

COVID-19 EXTENDS TAX DEADLINE TO JULY 15, 2020, BUT HOW LONG SHOULD YOU REALLY WAIT?

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It is not news that the IRS extended the 2019 tax deadline from April 15, 2020, to July 15, 2020. This extension means that taxpayers can defer federal income tax payments without penalties and interest, regardless of the amount owed. The deferment applies to all taxpayers, including individuals, trusts and estates, corporations and other non-corporate tax filers and includes those who pay self-employment tax. The extension is automatic, so taxpayers do not have to file any additional forms with the IRS to qualify. As it turns out, the extension is a good thing because the agency is currently overwhelmed with processing millions of stimulus payments pursuant to the CARES ACT in this COVID-19 crisis.

Requesting an Extension Beyond July 15, 2020

Individual taxpayers who need additional time to file beyond the July 15, 2020, deadline can request an extension to October 15, 2020, by filing Form 4868 through their tax professional, tax software or using the Free File link on IRS.gov. Businesses that need additional time must file Form 7004, which requests an automatic 6-month extension of time. However, ***an extension to file is not an extension to pay any taxes owed.*** Taxpayers requesting additional time to file their returns should estimate their tax liability and pay any taxes owned by the July 15, 2020, deadline to avoid additional interest and penalties.

There is Speculation Spreading About Pushing the Deadline into Fall 2020

To be clear, as of today, the tax deadline is July 15, 2020. However, there have been unsubstantiated rumors that there will be political pressure to extend the date a second time. As of this blog post, there has been no proposal put forward and no specific date discussed. If there is a second extension of the filing deadline, this may be a double-edged sword, as taxpayers unable to pay their taxes in July may still not be in a situation where they can pay taxes in the fall. A further extension also raises the potential problem of having to pay this year's taxes in the fall, to be followed shortly by 2021 filings due in the spring--a relatively short time window.

Stay tuned: if there is a second extension or any other developments, we will let you know. Please feel free to email me at stoothacre@ferrisbritton.com if you have any questions regarding this post.

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