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Federal Income Tax Civil Disobedience – The Risks: Federal Tax Penalties and Interest

Many Americans are appalled by the current US government's actions against its residents. The suspension of rights, the trampling of so many laws, and the lack of basic human decency are deeply disturbing.

Some have called for taxpayers to protest via the federal income tax system so that their money is not being used to support such governance. Some tactics I've heard of are --

- a. Not Filing, b. Not Paying (in full), c. Not Paying (in part), d. Claim 'Exempt' on W-4, and e. Keep Income Low (legal)

Lottsa cannot advise you to take actions 'a-d' above. The law says that you must file a federal income tax return each year and remit the tax that is owing. **What we will do is inform you of the risks or costs you may face if you take such actions. In this way, you can make an informed decision about how to proceed.**

IRS will endeavor to collect any tax that you owe, plus penalty and interest. There is an escalating series of enforcement Letters and Notices. If ignored or unpaid, they can file a tax lien that provides a right to seize your property to satisfy the tax debt. This will affect your credit report. IRS can also use other collection measures available to them. At any point in time, a taxpayer can end this process by making payment in full.

IRS generally has ten years from the date that tax is assessed to collect the tax plus associated penalties and interest from the taxpayer. Ten years defines its statute of limitations, but that can be extended in some situations.

Not Filing a Tax Return – Strongly Discouraged

The federal income tax return due date is April 15. An automatic extension of the filing date to October 15 is available by submitting IRS Form 4868 on or before April 15. The extension is only for time to file the tax return. Any tax you owe for the tax year in question is due April 15. Tax can be paid along with the filing of Form 1040 or Form 4868.

If a taxpayer files the tax return late and owes money, the penalty is 5% per month, capped at 25% total. For example, if your tax return shows that you owe \$1,000 for the tax year and you file four (4) months and a day or more after the due date (including extensions), then you owe \$250 (25%) more.

We strongly encourage you to file your federal tax return accurately, completely, and on time. The penalty cost is too much to bear, and if you never file the tax return, the calendar on the statute of limitations never starts (and will never end!). Also, how is a taxpayer communicating resistance to paying a tax amount if one does not file the tax return?

Not Pay All or Some of the Tax – A Rather Risky Action

If a taxpayer owes money for the tax year, it is due in full by April 15. If unpaid, then Late Payment Penalty is assessed along with Interest. Currently, the combined penalty and interest rate is 13%. That is a significant toll.

We must advise you to pay your federal taxes in full, and on time. If you decide not to do that, then the amount you hold back should be at a level that you will eventually be able to remit, including interest and penalty. A taxpayer can choose a fixed amount - \$1, \$13, \$108, \$1,000, etc - or a variable amount like 1% of Federal Tax (line 24, Form 1040).

Civil Disobedience should not enrich the participant. Presumably the taxpayer gives the unpaid tax amount to someone adversely impacted by government action or to a group serving those in need. Of course, such action does not eliminate a taxpayer's obligation to pay the tax balance due.

Give your choice due consideration. Tax resistance is illegal. It is likely that IRS will successfully collect. With penalties and interest, more will be remitted to Treasury than by paying in full at the due date.

Claim Exempt Status on Withholding Form W-4 – A Terrible Idea!

Form W-4 is a signature form that contains a perjury statement. If income from this source will result in federal tax, then the taxpayer is not exempt. One can legitimately modify the form in other ways to reduce the withholding level.

Keep Income Below the Taxable Income Threshold – Completely Legal

If you can arrange your cash flows so that household financial needs are met without generating a taxable income, then your federal tax will be zero. Savings account withdrawals and qualified distributions from Roth IRAs are two common tax-free sources of cash. Long-Term Capital Gains and Qualified Dividends offer income that is almost always at preferred tax rates, even zero percent if other income is low enough. This is perfectly legal, though perhaps not prudent.

What Amount Must a Taxpayer Pay to Satisfy One's Requirement to Pay Taxes Ratably During the Year?

The two main methods used to pay taxes to IRS are withholding (from wages, retirement plans, social security, etc) and via estimated tax payments. Your tax return is used to figure out your actual tax for the year and to then take credit for the amounts paid towards that obligation. If you paid too much, then the excess is refunded. If you paid too little, then the deficit is to be remitted with the tax return by its due date.

Taxpayers are required to pay their taxes throughout the year. Failure to do so can result in an Underpayment of Estimated Tax Penalty.¹ The Underpayment Penalty rate for first quarter of 2026 is 7% per year which is double what money market mutual funds are currently paying. The penalty rate is subject to change each quarter.

To use the tax system for a type of civil disobedience via payments, there must be a balance due on the tax return. Prudence requires satisfying one of the underpayment safe harbors so that no underpayment penalties are incurred.

This Is a Significant Decision

Some taxpayers are considering use of the federal income tax system to register a protest of the U.S. government's actions. Each taxpayer must weigh the benefits and costs of tax resistance for oneself, knowing it violates US tax law and is contrary to our professional advice not to.

Please make an informed choice. Even done in good conscience as an act of civil disobedience, it is illegal to not file a tax return or to deliberately underpay your taxes.

Personal Disclosure

My Enrolled Agent (E.A.) licensure requires that I be current with my tax reporting and that I not advise clients to act contrary to law. I will not put that license at risk. I think that I am more valuable with the credential in hand than without it. I will file my tax returns on time, under extension, as always. I will not underpay my taxes or fail to file a tax return. I am not advising anyone to violate US tax law.

May all our actions be of Benefit for Oneself, for Others, and for the World.



Scott Beers, E.A., CFP®, President

¹ To avoid an Underpayment of Estimated Tax Penalty, taxpayers have three possible "safe-harbors" –

- A) Pay in an amount at least equal to the prior year's tax (110% of prior year tax if income was > \$150,000),
- B) Pay in an amount at least equal to 90% of the current year's tax, or
- C) Owe less than \$1,000 on the tax return.