

## § 1.6664-4T

to the generally applicable rules concerning reasonable cause and good faith.

[T.D. 8381, 56 FR 67508, Dec. 31, 1991; T.D. 8381, 57 FR 6166, Feb. 20, 1992, as amended by T.D. 8617, 60 FR 45666, Sept. 1, 1995; T.D. 8790, 63 FR 66435, Dec. 2, 1998; T.D. 9109, 68 FR 75128, Dec. 30, 2003]

### § 1.6664-4T Reasonable cause and good faith exception to section 6662 penalties.

(a)-(e) [Reserved]

(f) *Transactions between persons described in section 482 and net section 482 transfer price adjustments.* For purposes of applying the reasonable cause and good faith exception of section 6664(c) to net section 482 adjustments, the rules of § 1.6662-6(d) apply. A taxpayer that does not satisfy the rules of § 1.6662-6(d) for a net section 482 adjustment cannot satisfy the reasonable cause and good faith exception under section 6664(c). The rules of this section apply to underpayments subject to the transactional penalty in § 1.6662-6(b). If the standards of the net section 482 penalty exclusion provisions under § 1.6662-6(d) are met with respect to such underpayments, then the taxpayer will be considered to have acted with reasonable cause and good faith for purposes of this section.

[T.D. 8656, 61 FR 4885, Feb. 9, 1996]

### § 1.6694-0 Table of contents.

This section lists the captions that appear in §§ 1.6694-1 through 1.6694-4.

§ 1.6694-1 *Section 6694 penalties applicable to tax return preparers.*

- (a) Overview.
  - (1) In general.
  - (2) Date return is deemed prepared.
  - (b) Tax return preparer.
    - (1) In general.
    - (2) Responsibility of signing tax return preparer.
    - (3) Responsibility of nonsigning tax return preparer.
    - (4) Responsibility of signing and nonsigning tax return preparer.
    - (5) Tax return preparer and firm responsibility.
    - (6) Examples.
    - (c) Understatement of liability.
    - (d) Abatement of penalty where taxpayer's liability not understated.
    - (e) Verification of information furnished by taxpayer or other third party.
      - (1) In general.

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(2) Verification of information on previously filed returns.

(3) Examples.

(f) Income derived (or to be derived) with respect to the return or claim for refund.

(1) In general.

(2) Compensation.

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(ii) Reasonable allocation.

(iii) Fee refunds.

(iv) Reduction of compensation.

(3) Individual and firm allocation.

(4) Examples.

(g) Effective/applicability date.

§ 1.6694-2 *Penalty for understatement due to an unreasonable position.*

(a) In general.

(1) Proscribed conduct.

(2) Special rule for corporations, partnerships, and other firms.

(b) Reasonable to believe that the position would more likely than not be sustained on its merits.

(1) In general.

(2) Authorities.

(3) Written determinations.

(4) Taxpayer's jurisdiction.

(5) When "more likely than not" standard must be satisfied.

(c) Substantial authority.

(d) Exception for adequate disclosure of positions with a reasonable basis.

(1) In general.

(2) Reasonable basis.

(3) Adequate disclosure.

(i) Signing tax return preparers.

(ii) Nonsigning tax return preparers.

(A) Advice to taxpayers.

(B) Advice to another tax return preparer.

(iii) Requirements for advice.

(iv) Pass-through entities.

(v) Examples.

(e) Exception for reasonable cause and good faith.

(1) Nature of the error causing the understatement.

(2) Frequency of errors.

(3) Materiality of errors.

(4) Tax return preparer's normal office practice.

(5) Reliance on advice of others.

(6) Reliance on generally accepted administrative or industry practice.

(f) Effective/applicability date.

§ 1.6694-3 *Penalty for understatement due to willful, reckless, or intentional conduct.*

(a) In general.

(1) Proscribed conduct.

(2) Special rule for corporations, partnerships, and other firms.

(b) Willful attempt to understate liability.

(c) Reckless or intentional disregard.

(d) Examples.

(e) Rules or regulations.

(f) Section 6694(b) penalty reduced by section 6694(a) penalty.