

Tax Day Moved to July 15

March 20, 2020

*(NOTE: This alert was updated on March 21, 2020, after the IRS published additional guidance. **Please view our March 21 update for the most up-to-date information.**)*

On March 18, 2020, the United States Treasury Department issued Notice 2020-17 to provide relief from tax deadlines because of the COVID-19 emergency. A taxpayer with a federal income tax payment due April 15, 2020, may postpone payment without interest and penalties until July 15, 2020. The amount that may be postponed is limited. A consolidated corporate group may defer up to \$10 million. A C corporation that does not join in the filing of a consolidated corporate return also may defer payment up to \$10 million. Individuals, trusts, and estates may defer payment up to \$1 million. Married taxpayers filing a joint income tax return may defer \$1 million, and not \$2 million.

The deferral to July 15, 2020, applies to federal income tax payments, including tax payments on self-employment income, due on April 15, 2020, for the 2019 taxable year. Also included in the deferral to July 15, 2020, are federal estimated income tax payments, including tax on self-employment income, due on April 15, 2020, for the 2020 taxable year. The \$10 million deferral for corporations and the \$1 million deferral for all other taxpayers apply in the aggregate to all federal income taxes otherwise due on April 15, 2020. For example, if an individual has a balance due on his or her 2019 federal income tax return of \$600,000, and an estimated tax for the 2020 tax year of \$500,000, both of which are due April 15, 2020, the individual may defer only \$1 million. The excess of \$100,000 over the limit must be remitted by April 15, 2020, or risk owing interest and penalties.

The deferral does not apply to the filing of federal tax returns. A tax return due on or before April 15, 2020, must be filed on or before that date even if payment with respect to that return may be deferred. If a taxpayer needs to delay the filing of a return, the taxpayer should timely file the appropriate form applying for an extension or affirmatively take other permissible action to request the filing extension.

The extension to July 15, 2020, does not apply to taxes, other than those described above. The deferral does not apply to excise taxes and payroll taxes. It does not apply to the time within which a reinvestment in like-kind property must be made to defer gain, to the time within which to invest capital gain in an Opportunity Zone Fund, or the due date, March 15, 2020, for payment by an S corporation of its tax on built-in gains. No information was provided concerning 2020 estimated taxes due by June 15, 2020. We will keep clients informed of further developments.

State Taxes: The Michigan Department of Treasury is waiving interest and penalty for late filing and late payment of sales, use, and withholding taxes that are due March 20, 2020. The waiver is for 30 days, to April 20, 2020. The return and taxes due by March 20, 2020, should be filed and paid by April 20, 2020. Taxpayers who are required to pay sales, use, and withholding taxes on an accelerated basis are not eligible for the interest and penalty waiver. The waiver thus applies only to relatively small taxpayers.

Michigan and Ohio have indicated that they will follow the federal postponement action for income taxes, but neither of these states has yet to publish guidance on a postponement.

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This is part of a series of our COVID-19 alerts providing clients with practical advice on measures they can take to navigate through these troubled times. Please contact the authors or your Miller Canfield attorney with further questions.

This information is based on the facts and guidance available at the time of publication, and may be subject to change.