Internal Revenue Code Section 6699(b)
Failure to file S corporation return

(a) General rule.
In addition to the penalty imposed by section 7203 (relating to willful failure to file return, supply information, or pay tax), if any S corporation required to file a return under section 6037 for any taxable year-

> (1) fails to file such return at the time prescribed therefor (determined with regard to any extension of time for filing), or

> (2) files a return which fails to show the information required under section 6037 ,

such S corporation shall be liable for a penalty determined under subsection (b) for each month (or fraction thereof) during which such failure continues (but not to exceed 12 months), unless it is shown that such failure is due to reasonable cause.

(b) Amount per month.
For purposes of subsection (a) , the amount determined under this subsection for any month is the product of-

> (1) $195, multiplied by

> (2) the number of persons who were shareholders in the S corporation during any part of the taxable year.

(c) Assessment of penalty.
The penalty imposed by subsection (a) shall be assessed against the S corporation.

(d) Deficiency procedures not to apply.
Subchapter B of chapter 63 (relating to deficiency procedures for income, estate, gift, and certain excise taxes) shall not apply in respect of the assessment or collection of any penalty imposed by subsection (a) .

(e) Adjustment for inflation.

> (1) In general.
> In the case of any return required to be filed in a calendar year beginning after 2014, the $195 dollar amount under subsection(b)(1) shall be increased by an amount equal to such dollar amount multiplied by the cost-of-living adjustment determined under section 1(f)(3) for the calendar year determined by substituting "calendar year 2013" for "calendar year 2016" in subparagraph (A)(ii) thereof.

> (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.