

**(2) Rounding**

If any amount adjusted under paragraph (1) is not a multiple of \$5, such amount shall be rounded to the next lowest multiple of \$5.

(Added Pub. L. 110-142, §9(a), Dec. 20, 2007, 121 Stat. 1807; amended Pub. L. 110-458, title I, §128(a), Dec. 23, 2008, 122 Stat. 5116; Pub. L. 111-92, §16(a), Nov. 6, 2009, 123 Stat. 2996; Pub. L. 113-295, div. B, title II, §208(e), Dec. 19, 2014, 128 Stat. 4073; Pub. L. 115-97, title I, §11002(d)(1)(OO), Dec. 22, 2017, 131 Stat. 2061; Pub. L. 115-141, div. U, title IV, §401(a)(299)(E), Mar. 23, 2018, 132 Stat. 1198.)

**INFLATION ADJUSTED ITEMS FOR CERTAIN YEARS**

*For inflation adjustment of certain items in this section, see Revenue Procedures listed in a table under section 1 of this title.*

**CODIFICATION**

Section 9(a) of Pub. L. 110-142, which directed amendment of this part by adding this section at the end, was executed by inserting this section after section 6698, to reflect the probable intent of Congress.

**PRIOR PROVISIONS**

A prior section 6699, added Pub. L. 95-600, title I, §141(c)(1), Nov. 6, 1978, 92 Stat. 2794; amended Pub. L. 96-222, title I, §101(a)(7)(L)(iii)(VI), (v)(IX), Apr. 1, 1980, 94 Stat. 200; Pub. L. 97-34, title III, §331(c)(3), (4), Aug. 13, 1981, 95 Stat. 293, 294; Pub. L. 97-448, title I, §103(g)(2)(B)-(D), Jan. 12, 1983, 96 Stat. 2379; Pub. L. 98-369, div. A, title IV, §491(e)(9), July 18, 1984, 98 Stat. 853; Pub. L. 99-514, title XVIII, §1847(b)(9), Oct. 22, 1986, 100 Stat. 2857, related to assessable penalties applicable to tax credit employee stock ownership plans, prior to repeal by Pub. L. 99-514, title XI, §1171(b)(7)(A), Oct. 22, 1986, 100 Stat. 2513. For effective date of repeal, see section 1171(c) of Pub. L. 99-514, set out as an Effective Date of 1986 Amendment note under section 38 of this title.

**AMENDMENTS**

2018—Subsec. (e)(1). Pub. L. 115-141 inserted “an amount equal to” after “increased by” and “for the calendar year” after “section 1(f)(3)”.

2017—Subsec. (e)(1). Pub. L. 115-97 substituted “for ‘calendar year 2016’ in subparagraph (A)(ii)” for “for ‘calendar year 1992’ in subparagraph (B)”.

2014—Subsec. (e). Pub. L. 113-295 added subsec. (e).

2009—Subsec. (b)(1). Pub. L. 111-92 substituted “\$195” for “\$89”.

2008—Subsec. (b)(1). Pub. L. 110-458 substituted “\$89” for “\$85”.

**EFFECTIVE DATE OF 2017 AMENDMENT**

Amendment by Pub. L. 115-97 applicable to taxable years beginning after Dec. 31, 2017, see section 11002(e) of Pub. L. 115-97, set out as a note under section 1 of this title.

**EFFECTIVE DATE OF 2014 AMENDMENT**

Amendment by Pub. L. 113-295 applicable to returns required to be filed, and statements required to be furnished, after Dec. 31, 2014, see section 208(h) of Pub. L. 113-295, set out as a note under section 6651 of this title.

**EFFECTIVE DATE OF 2009 AMENDMENT**

Amendment by Pub. L. 111-92 applicable to returns for taxable years beginning after Dec. 31, 2009, see section 16(b) of Pub. L. 111-92, set out as a note under section 6698 of this title.

