

Extended Time for Taxpayers to File and Pay Taxes

MARCH 19, 2020

Federal Tax Deadline Extension

On March 18, 2020, in response to the COVID-19 pandemic, the Treasury Department, through the Internal Revenue Service, issued Notice 2020-17 granting a 90-day extension to the April 15 *payment deadline* for income taxes. This announcement expands on prior communications by President Trump and Treasury Secretary Mnuchin, and provides some additional detail on how the extension will function. While taxpayers are still required to file their returns by the April 15 deadline, or file for a routine extension, individual and corporate taxpayers may defer paying up to \$1 million and \$10 million of tax liability, respectively. Deferred payments under the specified limits will not begin to accrue interest or incur late payment penalties until July 16, while amounts in excess of the limit will be subject to interest, penalties, and additions as of April 16. Notably, the \$10 million limit for corporate taxpayers applies whether filing as an individual C corporation or as a consolidated group. Similarly, the \$1 million limit applies to each tax return, whether filing as a single individual, or as married individuals filing a joint return.

Notice 2020-17 also clarifies that the payment deferral applies to not only 2019 income tax payments, but also to 2020 estimated income tax payments that would have been due on April 15.

State Tax Deadline Extensions

Similarly, some state tax authorities had already extended their tax filing and payment deadlines, while others announced that they will follow the federal government's actions in allowing for delayed payments. On March 13, California's Franchise Tax Board (FTB) announced that filing and payment deadlines occurring from March 15, 2020 through June 15, 2020 would be pushed back to June 15, 2020; however, that deadline is subject to further extension now that the Treasury Department has pushed their deadline beyond California's initial June 15 extension. The FTB's extension means that any interest, late filing, or late payment penalties that would otherwise apply to California returns will be waived. California's extension includes 2019 tax returns and payments for partnerships and individuals, as well as for 2020 estimated quarterly payments that were due on April 15. Other states, such as Alabama and New Jersey, had previously announced that they would follow the actions of the federal government in extending deadlines. Maryland announced that certain business-related tax filings would be extended to June 1,

2020. New York is also considering extending tax filing deadlines. We expect that many states will follow federal extensions or announce their own extended deadlines.

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