

IRS Announces Tax Deadline Extension

Earlier this week, as part of the efforts to curb the economic fallout of the coronavirus, the IRS announced that they were extending the deadline for payment of taxes from April 15, 2020 to July 15, 2020 in hopes that such emergency actions will free up much needed cash for individuals and business affected by forced closures and social distancing measures taken to slow transmission of the virus. Friday morning the Treasury Secretary announced that the extension will now apply to filings as well, however, he did not specify how the filing extension affects previous guidance released about the payment extension. Below is an overview of the previous guidance provided and what may be unclear about the extension after this morning.

- **No action was required to take advantage of the extension.** Those wanting to take advantage of the extension could just wait to pay anything until July 15. All interest and penalties were automatically waived for 90 days and would not accrue for qualifying taxpayers and businesses until after July 15 (subject to the deferral limit discussed below). It is not likely that the payment extension will be modified in new guidance addressing the filing extension.
- **The extension would not affect refunds.** Tax returns can still be filed at any time prior to the deadline and those entitled to a refund can still expect to receive it within the normal time period (9 out of 10 are received within 21 days of electronic filing). Extension of the filing date should not affect refunds and, as of Friday morning, the Treasury Secretary was encouraging taxpayers in need of cash to file as soon as possible to receive their refunds.
- **The extension applies to individual and business income tax liability for 2019 (and interest and penalties associated therewith) and estimated tax payments (including self-employment tax) for the first quarter of the 2020 tax year.** It is not clear whether new guidance will change how the extension applies to estimated taxes and their filings dates.
- **The amount of tax liability that could be deferred is limited based on the type of return filed.** Under the initial guidance, persons filing a Form 1040 could defer income tax liabilities equal to or

less than \$1 million, while those filing a Form 1120 (C Corporations) could defer income tax liabilities equal to or less than \$10 million. Tax liability in excess of such limits is still due April 15. It is unknown whether new guidance will change these limits.

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