

Wealth Planning Alert

Treasury Department to Extend Time to Pay Taxes, though Time to File Remains **Unchanged So Far**

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In an effort to combat the toll that COVID-19 is taking on individuals and businesses, the Secretary of the Treasury, Steven Mnuchin, announced some relief for taxpayers. Many questions remain unanswered, but we expect more details about the relief to be released by the Treasury Department in the coming days.

The relief, so far

During a White House press briefing, Secretary Mnuchin announced that taxpayers and businesses will now have an additional 90 days, until July 15, 2020, to pay their 2019 taxes. The extension would allow individuals to defer up to \$1 million and corporations up to \$10 million of taxes owed. As of now, only the payment deadline has been extended; the filing deadline is still April 15. All U.S. taxpayers will qualify for the extension, and those who take advantage of the extension will not face penalties or be required to pay interest, according to the briefing.

Generally, individual taxpayers must file their tax returns by April 15, though many taxpayers file Form 4868 to request a 6-month extension of time to file, which gives the taxpayer until October 15 to file the return. However, an extension of time to file the return does not grant an extension of time to pay the taxes due, so taxpayers must still estimate and pay any owed taxes by the regular April 15 deadline to help avoid possible penalties.

The Treasury's announcement does not yet grant an extension of the time to file, so taxpayers who are waiting for additional tax information, such as K-1s, should still request an extension of time to file with Form 4868 (or with Form 7004 for Corporations); however, for those taxpayers who estimate they owe under the given thresholds (\$1 million for individuals and \$10 million for corporations), estimated taxes will presumably not need to be paid at the usual time of the request for an extension.

Some questions remain

Secretary Mnuchin made the announcement about the extension during a White House press briefing, so many technical details were omitted, leaving many unanswered questions. For example, many individuals, including sole proprietors, partners, and S corporation shareholders, generally have to make estimated quarterly payment of taxes if they expect to owe taxes of \$1,000 or more, and most corporations generally have to make estimated tax payments if they expect to owe \$500 or more. Estimated tax payments for the first quarter of 2020 are also due on April 15, and it is unclear from Secretary Mnuchin's comments so far whether the deadline to pay estimated quarterly tax payments for this year will also be granted the same 90-day extension.

Also unclear from Secretary Mnuchin's briefing is whether the \$1 million limitation for individuals will be doubled for married taxpayers who file jointly. In addition, Secretary Mnuchin's statements regarding extensions were limited to "people" and "corporations," so we expect further guidance to explain whether other taxpayers, such as trusts and estates, are granted similar extensions of time to pay.

We expect there to be formal, written guidance by the Treasury Department in the coming days to address these questions.

State and local tax relief for some, so far

Some states and municipalities are granting similar relief, with some even extending paying *and* filing deadlines for businesses and individuals. The states so far that have offered relief include California, Maryland, South Carolina, Washington, Georgia, Ohio and Pennsylvania. We expect this list to grow over the coming days and weeks and encourage you to reach out to us or check with your accountant or state's department of taxation or revenue.

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Approval: IS2001612
Expiration: 3/31/21

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