenue Code of 1954 or sections 1961(c)(1) or 2411 of title 28, United States Code, by the Commissioner or by the taxpayer, or in computing any other amount determined by reference to such amount of interest, or by reference to the interest rate established under section 6621, such interest or such other amount shall be compounded daily by dividing such rate of interest by 365 (366 in a leap year) and compounding such daily interest rate each day.

(b) *Exception.* Paragraph (a) of this section shall not apply for purposes of determining the amount of any addition to tax under sections 6654 or 6655 (relating to failure to pay estimated income tax).

(c) *Applicability to unpaid amounts on December 31, 1982—(1) In general.* The unpaid interest (or other amount) that shall be compounded daily includes the interest (or other amount) accrued but unpaid on December 31, 1982.

(2) *Illustration.* The provisions of this (c) may be illustrated by the following example.

Example. Individual A files a tax return for calendar year 1981 on April 15, 1982, showing a tax due of \$10,000. A pays \$10,000 on December 31, 1982, but A does not pay any interest with respect to this underpayment until March 1, 1983, on which date A paid all amounts of interest with respect to the \$10,000 underpayment of tax. On December 31, 1982, A's unsatisfied interest liability was \$1,424.66 ($\$10,000 \times 20 \text{ percent} \times 260/365 \text{ days}$). Interest, compounded daily, accrues on this unsatisfied interest obligation beginning on January 1, 1983, until March 1, 1983, the date the total interest obligation is satisfied. On March 1, 1983, the total interest obligation is \$1,462.62, computed as follows:

Item	Amount
Unpaid tax at December 31, 1982	0
Unpaid interest at December 31, 1982	\$1,424.66
Total unsatisfied obligation at December 31, 1982	
Interest from December 31, 1982, to March 1, 1983, at 16 percent per year compounded daily	37.96
Total due, March 1, 1983	1,462.62

[T.D. 7907, 48 FR 38231, Aug. 23, 1983]

Additions to the Tax, Additional Amounts, and Assessable Penalties

Additions to the Tax and Additional Amounts

§ 301.6651-1 Failure to file tax return or to pay tax.

(a) *Addition to the tax—(1) Failure to file tax return.* In case of failure to file a return required under authority of—

(i) Subchapter A, chapter 61 of the Code, relating to returns and records (other than sections 6015 and 6016, relating to declarations of estimated tax, and part III thereof, relating to information returns);

(ii) Subchapter A, chapter 51 of the Code, relating to distilled spirits, wines, and beer;

(iii) Subchapter A, chapter 52 of the Code, relating to cigars, cigarettes, and cigarette papers and tubes; or

(iv) Subchapter A, chapter 53 of the Code, relating to machine guns, destructive devices, and certain other firearms; and

The regulations thereunder, on or before the date prescribed for filing (determined with regard to any extension of time for such filing), there shall be added to the tax required to be shown on the return the amount specified below unless the failure to file the return within the prescribed time is shown to the satisfaction of the district director or the director of the service center to be due to reasonable cause and not to willful neglect. The amount to be added to the tax is 5 percent thereof if the failure is for not more than 1 month, with an additional 5 percent for each additional month or fraction thereof during which the failure continues, but not to exceed 25 percent in the aggregate. The amount of