

Tax News Alert



March 21, 2020

COVID-19 Update: Federal, State, and Local Tax Deadline Changes

As the COVID-19 pandemic continues to cause significant disruptions to individuals and businesses, tax agencies are beginning to respond with increased communication around upcoming tax filing deadlines and payments. In some cases, this includes changes to tax filing deadlines and the deferral of tax payments. The information and changes are rapidly evolving. We will continue to provide more detailed information in future *Tax News Alerts* as it becomes available.

Federal Taxes

On March 20, 2020, the Internal Revenue Service (“IRS”) issued Notice 2020-18 (the “Notice”) granting relief to taxpayers affected by the COVID-19 pandemic under Internal Revenue Code (“I.R.C.”) section 7508A(a). The Notice supersedes IRS Notice 2020-17, issued on March 18, 2020.

Pursuant to the emergency declaration issued by the President of the United States under the Robert T. Stafford Disaster Relief and Emergency Assistance Act, the Notice provides tax relief to any Affected Taxpayer, defined as any person with a Federal income tax payment or a Federal income tax return due April 15, 2020. The term “person” includes an individual, a trust, estate, partnership, association, company or corporation, as provided in I.R.C. section 7701(a)(1).

For an Affected Taxpayer, the deadline for filing Federal income tax returns and making Federal income tax payments due April 15, 2020, is automatically postponed to July 15, 2020. Unlike IRS Notice 2020-17, there is no limitation on the amount of payment due April 15, 2020, that may be postponed. An Affected Taxpayer does not have to file Form 4868, *Application for Automatic Extension of Time to File U.S. Individual Income Tax Return*, or Form 7004, *Application for Automatic Extension of Time to File Certain Business Income Tax, Information, and Other Returns* to be eligible for the postponement.

The Notice provides relief solely with respect to Federal income tax payments (including payments of tax on self-employment income) and Federal income tax returns due on April 15, 2020, in respect of an Affected Taxpayer’s 2019 tax year, and Federal estimated tax payments (including payments on self-employment income) due on April 15, 2020, for an Affected Taxpayer’s 2020 tax year. The relief is not available for the payment or deposit of any other type of Federal tax or the filing of any Federal information return.

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The period beginning on April 15, 2020, and ending on July 15, 2020, will be disregarded in the calculation of an interest, penalty, or addition to tax for failure to file the Federal income tax returns or to pay the Federal income taxes postponed by the Notice. Interest, penalties, and additions to tax with respect to such postponed Federal income tax filings and payments will begin to accrue on July 16, 2020.

While the Notice provides much needed relief and clarity regarding Federal income tax payments and filing deadlines, absent additional relief, taxpayers must continue to file tax returns and make tax payments not covered by the Notice.

State and Local Taxes

Along with the Federal tax changes, a few state and local governments have released taxpayer relief guidance. While the guidance has differed among jurisdictions, it has generally taken the form of extended deadlines for the filing of tax returns and the payment of taxes. As of this writing, California and Connecticut extended the filing and tax payment dates, along with a number of other states. While New Jersey has proposed changes, they have not yet passed legislation.

For New York State taxpayers, Governor Andrew Cuomo's Budget Director, Robert Mujica, announced during a news conference on March 20, 2020 that New York's tax deadline is tied to the Federal deadline. As of this writing, an official communication has not been issued by the New York State Department of Taxation.

On March 19, 2020, the New York City Department of Finance ("DOF") waived penalties **but not interest** on all DOF-administered business and excise tax extensions or returns filed late due to the COVID-19 pandemic. The waiver of late filing, late payment, and underpayment penalties only applies to tax returns and taxes due between March 16, 2020 and April 25, 2020. Taxpayers may request to have the penalties waived on the late-filed extension or return, or can submit a separate request for abatement to the DOF. As of this writing, the New York City DOF has not updated their position on the imposition of interest on postponed New York City tax payments.

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