

Extensions Up, Now What? White Paper

Are you a person that tends to procrastinate? Do deadlines stress you out? Does filing your taxes give you anxiety? Does paperwork overwhelm you? Chances are you are a candidate for a tax filing extension each year. Are you familiar with tax filing extensions? If not, this paper is going to explain them to you. We are also going to discuss what happens should you fail to file by the extension deadline. If you were feeling a little anxiety, stress or overwhelmed before, wait until you finish reading this paper.

Each year the United States Government through the Internal Revenue Service (IRS) has given a deadline for the filing of taxes associated with individuals, businesses, non-profits, estates/trusts, etc. The most common filing deadline you may be familiar with is the individual tax filing deadline of April 15th. Because of the Emancipation Day holiday in Washington, DC and the calendar falling on weekends, the individual filing deadline has been extended in recent years to the 16th or the 17th of April giving tax filers a few extra days to complete their returns. Tax filers usually have their forms, such as 1099-MISC or a W-2 form, in hand by the first week of February, which usually gives a tax filer about 10 weeks to complete their income tax return. Plenty of time, right? Well, some folks may be waiting for a 1099 form from their financial advisor or investment broker which they do not normally receive until the end of April, after the individual tax filing deadline. For those people, filing an extension makes sense.

If I file an extension, when do I have to file my tax return? The IRS and US Government give you until October 15th, give or take a couple of days should the 15th fall on a weekend, to file your tax return. This is another 6 months of time to get together any missing documents and to complete your income tax filing requirement. One thing to keep in mind though. While an extension gives you more time to file your income tax return, what it does not give you is additional time to pay any taxes you may owe. Those are still due by the April 15th deadline. Failure to pay tax owed by the April deadline will likely result in late fees and interest charges from the taxing entities. Those late penalties run 5 percent per month while the interest runs half a percent per month. If you file for the extension, the IRS will waive the 5 percent penalty if you file by the October deadline.

Now, the purpose of this white paper is really for those that choose to avoid the October tax filing deadline. Our office has received calls from people asking if they could file another extension. Unfortunately, there are no further extensions after the October filing deadline. At that point the filing is considered late and subject to late fees, penalties and interest from the IRS. Time is of the essence now to get together all missing paperwork, and to get your income tax filed to keep the penalties, fees and interest as low as possible.

You may know someone that filed late, even multiple years late and still received a refund. This is absolutely possible depending on how much they are overpaid. The IRS will simply deduct any fees, penalties and interest due from the amount of the refund. Some people are actually ok with this. However, keep in mind that this was tax that the individual over-paid, was not able to collect interest on and then paid fees, penalties and interest against that may not have been necessary.

In reality, there is plenty of time given each year to file your taxes. This is provided you have all your paperwork and dedicate yourself to completing them or getting your tax preparer the supporting paperwork in a timely fashion. Extensions are a great benefit for those that need to utilize them. However, once that deadline is up, there are no other extensions available. It is time to face the piper and either file the return, pay the tax or cough up the fees, penalties and interest that the taxing entity will levy against you.