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IRS RELEASES COVID-19 PAYMENT RELIEF

On March 18, 2020, the Internal Revenue Service released Notice 2020-17, formal guidance describing relief provided to taxpayers for federal income tax payments due April 15, 2020.

Under the guidance, the President's March 13, 2020, Emergency Declaration instructed the Treasury Secretary to provide relief to taxpayers affected by the novel coronavirus (COVID-19). The notice provides that any person with a federal income tax payment due April 15, 2020, is an "Affected Taxpayer." For Affected Taxpayers, the relief provides that "Applicable Postponed Payment Amounts" are postponed until July 15, 2020. This 90-day deferral therefore applies to income tax payments of up to \$10 million for each consolidated group of corporations or for each C corporation that does not join the filing of a consolidated group and up to \$1 million for all other Affected Taxpayers regardless of filing status (i.e., single individuals and married individuals filing a joint return each may defer \$1 million).

The relief under Notice 2020-17 is solely with respect to federal income tax payments (including payments of tax on self-employment income) due April 15, 2020, in respect to an Affected Taxpayer's 2019 tax year and estimated income tax payments (including payments of tax on self-employment income) due on April 15, 2020, with respect to an Affected Taxpayer's 2020 taxable year. The Applicable Postponed Payment Amounts include the total of all payments described in the notice (i.e., \$10 million or \$1 million, as applicable).

The notice expressly states: "No extension is provided in this notice for the payment or deposit of any other type of Federal tax, or for the filing of any tax return or information return." Returns due to be filed April 15, 2020, remain due April 15, 2020. An extension may be requested as it ordinarily would be.

The IRS also clarifies that any interest, penalty, or addition to tax for failure to pay income taxes postponed by the Notice will begin to once again accrue on July 16, 2020. In addition, any interest, penalties, and additions to tax above the Applicable Postponed Payment Amount (i.e., \$10 million or \$1 million, as applicable) will not be suspended and will accrue if not paid by an Affected Taxpayer on April 15, 2020.

The IRS reminds taxpayers who may be subject to penalties or additions to tax – despite the relief announced in the notice – that they may seek reasonable cause for failure to pay penalties or estimated tax penalties. Corporations and tax-exempt organizations, however may not seek such relief for estimated tax payments.

Additionally, the following states have announced business and individual income tax return filing extensions and/or late filing/payment penalty relief: California, Connecticut, Maryland, North Carolina, Oregon, South Carolina, and Washington. Further, San Francisco and Seattle have announced filing extensions for local business taxes, while a number of other states have indicated they will adhere to federal extension guidance on tax payments once formalized by the Internal Revenue Service.