

Interest and Penalties

Forms 1041, 1041-QFT, 1065-B, and 1066. The following interest and penalties may be assessed:

Interest. Interest is charged on any tax not paid by the regular due date of the return from the due date until the tax is paid. It will be charged even if the entity has been granted an extension or has shown reasonable cause for not paying on time.

Late payment penalty. Form 8736 does not extend the time to pay any tax due. Generally, a penalty of 1/2 of 1% of any tax not paid by the due date is charged for each month or part of a month that the tax remains unpaid. The penalty cannot exceed 25% of the amount due. The penalty will not be charged if the entity can show reasonable cause for not paying on time.

Late filing penalty. A penalty is charged if the return is filed after the due date (including extensions) unless the entity can show reasonable cause for not filing on time. The penalty is 5% of the tax not paid by the regular due date (even if an extension of time to pay has been granted) for each month or part of a month that the return is late, up to a maximum of 25% of the unpaid tax. If the return is more than 60 days late, the minimum penalty is \$100 or the balance of the tax due on the return, whichever is smaller.

Forms 1065, 1065-B, and 1066. A penalty may be assessed against the partnership (or REMIC) if it is required to file a return, but fails to file it on time, including extensions. The penalty is \$50 for each month or part of a month (for a maximum of 5 months) the failure continues multiplied by the total number of partners (or residual interest holders) in the partnership (or REMIC) during any part of the partnership's (or REMIC's) tax year. See the instructions for Form 1065, 1065-B, or 1066 for more information.

Specific Instructions

Address

Include the suite, room, or other unit number after the street address. If the Post Office does not deliver mail to the street address and the entity has a P.O. box, show the box number instead of the street address.

If the mailing address has changed since the entity filed its last return, use **Form 8822, Change of Address**, to notify the IRS of the change. A new address shown on Form 8736 will not update the entity's record.

Line 1

Check the box for the form to be filed by the entity for which an extension is requested. A separate Form 8736 must be filed for each return. Check only one box.

Line 3b

Change in accounting period. Generally, a partnership must conform its tax year to the tax year of a majority of its partners, unless the partnership can establish a business purpose for a different period or makes a section 444 election. See **Pub. 538, Accounting Periods and Methods**, for details. REMICs and trusts (other than trusts exempt under section 501(a), section 4947(a)(1) nonexempt charitable trusts, and trusts treated as wholly owned by a grantor) must use a calendar tax year.

Line 4a

Enter the total tax that the trust, electing large partnership, or REMIC expects to owe for the tax year. The total tax for the trust consists of the regular income tax on the taxable income of the trust, plus other taxes, less allowable nonrefundable credits, plus recapture taxes and alternative minimum tax. The tax on Form 1065-B consists of tax due from recapture of the investment and low-income housing credits. The total tax for REMICs consists of the sum of the tax on net income from prohibited transactions, the tax on net income from foreclosure property, and the tax on contributions after the startup day.

Line 4b

For a trust, include in the amount entered on line 4b all estimated tax payments, any overpayment from the prior year that was applied to the current year, any refundable credits, and all Federal income tax withheld. For an electing large partnership, include any credit for Federal tax paid on fuels and the credit for tax paid on undistributed long-term capital gains shown on **Form 2439, Notice to Shareholder of Undistributed Long-Term Capital Gains**.

Line 4c

A trust, electing large partnership, or REMIC can still get an extension even if it cannot pay the full amount shown on line 4c. But it should pay as much as it can to limit the amount of interest it will owe. Also, a late payment penalty may be charged on the unpaid tax from the regular due date of its return. If the trust, electing large partnership,

or REMIC makes a payment, make the check or money order payable to "United States Treasury." Write its employer identification number, tax year to which the payment applies, and "Form 8736" on the payment. Enclose, but do not staple or attach, the payment with Form 8736.

Paperwork Reduction Act Notice. We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average time is:

- Recordkeeping** 2 hr., 23 min.
- Learning about the law or the form** 47 min.
- Preparing, copying, assembling, and sending the form to the IRS** 52 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. You can write to the Tax Forms Committee, Western Area Distribution Center, Rancho Cordova, CA 95743-0001. **Do not** send Form 8736 to this address. Instead, see **Where To File** on page 1.

