

# IRS Issues Guidance on Extension for Federal Tax Payments

Yesterday the IRS released guidance via Notice 2020-17 officially detailing the extended federal income tax payment relief granted to most taxpayers as a result of COVID-19. The notice makes clear that the IRS is not granting an extension of time to file. Any and all returns due April 15th, 2020 remain due on April 15th, 2020. Any person with federal income tax payments due under the parameters detailed below is able to take advantage of the relief provided, and may postpone to July 15th without penalty and interest all federal income tax payments including estimates due April 15th.

## Relief provided:

- Consolidated groups defined in §1.1502-1 and each C Corporations who does not join in filing a consolidated return are able to postpone payments up to \$10,000,000.
- All other affected taxpayers regardless of entity type or filing status are able to postpone payments up to \$1,000,000.

## Payment types covered by the notice:

- 2019 federal income tax (including payments of SE tax) due April 15th.
- 2020 federal estimated income tax payments (including payments of SE tax) due April 15th.

## Limitations on the deferral for fiscal year taxpayers:

- Fiscal year taxpayers that may have a tax payment due after April 15th, but before July 15th are not covered under this notice and have not been granted an extension of time to pay.
- Fiscal year taxpayers whose 2019 filing year ends in 2020 that have estimated tax payments due April 15th are also not covered under this notice.

It is important to note that this extension of time to pay is only applicable to federal income tax. All other types of federal tax payments such as payroll, estate, and gift related taxes are still required to be paid on their standard due date. In addition, any 2019 IRA contributions must still be made by April 15th, 2020 in order to qualify for the 2019 tax year.

The deferral of payment is applied in the aggregate. If you have both a federal income tax liability and a federal estimated income tax payment due April 15th, you must combine the amounts due before applying their applicable threshold. If you choose to take advantage of this extension to pay, it is important to know that if payment is not remitted by the July 15th deadline, interest and penalties will begin accruing at that time. If you want to take advantage of the payment extensions but your projected income tax liability is over the applicable thresholds stated above, payment must be remitted by April 15th for the amount that exceeds the threshold. Penalties and interest will begin accruing on April 15th on any unpaid amounts that exceed the relief thresholds.

You can view IRS Notice 2020-17 in its entirety at <https://www.irs.gov/pub/irs-drop/n-20-17.pdf>

At this time only a handful of states have announced extended filing/extended payment/penalty relief measures. Please consult with your Frost representative to discuss your situation.