

US federal and state income tax compliance adjustments in the wake of the coronavirus pandemic

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In response to the economic turbulence sparked by the COVID-19 pandemic, the federal government and most states, have granted taxpayers automatic extensions for filing and paying their 2019 taxes and some 2020 taxes.

Federal Relief

Tax Filings and Payments

On April 9, the IRS published Notice 2020-23 under authority of the President's March 13 Emergency Declaration, significantly expanding on the relief previously provided under Notices 2020-17 (March 18) and 2020-18 (March 20). Notice 2020-23 states that the IRS amplifies the prior notices and, in essence, will provide an amnesty period from April 1, 2020 until July 15, 2020, in which filings and payments for many taxes can be deferred without interest or penalties. It postpones many due dates. Any filing or payment originally due between April 1 and July 15 (with or without a previously-granted extension) can now be made as late as July 15 for the following federal taxes, among several others:

- The IRS Form 1040 series of individual income taxes for both US citizens/residents and nonresident aliens;
- The IRS Form 1120 series of corporate income taxes for both US and foreign corporations, including, also, the income taxes for S corporations and real estate investment trusts (REITs);
- The IRS Form 1065 US partnership tax return and its schedules;
- The IRS Form 1041 trust and estate income tax return and its associated schedules;
- IRS Forms 706 and 709, for estate taxes, gift taxes, and generation-skipping transfer taxes;
- IRS Form 990 for exempt organization business income taxes and private foundation excise taxes; and
- Relating to most all of the above, estimated income taxes for the first and second quarters of 2020 (most relevant for self-employed individuals and sole proprietors).

Various IRS forms remain available, as usual, to request extensions beyond July 15 for filing and/or payment of many of the above taxes. (For instance, IRS Form 4868 can be used to request a six-month filing extension for income tax returns.) These forms may now be filed as late as July 15. However, they will not provide any extension beyond the typical extension period (e.g. Form 4868 will extend the income tax return deadline to October 15, 2020 for returns originally due April 15, 2020).

Collections

On March 25, the IRS announced the suspension of various collection and compliance activities until at least July 15, 2020. This relief includes the following measures:

- Payments due between April 1 and July 15 under existing delinquent-taxpayer installment agreements are deferred until July 15.
- In general, new tax audits will not be commenced, except when necessary to preserve the statute of limitations (the deadline for the government to make an official demand for unpaid taxes).
- The IRS has temporarily shuttered its automated collection system, which sends payment demands to delinquent taxpayers and sends

levy notices to their employers and banks.

- Field revenue officers will not make or pursue liens or levies, with an exception for “high-income non-filers.”
- The IRS will not forward new delinquent accounts to private collection agencies.

State Relief

Most states have also announced relief measures, including the following:

- **California:** All tax filing and payment deadlines for 2019 income taxes and 2020 first- and second-quarter estimated income taxes are extended to July 15, 2020.
- **Connecticut:** Filing and payment deadlines for 2019 personal income taxes, and for estimated personal income taxes for the first and second quarters of 2020, are extended to July 15. Filing and payment deadlines for partnership, LLC, and corporation tax returns are extended to June 15.
- **Maryland:** In general, all income tax filing and payment deadlines between January 1, 2020 and April 15, 2020 are extended to July 15, 2020. Filing and payment deadlines for sales and use taxes for February, March, and April 2020 are extended to June 1, 2020.
- **Massachusetts:** Filing and payment deadlines for 2019 personal income taxes, corporate excise taxes, and partnership returns are extended to July 15.
- **New Jersey:** Individual income and business tax returns and payments due on or before April 15 will now be due on July 15.
- **New York State:** Filing and payment deadlines for 2019 personal income taxes, 2019 corporation taxes, and 2020 first-quarter estimated taxes are extended to July 15.
- **New York City:** Business and excise tax returns due between March 16 and April 25 can be filed late without penalty, if the taxpayer marks “COVID-19” on the return. Payments under these returns may also be made late without penalty, although interest will accrue from the original due date.

Certain annual tax planning and estimated tax calculations should be revisited in light of these changes, which necessitate recalculation of anticipated 2020 tax liabilities at both federal and state levels. Among the impacts will be the use of interest expense deductions, net operating losses, and excess business losses, among other considerations, each of which may be different from the federal and state perspectives.

Most states have now implemented relief measures mirroring the federal amnesty, albeit sometimes with important differences. Tax extension policies are continuing to develop rapidly at both the federal and state level, so we advise clients to check the IRS website and their applicable state government websites regularly for the most up-to-date information.

If you would like to discuss how you could put this information to use for you and your family, please consult your [Withers Bergman tax](#) attorney.


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