

IRS Extends Income Tax Return Filing and Payment Deadlines from April 15 to July 15; Many U.S. States Follow Suit

Client Alert | March 27, 2020

IRS Notice 2020-18 and IRS FAQs

Internal Revenue Service (“IRS”) Notice 2020-18, issued March 20, 2020 (the “Notice”),^[1] provides updated guidance on the extension of the April 15, 2020 U.S. federal income tax return filing and payment deadlines for individuals and corporations to July 15, 2020 as a result of the Coronavirus pandemic.^[2] The extension does not require that the taxpayer be impacted by the Coronavirus pandemic. Additionally, on March 24, 2020, the IRS issued FAQs^[3] to answer various questions relating to the Notice.

The Notice and FAQs provide the following relief and guidance:

- Tax year 2019 income tax return filing and payment deadlines for all taxpayers that otherwise would be required to file income tax returns and pay income taxes on April 15, 2020 are extended to July 15, 2020 (the “Extension”).^[4]
- The Extension applies to both payments of tax on self-employment income and estimated income tax payments for the first quarter of tax year 2020 that are due on April 15, 2020. However, estimated income tax payments for the second quarter of tax year 2020 are still due on June 15, 2020.
- No dollar limit applies to the Extension.
- No interest, penalties, or additions to tax will accrue as a result of a failure to either file income tax returns or pay income (or self-employment) taxes otherwise due on April 15, 2020 during the period from April 15, 2020 to July 15, 2020.
- The new July 15, 2020 deadline also applies to installment payments due on April 15, 2020 under section 965(h),^[5] as well as to estimated payments for a corporation required to make Basis Erosion and Anti-Abuse Tax payments under section 59A.
- The Notice extends to July 15, 2020 the deadline for making contributions to an Individual Retirement Account or Health Savings Account.
Notably, the Notice and FAQs provide that the following relief is **not** available:
- No extension is available for information return filings as the Extension only applies to income (or self-employment) tax returns due on April 15. It is unclear how or whether information returns that ordinarily would be attached to U.S. federal income tax returns, such as Form 8621 (related to ownership of interests in a “passive foreign investment company”), Form 8865 (related to ownership of interests in a foreign partnership), and Form 5471 (related to ownership of interests in a foreign corporation), are affected by the Notice.
- Taxpayers whose income tax return filing deadlines have already passed (e.g., returns due on March 16, 2020, such as Form 1065, Form 1065-B, Form 1066, and Form 1120-S for calendar year taxpayers) are not granted relief by the Extension.
- The Notice does not provide relief for estimated income tax payments required to be paid in (or for any related estimated tax penalty assessed for) tax year 2019.
- Taxpayers with income tax filing or payment due dates on any date other than April

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15 are not granted relief with respect to those deadlines.

- The Notice does not apply to payroll, excise, estate, or gift taxes. Additional legislation is expected to apply to payroll and other excise taxes, continue to follow Gibson Dunn's updates and client alerts for additional information.
- The Extension does not extend any applicable U.S. state tax filing or payment deadlines. However, a number of states conform to federal filing deadlines. See below for state extensions applicable to payment and filing deadlines.

U.S. State-Level Action

Income Taxes

A number of states have already extended their respective income tax filing and payment deadlines for the 2019 tax year, either automatically through linkage to the IRS's extended deadlines or through separate action. Below is a list of states that assess income tax and have extended (or, where indicated with an asterisk, announced their intention to extend) their income tax filing and payment deadlines. States that have extended their deadlines for the payment of estimated taxes are explicitly noted with parentheticals below. The date listed in front of the state is the extended due date. State guidance is evolving, and we intend to supplement the below with additional updates as appropriate.

May 15:

- Mississippi (deferred Q1 estimated tax payments).

June 1:

- Virginia (extended payment due date only, filing deadline remains unchanged and is currently still April 15 for corporations and May 1 for individuals).

June 15:

- Connecticut (business returns only, see July 15 for individual returns) and
- Idaho.

