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“Yielding a Better Result”

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Re: 90 Day IRS & OTC Postponement for Certain Filings and Taxes Due April 15, 2020

Dear Clients, Colleagues, and Friends:

The tax situation is fluid. But as of March 23, 2020, the IRS and OTC are delaying the April 15th filing deadline to July 15th. What that means is the IRS and the OTC are automatically extending the filing deadline for three months without the need to file an extension.

In addition, subject to fairly generous limitations, both the IRS and the OTC are postponing the April 15th payment due dates to July 15th. The 90-day payment postponement is applicable for 2019 income taxes *and* first quarter 2020 estimated income tax payments due April 15th. Both the IRS and OTC are allowing individual taxpayers to delay paying up to \$1,000,000. The IRS refers to the postponement amount as the Applicable Postponement Payment Amount (APPA).

The IRS and OTC have stated the \$1,000,000 APPA is the same for a single individual and for married individuals filing a joint return. We believe the IRS and OTC will also announce the \$1,000,000 also applies to each tax return for married couples filing separate. But that has not been announced. The IRS has announced though the \$1,000,000 APPA applies to trusts and estates. Both the IRS and the OTC have stated the APPA is up to \$10,000,000 for C corporations. We are monitoring if the postponement will apply to second quarter June 15, 2020 estimated tax payments.

As a result of the postponement, interest, penalty, or addition to tax for failure to pay will not apply. But, those penalties and interest will begin to accrue on July 16, 2020¹. However, the usual “reasonable cause” rules will still apply after that date for seeking penalty relief.

In conclusion, the postponement applies to 2019 taxes and 2020 first quarter estimated tax payments. It is up to \$1,000,000 for individuals, and federal trust and estate tax returns. We do not know if the payment postponement applies to OTC estate and trust filings. C corporations can postpone up to \$10,000,000. It does not apply to payroll taxes. Nevertheless, certain employers will be allowed payroll tax credits related to the COVID-19 economic fall-out. We will have a newsletter explaining the payroll tax credits. In addition, look for our 2nd quarter Newsletter regarding Estate Planning.

¹ We are anticipating individual extensions will be due July 15th to extend the due date to October 15, 2020.