



# BETRO AND COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

30 Mechanic Street  
Foxboro, Massachusetts 02035  
(508) 698-3600 FAX (508) 698-3601  
www.betro.com betroco@betro.com

Dear Clients and Friends:

As you know, the COVID-19 pandemic has shut down much activity in the United States.

The IRS decided to use its authority in a national emergency to postpone certain tax return filings and payments. This change affects every one of you, and the rules are tricky—after all, this is tax law.

We'll explain who gets relief; what the IRS postponed; and perhaps more important, what wasn't postponed. We'll also tell you whether you should file regardless of the postponement.

## Who Qualifies?

**First**, to qualify for postponement, you must have a tax return that is due on April 15, 2020. In general, the returns due on April 15 include the following:

- An individual filing a Form 1040 series return
- A trust or estate filing Form 1041
- A partnership filing Form 1065
- A corporation filing a Form 1120 series return

In its FAQ, the IRS did not include the Form 1065 for partnerships or the Form 1120S for S corporations when it listed the forms available for relief.

That's because most partnerships and S corporations have calendar-year returns, making the 2019 tax return due March 15, 2020. But if you have a fiscal-year partnership or S corporation with a due date of April 15, 2020, it should qualify for relief under the official guidance.

**Second**, you must have one of the following due on April 15, 2020:

- Tax year 2019 federal income tax **return**
- Tax year 2019 federal income tax **payment**
- Tax year 2020 federal **estimated** income tax payment

This grant of relief does not apply to

- federal payroll taxes, including federal tax deposits, and
- federal information returns.

## **Federal Tax Return Filing Deadline**

If you qualify for relief, your 2019 federal income tax return is now due July 15, 2020.

You do not have to file an extension on Form 4868 or Form 7004 or contact the IRS to get the automatic postponement to July 15, 2020.

If you need additional time beyond July 15, 2020, to file your tax return, you can file Form 4868 or Form 7004 on or before July 15, 2020, and get an automatic extension to your normal extension due date:

- September 30 for Form 1041
- October 15 for Forms 1040 and 1120

## **IRA, HSA, and Retirement Plan Payments**

The COVID-19 grant of relief also postpones the following payment deadlines until July 15, 2020:

- 2019 individual retirement account (IRA) contribution
- 2019 health savings account (HSA) contribution
- 2019 employer qualified retirement plan contributions

The relief does not apply to federal information returns; therefore, if you have a tax return that is otherwise postponed, and you need to file an international information return with it, you need to file your tax return or extend by April 15, 2020, or June 15, 2020 (if outside the U.S.).

Examples of international information returns affected include the following:

- Form 8938, Statement of Specified Foreign Financial Assets
- Form 5471, Information Return of U.S. Persons With Respect to Certain Foreign Corporations
- Form 8858, Information Return of U.S. Persons With Respect to Foreign Disregarded Entities (FDEs) and Foreign Branches (FBs)

## **Tax Payment Deadline**

If you qualify for the relief, your federal income tax payment is due July 15, 2020.

This payment postponement applies only to the following:

- 2019 income tax return balance-due payments
- 2020 income tax estimated tax payments that are due April 15, 2020

There is no limit to the deferred amounts. Earlier guidance provided a \$10 million limit for C corporations and a \$1 million limit for other taxpayers, but the IRS eliminated these limits in its updated guidance.

The relief does not provide for a waiver of 2020 estimated tax payment penalties for not making the payment on the normal schedule. But we'd expect the IRS to be generous in granting relief when the time comes to file your 2020 tax returns.

If you already filed your 2019 tax return and scheduled a direct debit payment, call the IRS e-file Payment Services 24/7 at 1-888-353-4537 to cancel your payment at least two business days prior to the payment date.

### **Example 1**

Sarah, who is single, owes \$10,000 on her 2019 Form 1040. She does not have a 2020 estimated tax payment requirement.

Sarah must

- file or extend her 2019 Form 1040 by July 15, 2020; and
- pay the \$10,000 balance due for her 2019 Form 1040 by July 15, 2020 (even if she extends to October 15, she has to pay by July 15, 2020).

### **Example 2**

Jake and Karen's 2019 Form 1040 shows a refund of \$1,500. They have a 2020 estimated tax payment requirement of \$2,000 per quarter.

Jake and Karen must

- pay \$2,000 for their second-quarter estimated tax payment by June 15, 2020 (yes, June 15—strange but true);
- file their 2019 Form 1040 or extend it by July 15, 2020; and
- pay \$2,000 for their first-quarter estimated tax payment by July 15, 2020 (yes, the second quarter was due on June 15).

### **Example 3**

Steve and Joan's 2019 Form 1040 shows an estimated balance due of \$1.1 million. They have a 2020 estimated tax payment requirement of \$100,000 per quarter. Due to missing tax forms, they usually do not file until September.

Steve and Joan must

- pay \$100,000 for their second-quarter estimated tax payment by June 15, 2020;

- file a Form 4868 by July 15, 2020, for their 2019 Form 1040, to request an extension until October 15, 2020;
- pay \$100,000 for their first-quarter estimated tax payment by July 15, 2020; and
- pay \$1.1 million for their 2019 Form 1040 balance due by July 15, 2020.

### **Should You Wait?**

If your tax return shows a refund, file it as soon as possible—get your cash as quickly as you can.

If you have the cash and liquidity to make your tax payments on April 15, 2020, but keeping those payments in your bank account earns extra interest income, we see no reason you shouldn't delay until July 15, 2020.

If you have problems with making timely estimated tax payments, we recommend you keep the normal schedule as long as you have the liquidity and cash to make the payments. We don't want you to fall into bad habits and possibly create an unpayable balance due on your 2020 tax return.

Be safe and take care.