**EFFECTIVE DATE OF 2008 AMENDMENT**

Pub. L. 110-458, title I, §128(b), Dec. 23, 2008, 122 Stat. 5116, provided that: “The amendment made by sub-

section (a) [amending this section] shall apply to returns required to be filed after December 31, 2008.”

**EFFECTIVE DATE**

Pub. L. 110-142, §9(c), Dec. 20, 2007, 121 Stat. 1808, provided that: “The amendments made by this section [enacting this section] shall apply to returns required to be filed after the date of the enactment of this Act [Dec. 20, 2007].”

**§ 6700. Promoting abusive tax shelters, etc.****(a) Imposition of penalty**

Any person who—

(1)(A) organizes (or assists in the organization of)—

(i) a partnership or other entity,

(ii) any investment plan or arrangement,

or

(iii) any other plan or arrangement, or

(B) participates (directly or indirectly) in the sale of any interest in an entity or plan or arrangement referred to in subparagraph (A), and

(2) makes or furnishes or causes another person to make or furnish (in connection with such organization or sale)—

(A) a statement with respect to the allowability of any deduction or credit, the excludability of any income, or the securing of any other tax benefit by reason of holding an interest in the entity or participating in the plan or arrangement which the person knows or has reason to know is false or fraudulent as to any material matter, or

(B) a gross valuation overstatement as to any material matter,

shall pay, with respect to each activity described in paragraph (1), a penalty equal to \$1,000 or, if the person establishes that it is lesser, 100 percent of the gross income derived (or to be derived) by such person from such activity. For purposes of the preceding sentence, activities described in paragraph (1)(A) with respect to each entity or arrangement shall be treated as a separate activity and participation in each sale described in paragraph (1)(B) shall be so treated. Notwithstanding the first sentence, if an activity with respect to which a penalty imposed under this subsection involves a statement described in paragraph (2)(A), the amount of the penalty shall be equal to 50 percent of the gross income derived (or to be derived) from such activity by the person on which the penalty is imposed.

**(b) Rules relating to penalty for gross valuation overstatements****(1) Gross valuation overstatement defined**

For purposes of this section, the term “gross valuation overstatement” means any statement as to the value of any property or services if—

(A) the value so stated exceeds 200 percent of the amount determined to be the correct valuation, and

(B) the value of such property or services is directly related to the amount of any deduction or credit allowable under chapter 1 to any participant.

**(2) Authority to waive**

The Secretary may waive all or any part of the penalty provided by subsection (a) with re-

spect to any gross valuation overstatement on a showing that there was a reasonable basis for the valuation and that such valuation was made in good faith.

**(c) Penalty in addition to other penalties**

The penalty imposed by this section shall be in addition to any other penalty provided by law.

(Added Pub. L. 97-248, title III, §320(a), Sept. 3, 1982, 96 Stat. 611; amended Pub. L. 98-369, div. A, title I, §143(a), July 18, 1984, 98 Stat. 682; Pub. L. 101-239, title VII, §7734(a), Dec. 19, 1989, 103 Stat. 2403; Pub. L. 108-357, title VIII, §818(a), Oct. 22, 2004, 118 Stat. 1584; Pub. L. 115-141, div. U, title IV, §401(a)(314), Mar. 23, 2018, 132 Stat. 1199.)

AMENDMENTS

2018—Subsec. (a). Pub. L. 115-141 substituted “\$1,000” for “the \$1,000” in concluding provisions.

2004—Subsec. (a). Pub. L. 108-357 inserted at end of concluding provisions “Notwithstanding the first sentence, if an activity with respect to which a penalty imposed under this subsection involves a statement described in paragraph (2)(A), the amount of the penalty shall be equal to 50 percent of the gross income derived (or to be derived) from such activity by the person on which the penalty is imposed.”

1989—Subsec. (a). Pub. L. 101-239, §7734(a)(3), added concluding provision and struck out former concluding provision which read as follows: “shall pay a penalty equal to the greater of \$1,000 or 20 percent of the gross income derived or to be derived by such person from such activity.”