July 15:

- Alabama,
- Arizona,
- California (deferred Q1 & Q2 estimated tax payments for individuals, Q1 estimated tax payments for corporations),
- Colorado (payments due July 15, but filing deadline now October 15) (deferred Q1 & Q2 estimated tax payments),
- Connecticut* (individuals only) (deferred Q1 & Q2 estimated tax payments),
- Delaware (deferred Q1 estimated tax payments),
- District of Columbia,*
- Georgia (deferred Q1 estimated tax payments),
- Indiana* (deferred Q1 estimated tax payments),
- Kansas,
- Kentucky* (interest still accrues on deferred payments),
- Louisiana,
- Maryland (deferred Q1 estimated tax payments),
- Minnesota,
- Missouri (deferred Q1 estimated tax payments),
- Montana (individuals only) (deferred Q1 estimated tax payments),
- New Mexico (interest still accrues on deferred payments),
- North Carolina (interest still accrues on deferred payments),
- North Dakota,

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- Oklahoma (deferred Q1 estimated tax payments),
- Pennsylvania (individuals only) (deferred Q1 & Q2 estimated tax payments),
- Rhode Island,*
- South Carolina (deferred Q1 estimated tax payments),
- Utah,*
- Vermont,* and
- Wisconsin (deferred Q1 estimated tax payments).

July 20:

- Hawaii.

July 31:

- Iowa.

New Jersey has passed legislation that would match U.S. federal income tax extensions, but this legislation has not yet been signed into law. The New York State Assembly has announced that New York State tax filing deadlines will be extended to July 15, but this is not yet reflected in legislation or formal guidance issued by the New York State Department of Taxation and Finance.

At the local level, New York City has waived penalties for business taxes (including the unincorporated business tax, or “UBT”) due between March 16, 2020 and April 25, 2020, but as of now interest will still be assessed on all applicable tax payments received after the original due date.

Sales and Use Tax

Several states have also either deferred the payment deadline for sales and use taxes or waived penalties for late payments, though a number of these provisions are either limited to small businesses or to businesses in certain sectors. States that have taken action on sales and use taxes so far include: Alabama (waiving penalties for small businesses), California (deferred payment by 60 days), Colorado (governor directed D.O.R. to choose an extended deadline), District of Columbia (waiving penalties and interest), Illinois (waiving penalties and interest limited to certain businesses), Louisiana (deferred payment until May 20), Maryland (deferred payment until June 1), Massachusetts (deferred payment for certain taxpayers), Minnesota (deferred payment for certain businesses), Michigan (deferred payment for small businesses), New York (waiving penalties and interest limited to certain taxpayers), Pennsylvania (waiving some penalties), and South Carolina (deferred payment until June 1). For specific state sales and use tax questions, please consult your state and local tax advisor.

[1] The Notice is available on the IRS website at <https://www.irs.gov/pub/irs-drop/n-20-18.pdf>.

[2] The Notice expressly supersedes in its entirety recently released IRS Notice 2020-17, which also provided certain guidance related to extensions of income tax return filing and payment deadlines for individuals and corporations.

[3] The FAQs are available on the IRS website at <https://www.irs.gov/newsroom/filing-and-payment-deadlines-questions-and-answers>.

[4] The Extension applies to the following tax year 2019 returns that otherwise were due on April 15, 2020: Form 1040, 1040-SR, 1040-NR, 1040-NR-EZ, 1040-PR, 1040-SS; Form 1041, 1041-N, 1041-QFT; Form 1120,

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1120-C, 1120-F, 1120-FSC, 1120-H, 1120-L, 1120-ND, 1120-PC, 1120-POL, 1120-REIT, 1120-RIC, 1120-SF; Form 8960; Form 8991; and Form 990-T (but only if that form otherwise was due on April 15 and not May 15).

[5]

Unless indicated otherwise, all "section" references are to the Internal Revenue Code of 1986, as amended.

Gibson Dunn's lawyers are available to assist with any questions you may have regarding developments related to the COVID-19 outbreak. For additional information, please contact any member of the firm's Coronavirus (COVID-19) Response Team.

The Gibson, Dunn & Crutcher Tax Practice Group is able to assist with all U.S. federal return questions and many of these state and local tax matters. Clients should also continue to consult their specific state and local tax advisor with questions pertaining to such state and local tax matters. For further information, please contact the Gibson Dunn lawyer with whom you usually work, any member of the Tax Practice Group, or the following authors:

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