

## Certain Excise (“Penalty”) Taxes Under the Internal Revenue Code

<u>Code Section</u>	<u>Tax</u>
72(t)	10% additional tax on premature (before age 59½) distributions from qualified plans, unless as a lump sum on termination of service, to acquire a first-time home, or to pay certain expenses for higher education (see note below)
4971(a) & (b)	10% (5% for multi-employer plans) tax on amount of accumulated funding deficiency (failure to meet minimum funding standards) – becomes 100% if not timely corrected
4971(f)	10% tax on failure to pay the excess of the liquidity shortfall over the liquid assets – becomes 100% if not corrected
4972	10% tax on non-deductible contributions, except: <ul style="list-style-type: none"><li>a) Certain DC contributions in situations where the limits of Section 404(a)(7) are involved,</li><li>b) Certain Simple Plan and Simple Retirement Account contributions, and</li><li>c) At the election of the employer, defined benefit plan contributions not in excess of the §412 Full Funding Limit</li></ul>
4973	6% tax on excess contributions to IRAs (whether “regular” IRAs, Roth IRAs, or educational IRAs), medical savings accounts, or tax-sheltered annuities
4974	50% tax (to the intended recipient) on excess accumulations (e.g. failure to start making minimum distributions at age 70½)
4975	15% tax on amount involved in prohibited transactions – becomes 100% if not corrected
4976	100% tax on any “disqualified” benefit (such as a post-retirement medical benefit for which a separate account is not maintained) provided under a welfare benefit fund
4977	30% tax on the value of fringe benefits in excess of 1% of compensation
4978	10% tax on amounts realized from early disposition of qualified securities within an ESOP
4979	10% tax on “excess contributions” and “excess aggregate contributions”

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<b><u>Code Section</u></b>	<b><u>Tax</u></b>
4979A	50% tax on prohibited allocation of qualified securities
4980	20% tax (to the employer) on reversion of qualified plan assets; 50% tax if there is no qualified replacement plan or appropriate benefit increase
4980F	\$100 per day per affected individual for failure to provide written notice within reasonable time before effective date of plan amendment providing for significant reduction in rate of future accrual

Note: Strictly speaking, only the Section 72(t) tax is a penalty tax as such; all the others are excise taxes.