

IRS ANNOUNCES FEDERAL INCOME TAX PAYMENT DEFERRAL

Hodgson Russ Federal-International Tax Alert
March 19, 2020

As part of the national emergency declaration related to the Coronavirus, on March 18, 2020, the IRS issued Notice 2020-17, which defers, until July 15, 2020, payment of 2019 Federal income tax previously due by April 15, 2020, up to specified allowed amounts. Notice 2020-17 allows deferral of up to \$1 million for individuals (including payments of tax on self-employment income) and up to \$10 million for each consolidated group or for each C corporation not filing a consolidated return. In addition to deferring Federal income tax payments due for the 2019 tax year, the Notice also extends the April 15, 2020 payment due date for Federal estimated income tax for the 2020 tax year. Notably, though, the Notice does not extend due date for the payment or deposit of any other type of Federal tax (e.g., estate, gift, and payroll taxes).

During the 90-day deferral period the IRS will not accrue interest or penalties on the allowed deferred payment amount (\$1 million or \$10 million). Interest, penalties and additions to tax, however, will accrue on any amount of Federal income tax payment due in excess of the allowed deferred payment amount. In addition, interest, penalties and additions to tax on any allowed deferred payment amount will begin to accrue on July 16, 2020.

Importantly, Notice 2020-17 does not extend the April 15 tax return filing deadline of any tax return or information return. While the 2019 Federal income tax return filing deadline remains April 15, taxpayers still may obtain an automatic extension of time (to October 15) to file their 2019 Federal income tax return by submitting Form 4868 (Individuals) or Form 7004 (Corporations), as applicable, by April 15.

With the issuance of Notice 2020-17, we now await guidance from state taxing authorities regarding whether they will follow the Federal income tax payment deferral. Some states already have announced their own form(s) of relief.

The tax professionals at Hodgson Russ LLP will continue to monitor this relief and publish updates as information becomes available. Please contact one of the tax attorneys at Hodgson Russ LLP if you would like to discuss how the tax payment deferral may impact your tax situation.

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