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Legal Update

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Article updated on March 29, 2020**Additional updated information posted April 15, 2020: "IRS Notice 2020-23 Expands Filing Deadline Extension Relief"**

COVID-19 has had innumerable impacts on our daily lives. In response, the IRS and certain local states have provided guidance for taxpayers whose federal income tax returns are due on April 15.

IRS Postpones Federal Income, Gift and Generation-Skipping Transfer Tax Return Filing and Payment Due Date from April 15, 2020, to July 15, 2020

On Friday, March 20, 2020, the IRS announced changes to the federal tax return filing and payment requirements for the 2019 tax year in IRS Notice 2020-18. The Notice provides a postponement for filing federal income tax returns from April 15, 2020, to July 15, 2020. No extension requests (such as filing Form 4868) are needed to benefit from the Federal tax filing and tax payment date postponements to July 15, 2020. This means that individual taxpayers have a longer period within which (a) *to file* their personal tax returns and (b) *to pay* their federal taxes without penalties or interest. Any noncompliance after July 15 (e.g., failure to file or to pay tax due by that date) will commence on July 16 with respect to the calculation of any penalties and interest. Additional FAQs were published by the IRS on March 24, 2020, and continue to be updated.

On March 27, 2020, the IRS issued additional guidance in IRS Notice 2020-20, which postpones the date for filing federal gift and generation-skipping transfer tax returns and for paying any gift or generation-skipping transfer tax that is due on April 15, 2020, to July 15, 2020.

Who Can Benefit from the Postponement?

Notice 2020-18 applies to any individual, trust, estate, partnership, association, company or corporation (“Affected Taxpayers”) that had a federal income tax payment or filing obligation due on April 15, 2020.

Notice 2020-20 applies to any Affected Taxpayer that had a federal gift and generation-skipping transfer tax return filing or payment obligation due on April 15, 2020.

Affected Taxpayers now have authority to postpone their filing and payment obligations for income, gift and generation-skipping transfer taxes to July 15, 2020. The postponement is automatic with no requirement to file an extension to obtain the benefit of the filing and payment postponement until July 15, 2020. However, an Affected Taxpayer may choose to file an extension by July 15, 2020, to obtain an additional extension to file their federal income tax, gift and generation-skipping (but any previously-postponed *tax* will still be due on July 15, 2020).

How Much Tax Can Be Deferred to July 15?

Notice 2020-18 states: “There is no limitation on the amount of the [tax] payment that may be postponed.” That is, *any amount of federal income tax payment* otherwise due April 15, 2020, can be postponed to July 15, 2020. The unlimited postponement is a change from original IRS guidance.

What Type of Taxes Are Affected?

- Federal income tax for the Affected Taxpayer’s 2019 tax year (including tax on self-employment income);
- Federal estimated income tax payments (including payments of tax on self-employment income) due on April 15, 2020, for the Affected Taxpayer’s 2020 taxable year; and
- Federal gift and generation-skipping transfer tax payments otherwise due on April 15, 2020.

Are There Extensions for Other Taxes or Filing Obligations?

Except as specifically provided in IRS Notices 2020-18 and 2020-20, no postponement is automatically provided “for the payment or deposit of any other type of Federal tax, or for the filing of any Federal information return.”

For example, the March 24 FAQs make clear that the postponement provided in Notice 2020-18 for income taxes does *not apply to*:

- Any federal due dates other than April 15, 2020;
- Provide any relief for payroll or excise taxes;

- Any filing of any required information returns; or
- Second quarter (or later) payments of estimated taxes.

Additional clarifications and explanations relating to Notice 2020-18 are contained in those FAQs.

What About State Taxes?

States are responding individually and posting guidance on their respective websites. For the most up-to-date information, check your state's website. Guidance as of the date of publication for certain local states is as follows:

Minnesota – Individual 2019 Returns and Payments Now Extended to July 15, but No Extension for Estimated Taxes or Entity Tax Payments

Late Monday afternoon on March 23, the Department announced various changes to certain Minnesota tax filing and payment obligations. The DOR has now automatically extended the Minnesota *individual* tax filing and tax payment date for the 2019 taxable year to July 15, 2020, without any penalties or interest.

Minnesota taxpayers who expect refunds for taxable year 2019 or do not need additional time to file and pay are encouraged to file their returns “as soon as they are ready.” For individual taxpayers who cannot file their 2019 taxable year returns by July 15, 2020, they may request relief from other late filing and late payment penalties, and from any additional tax charges or interest, “for reasonable cause or the state of emergency declarations by the president and governor due to COVID-19” and may do so after being notified of a penalty by the DOR: Penalty Abatement Information for Individuals.

Finally, and critically, the announcement makes it clear, however, that the filing/ payment *extension does not apply to individual estimated tax payments required for the 2020 taxable year*; those payments are still required on the due date (April 15) with no extension.