Subsec. (a)(1)(B). Pub. L. 101-239, §7734(a)(1), inserted “(directly or indirectly)” after “participates”.

Subsec. (a)(2). Pub. L. 101-239, §7734(a)(2), inserted “or causes another person to make or furnish” after “makes or furnishes” in introductory provisions.

1984—Subsec. (a). Pub. L. 98-369 substituted “20 percent” for “10 percent”.

EFFECTIVE DATE OF 2004 AMENDMENT

Pub. L. 108-357, title VIII, §818(b), Oct. 22, 2004, 118 Stat. 1584, provided that: “The amendment made by this section [amending this section] shall apply to activities after the date of the enactment of this Act [Oct. 22, 2004].”

EFFECTIVE DATE OF 1989 AMENDMENT

Pub. L. 101-239, title VII, §7734(b), Dec. 19, 1989, 103 Stat. 2403, provided that: “The amendment made by subsection (a) [amending this section] shall apply to activities after December 31, 1989.”

EFFECTIVE DATE OF 1984 AMENDMENT

Pub. L. 98-369, div. A, title I, §143(c), July 18, 1984, 98 Stat. 682, provided that: “The amendments made by this section [amending this section and section 7408 of this title] shall take effect on the day after the date of the enactment of this Act [July 18, 1984].”

EFFECTIVE DATE

Pub. L. 97-248, title III, §320(c), Sept. 3, 1982, 96 Stat. 612, provided that: “The amendments made by this section [enacting this section] shall take effect on the day after the date of the enactment of this Act [Sept. 3, 1982].”

**§ 6701. Penalties for aiding and abetting understatement of tax liability**

**(a) Imposition of penalty**

Any person—

(1) who aids or assists in, procures, or advises with respect to, the preparation or pres-

entation of any portion of a return, affidavit, claim, or other document,

(2) who knows (or has reason to believe) that such portion will be used in connection with any material matter arising under the internal revenue laws, and

(3) who knows that such portion (if so used) would result in an understatement of the liability for tax of another person,

shall pay a penalty with respect to each such document in the amount determined under subsection (b).

**(b) Amount of penalty**

**(1) In general**

Except as provided in paragraph (2), the amount of the penalty imposed by subsection (a) shall be \$1,000.

**(2) Corporations**

If the return, affidavit, claim, or other document relates to the tax liability of a corporation, the amount of the penalty imposed by subsection (a) shall be \$10,000.

**(3) Only 1 penalty per person per period**

If any person is subject to a penalty under subsection (a) with respect to any document relating to any taxpayer for any taxable period (or where there is no taxable period, any taxable event), such person shall not be subject to a penalty under subsection (a) with respect to any other document relating to such taxpayer for such taxable period (or event).

**(c) Activities of subordinates**

**(1) In general**

For purposes of subsection (a), the term “procures” includes—

(A) ordering (or otherwise causing) a subordinate to do an act, and

(B) knowing of, and not attempting to prevent, participation by a subordinate in an act.

**(2) Subordinate**

For purposes of paragraph (1), the term “subordinate” means any other person (whether or not a director, officer, employee, or agent of the taxpayer involved) over whose activities the person has direction, supervision, or control.

**(d) Taxpayer not required to have knowledge**

Subsection (a) shall apply whether or not the understatement is with the knowledge or consent of the persons authorized or required to present the return, affidavit, claim, or other document.

**(e) Certain actions not treated as aid or assistance**

For purposes of subsection (a)(1), a person furnishing typing, reproducing, or other mechanical assistance with respect to a document shall not be treated as having aided or assisted in the preparation of such document by reason of such assistance.

**(f) Penalty in addition to other penalties**

**(1) In general**

Except as provided by paragraphs (2) and (3), the penalty imposed by this section shall be in addition to any other penalty provided by law.