

Tax Notes

IRS Extends April 15th Payments for 90 Days – More Guidance Needed

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This is part of a continuing series updating our clients regarding the effects on tax filings due to COVID-19. Please find our prior article [here](#).

In an effort to provide relief to taxpayers, the Treasury Department issued IRS Notice 2020-17 on March 19, 2020. The Notice extends the due date of income tax payments otherwise due April 15, 2020. You can find a copy of the Notice [here](#). The Notice clarifies and expands on Treasury Secretary Mnuchin's announcement of this policy earlier in the week.

The aim of the IRS is to provide relief to any U.S. taxpayers affected by the COVID-19 virus. However, there is no need to provide proof of hardship. "Affected Taxpayers" are all those with federal income tax payments due April 15, 2020.

Affected individual taxpayers, regardless of their filing status, may postpone federal income tax payments of up to \$1 million (the amount is the same for single filers as for individuals filing jointly). In addition, consolidated groups and each C corporation not filing a consolidated return may postpone payments of up to \$10 million. Both of these eligible taxpayers have until July 15, 2020 to pay their tax without interest and penalties. Estates and trusts may be included in the extension granted to individuals, but the Notice does not make that clear.

The Notice applies to the aggregate payments of federal income and self-employment tax that are due April 15, 2020. This would include a taxpayer's remaining balance due for the 2019 tax year as well as their first quarter federal 2020 tax estimate. Both of these payments generally have a due date of April 15, 2020.

The due date is not extended for payments other than income taxes. Thus, payments of any other federal tax – such as gift, excise and payroll taxes – are still due. Withholding taxes are still due in regular course on payments subject to withholding.

PKF Observation:

The Notice does not extend the due date for the filing of tax returns or other information returns. While relief exists for the payment of tax below the eligible amounts, an extension of time to file is still required as tax filing dates are not extended. Without an extension, taxpayers could still be liable for penalties for failure to file, and would lose the ability to make elections on timely filed returns. The American Institute of Certified Public Accountants (AICPA) has recommended that the IRS extend due dates in addition to the relief already provided – but the IRS has yet to reply to this request. PKF O'Connor Davies partners have written to Treasury Secretary Mnuchin in support of the AICPA's request.

Remember: individual taxpayers must still pay the balance of their April 15th tax due in excess of \$1 million on April 15, 2020. So, if an individual had taxes due in excess of \$1 million (i.e., \$1,200,000), the taxpayer would remit their federal income tax in excess of \$1 million (\$200,000) on April 15, their second quarter 2020 federal estimate on June 15, 2020, and, finally, their remaining April 15, 2020 balance due of \$1 million on July 15, 2020. An individual with taxes due below \$1 million would not have anything to pay on April 15th. Yes, this is quite confusing.

We are actively monitoring state and municipal deadlines and announced procedures as well. Our most recent update may be accessed [here](#). Further updates will be provided as states and municipalities announce their policies.

Additional Relief for Businesses with Employees Affected by COVID-19

President Trump signed legislation on March 17, 2020 entitled the Families First Coronavirus Response Act (Act). The Act extends additional Family and Medical Leave Act (FMLA) protections, including paid time off, for those unable to work because of obligations to care for a child under 18 as a result of school closures related to COVID-19. In addition, the Act extends paid sick leave for employees who are unable to work for reasons related to COVID-19 diagnoses or quarantines.

While employers will be required to pay on claims by employees, the employers will be eligible for a full refundable tax credit for any amounts incurred under either the FMLA or sick leave provisions of the Act.

Contact Us

PKF O'Connor Davies is monitoring the situation in Washington and as it changes we will keep you informed.

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