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Cc:

Subject: RE: Question Regarding IRS CCA 200846022 Special Rules Applicable to Certain Employment Taxes

We have coordinated with [redacted] and have determined that interest still applies to the penalty (i.e., section 6205 does not prevent the accrual of interest on the penalty). Section 6665 does not apply because section 6665 is a general provision which states "except as otherwise provided." Section 6205 does, in fact, provide otherwise. The language in section 6205, which provides, "If less than the correct amount of tax imposed by section 3101, 3111, 3201, 3221, or 3402 ... proper adjustments, ... shall be made, without interest," explicitly limits the interest-free adjustments to only the tax imposed by sections 3101, 3111, 3201, 3221, or 3402, and not the addition to tax imposed by section 6662.

In addition, section 6601(e)(2)(B) is a specific provision that (1) imposes interest on any addition to tax arising under part II of subchapter A of chapter 68 (section 6662) and (2) identifies the date that interest begins to accrue. If the rule were that section 6665 imposes interest on the 6662 penalty in the same manner as the interest imposed on the underlying tax to which the penalty relates, then there would not be a need for the rules in section 6601(e)(2)(B). Therefore, section 6665 must not control the application of interest to the penalty.

Please let me know if you have any questions.

Thanks.