

EXHIBIT 1009

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## **Sec. 6651. - Failure to file tax return or to pay tax**

### **(a) Addition to the tax**

In case of failure -

#### **(1)**

to file any return required under authority of subchapter A of chapter 61 (other than part III thereof), subchapter A of chapter 51 (relating to distilled spirits, wines, and beer), or of subchapter A of chapter 52 (relating to tobacco, cigars, cigarettes, and cigarette papers and tubes), or of subchapter A of chapter 53 (relating to machine guns and certain other firearms), on the date prescribed therefor (determined with regard to any extension of time for filing), unless it is shown that such failure is due to reasonable cause and not due to willful neglect, there shall be added to the amount required to be shown as tax on such return 5 percent of the amount of such tax if the failure is for not more than 1 month, with an additional 5 percent for each additional month or fraction thereof during which such failure continues, not exceeding 25 percent in the aggregate;

#### **(2)**

to pay the amount shown on tax on any return specified in paragraph (1) on or before the date prescribed for payment of such tax (determined with regard to any extension of time for payment), unless it is shown that such failure is due to reasonable cause and not due to willful neglect, there shall be added to the amount shown as tax on such return 0.5 percent of the amount of such tax if the failure is for not more than 1 month, with an additional 0.5

percent for each additional month or fraction thereof during which such failure continues, not exceeding 25 percent in the aggregate; or

**(3)**

to pay any amount in respect of any tax required to be shown on a return specified in paragraph (1) which is not so shown (including an assessment made pursuant to section 6213(b)) within 21 calendar days from the date of notice and demand therefor (10 business days if the amount for which such notice and demand is made equals or exceeds \$100,000), unless it is shown that such failure is due to reasonable cause and not due to willful neglect, there shall be added to the amount of tax stated in such notice and demand 0.5 percent of the amount of such tax if the failure is for not more than 1 month, with an additional 0.5 percent for each additional month or fraction thereof during which such failure continues, not exceeding 25 percent in the aggregate.

In the case of a failure to file a return of tax imposed by chapter 1 within 60 days of the date prescribed for filing of such return (determined with regard to any extensions of time for filing), unless it is shown that such failure is due to reasonable cause and not due to willful neglect, the addition to tax under paragraph (1) shall not be less than the lesser of \$100 or 100 percent of the amount required to be shown as tax on such return.

**(b) Penalty imposed on net amount due**

For purposes of -

**(1)**

subsection (a)(1), the amount of tax required to be shown on the return shall be reduced by the amount of any part of the tax which is paid on or before the date prescribed for payment of the tax and by the amount of any credit against the tax which may be claimed on the return,

**(2)**

subsection (a)(2), the amount of tax shown on the return shall, for purposes of computing the addition for any

month, be reduced by the amount of any part of the tax which is paid on or before the beginning of such month and by the amount of any credit against the tax which may be claimed on the return, and

**(3)**

subsection (a)(3), the amount of tax stated in the notice and demand shall, for the purpose of computing the addition for any month, be reduced by the amount of any part of the tax which is paid before the beginning of such month.

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**(c) Limitations and special rule**

**(1) Additions under more than one paragraph**

With respect to any return, the amount of the addition under paragraph (1) of subsection (a) shall be reduced by the amount of the addition under paragraph (2) of subsection (a) for any month (or fraction thereof) to which an addition to tax applies under both paragraphs (1) and (2). In any case described in the last sentence of subsection (a), the amount of the addition under paragraph (1) of subsection (a) shall not be reduced under the preceding sentence below the amount provided in such last sentence.

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**(2) Amounts of tax shown more than amount required to be shown**

If the amount required to be shown as tax on a return is less than the amount shown as tax on such return, subsections (a)(2) and (b)(2) shall be applied by substituting such lower amount.

**(d) Increase in penalty for failure to pay tax in certain cases**

**(1) In general**

In the case of each month (or fraction thereof) beginning after the day described in paragraph (2) of this subsection, paragraphs (2) and (3) of subsection (a) shall be applied by substituting "1 percent" for "0.5 percent" each place it appears.

**(2) Description**

For purposes of paragraph (1), the day described in this paragraph is the earlier of -

**(A)**

the day 10 days after the date on which notice is given under section 6331(d), or

**(B)**

the day on which notice and demand for immediate payment is given under the last sentence of section 6331(a).

**(e) Exception for estimated tax**

This section shall not apply to any failure to pay any estimated tax required to be paid by section 6654 or 6655.

**(f) Increase in penalty for fraudulent failure to file**

If any failure to file any return is fraudulent, paragraph (1) of subsection (a) shall be applied -

**(1)**

by substituting "15 percent" for "5 percent" each place it appears, and

**(2)**

by substituting "75 percent" for "25 percent".

**(g) Treatment of returns prepared by Secretary under section 6020(b)**

In the case of any return made by the Secretary under section 6020(b) -

**(1)**

such return shall be disregarded for purposes of

determining the amount of the addition under paragraph (1) of subsection (a), but

**(2)**

such return shall be treated as the return filed by the taxpayer for purposes of determining the amount of the addition under paragraphs (2) and (3) of subsection (a).

**(h) Limitation on penalty on individual's failure to pay for months during period of installment agreement**

In the case of an individual who files a return of tax on or before the due date for the return (including extensions), paragraphs (2) and (3) of subsection (a) shall each be applied by substituting "0.25" for "0.5" each place it appears for purposes of determining the addition to tax for any month during which an installment agreement under section 6159 is in effect for the payment of such tax

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