

Coronavirus – IRS Q&A

As everyone already knows, the due date for Federal income tax returns, as well as payment of the taxes, is postponed to July 15, 2020. This applies only for returns and payments due April 15, 2020. It does not apply for any returns or payments other than those due April 15, 2020.

IRS posted Q&As on its website at irs.gov/newsroom/filing-and-payment-deadlines-questions-and-answers.

Here are a few key Q&As:

1) What returns fall into this postponement? Income tax returns for Individuals, corporations, partnerships, trusts, estates, association, company or cooperative, as provided in IRC Section 7701(a)(1). And the April 15, 2020 estimated tax payment. It does not apply to information returns or any other type of tax, such as payroll taxes, excise taxes, etc. Remember the key is the “due April 15, 2020.”

[EDITORIAL NOTE: Interesting, the estimated tax payment due April 15, 2020, is now due July 15, 2020, but the June 15, 2020 payment is still due June 15, 2020. This will be confusing for our clients, but it is what it is. MAYBE we should make the April 15, 2020 estimated payment amount equal to the total of the April and June estimates and have the client send in the total on or before July 15 and not send one in June. The same total estimates for the year would be sent in, the client would not be late, and the client gets to hang on to the money until July 15.

Example, estimated payments of \$5,000 per quarter, based on 1st quarter postponement:

#2 – Jun 15=\$5,000
#1 – Jul 15=\$5,000 (formerly April 15)
#3 – Sep 15=\$5,000
#4 – Jan 15, 2021=\$5,000
Total \$20,000

Instead do the following:

#2 – Jun 15=\$0
#1 – Jul 15=\$10,000 (formerly April 15)
#3 – Sep 15=\$5,000
#4 – Jan 15, 2021=\$5,000
Total \$20,000

Same total and the 2nd estimated payment is essentially not late since it is paid early (in estimated #1). END EDITORIAL NOTE]

2) Does this apply to extensions? Yes, this applies to extensions. If a taxpayer needs more time, the taxpayer is required to file an extension by the postponed due date of July 15, 2020.

3) How long does an extension give to file the return since the unextended due date is postponed to July 15, 2020. IRS' website states the extension is good through the normal extended date, such as October 15, 2020, for calendar year individuals.

[EDITORIAL NOTE: Section 6081 provides extensions. Briefly this code section states an extension is good for 6 months from the due date, therefore since the due date is postponed to July 15, the extension period would seem to be the normal extension period from July 15, 2020. For example, extended individual returns would be due January 15, 2021. (But IRS' website says October 15th so plan on only the normal extended due date and you'll be fine.) END]

4) Does this mean the deadline for making contributions to IRAs and HSAs is also postponed? IRC Section 219 (IRAs) and 223 (HSAs) state the deadline for making contributions is the due date of the return. Since the due date of the return is now July 15, 2020, the due date of these contributions is July 15, 2020.

5) Does this postpone the date for making employer retirement plan contributions? Since the return's due date is postponed, any retirement plan contribution due by the due date of the return is also postponed.

[EDITORIAL NOTE: The date for removing excess deferrals without being penalized remains at April 15, 2020, END]

6) Now that the due date of payments is postponed until July 15, 2020, what date will IRS be taking electronic withdrawals of balance due amounts and 1st quarter estimated tax payments that have already been set up to come out April 15, 2020? The withdrawal will take place on the date originally set up. However, IRS web site says such payments can be cancelled by saying:

- Call IRS e-file Payment Services 24/7 at 1-888-353-4537 to inquire about or cancel your payment, but please wait 7 to 10 days after your return was accepted before calling.

- Cancellation requests must be received no later than 11:59 p.m. ET two business days prior to the scheduled payment date.

Of course, once a taxpayer cancels a payment, the taxpayer needs to arrange to make the payment, such as by sending a check with a voucher, using EFTPS, etc.

A copy of Notice 2020-18 and this IRS' Q&A page can be found on our web site, ataxprof.com, under the Tax Pro Newsletters tab.

This text has been shared courtesy of: David & Mary Mellem, EAs & Ashwaubenon Tax Professionals, 920-496-1065 (920-496-9111).

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