With respect to non-individual tax filers and tax payments, the announcement makes clear that, *first*, there is *no change to the required due date of April 15, 2020, for Minnesota corporate franchise tax payments*, though the announcement notes that under state law Minnesota corporations “receive an automatic extension to file their state return to the later of November 15, 2020, or the date of any federal extension to file” and, *second*, comparably, the announcement *does not change the due date of April 15, 2020, for Minnesota partnerships, fiduciaries and S-corporations tax payments*, though the announcement notes that these returns receive an automatic extension under state law “to file their state return [until] the date of any federal extension.” In other words, for both entity or non-individual taxpayers, there is *no delay or extension allowed for required tax payments* by those filers even if they otherwise are entitled to an extension to file their returns.

The Department notes that it is “analyzing how other taxes may be impacted by this announcement and will communicate any additional changes by email and on our website,” so it is suggested that interested Minnesota taxpayers and their preparers check the DOR website periodically for any new changes or information, or reach out to the Department directly by any of the contact methods included in the announcement or on the Minnesota Department of Revenue website.

North Dakota – Returns and Payments Due April 15, But Taxpayers Unable to Meet April 15 Deadline May Pay and File by July 15 Without Penalties

On Tuesday, March 24, the North Dakota Office of Tax Commissioner announced on its website that the tax “deadline” for North Dakota individual and business tax returns is “aligned with the IRS extension date. Individuals or businesses who are unable to file an income tax return or pay the tax by the April 15 deadline can file and make payment through July 15, 2020, without penalty or interest.” Further, the OTC has said it will consider requests for relief based on pandemic-related financial hardships on a case-by-case basis.

The Tax Commissioner is posting information for North Dakota taxpayers on its website.

Iowa – Returns and Payments Extended to July 31

The Iowa Department of Revenue is extending deadlines to *both* file and make payment on Iowa state tax returns. Through Order 2020-01, Director Kraig Paulsen has extended the filing and payment deadlines to July 31, 2020, for individual income tax returns (and all required supporting schedules and forms) and certain other tax filings with due dates from March 19, 2020, through July 30, 2020. The Department will not levy late-filing or underpayment penalties for those taxpayers complying with the Order, and any interest on unpaid taxes addressed by the Order will apply beginning after the extended deadline as from August 1, 2020. The Order does not, however, apply to any estimated tax payments.

The Department is posting further updates for taxpayers on its website.

Wisconsin – Returns and Payments Now Due July 15

The Wisconsin Department of Revenue has just announced that its state income tax filings and tax payments are automatically extended to July 15, 2020, as a consequence of the COVID-19 pandemic. The extension applies to “income tax payments, estimated income tax payments and returns due April 15, 2020.” The DOR’s announcement is available [here](#).

This extension applies to all state taxpayers (individuals, trusts, estates, partnerships, associations, companies and corporations). Taxpayers do not have to file an extension form to take advantage of this postponement. Any interest, penalties and underpayment interest for failure to make estimated tax payments covered by this extension will begin to accrue on July 16, 2020.

The Department is posting information and announcements for taxpayers on its website.

Montana – Returns and Payments Extended to July 15

On Friday, March 20, Montana Governor Steve Bullock followed the lead of the IRS and extended the payment and filing deadlines on Montana individual income tax returns to July 15, 2020. This extension also applies to estimated tax payments for the first quarter of 2020. In addition, the Montana Department of Revenue indicated in its announcement of the extension that it “will be lenient in waiving penalties and interest associated with late tax payments and...will work with taxpayers on an individual basis.”

The Department is posting updates for taxpayers on its website.

Key Takeaways

The net result of the Federal and various described regional state tax filing and payment obligations as of now is that:

- Both Federal income tax returns and tax payments (including tax on self-employment income) for all persons otherwise due April 15 for the 2019 taxable year are postponed to July 15, 2020.
- Federal estimated tax payments (including tax on self-employment income) for taxable year 2020 are also postponed to July 15, 2020.
- Individual Minnesota taxpayers have been granted an extension to file their 2019 returns and to pay those income taxes until July 15, 2020; no extension, however, is granted for individual estimated taxes due on April 15 with respect to the 2020 taxable year.
- Minnesota entity and fiduciary filers are required to pay their 2019 taxes on the due date, even if they are otherwise granted an extension to file their 2019 returns in accordance with existing state law.
- North Dakota individual and business taxpayers who are “unable” to file or pay by April 15 can file and pay by July 15 without penalty or interest.
- Iowa taxpayers (individuals and certain other taxpayers) with filing obligations due dates from March 19 - July 30 have been granted an extension to both file and pay until July 31, 2020.
- All Wisconsin taxpayers with tax filing and payment obligations due on April 15 now have automatic extensions to file and pay by July 15, 2020.
- Individual Montana taxpayers have been granted an extension to both file and pay until July 15, 2020, as well as to make first-quarter estimated tax payments.

Next Steps

We urge you to continue to review the appropriate state tax departments' website for any changes in the foregoing.

For other state tax filing and payment obligations, please look to those states' tax websites or other official announcements from those tax authorities; do *not* assume that the Federal postponement announced in IRS Notice 2020-18 applies to any particular state's tax filing or payment obligations.