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IRS Modifications to Taxes due to COVID

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The Secretary of the Treasury announced March 17, 2020 that the IRS will waive interest and penalty charges for 90 days for Americans who owe less than \$1 Million in taxes in response to the COVID outbreak. This announcement comes as welcome news for many.

What this means for you:

If you would have owed taxes on April 15, the Department of Treasury plans to give you until July 15 to make that payment without being penalized or paying interest on it, so long as it is less than \$1 million or less than \$10 million for businesses.

What this does NOT mean:

The announcement is not formal guidance. The Secretary did not discuss changing any tax filing deadlines. Many had hoped the IRS would push the tax payment **and** filing deadline from April 15 to a later date. However, the announcement indicates the treasury plans to provide additional time only to pay federal taxes. It does not change the actual tax filing deadline. As of now, that means that either a return or extension must still be submitted by April 15 even though no taxes for 2019 would be required to be paid on that same date. Additionally, the announcement did not indicate whether the extension of time to pay taxes would include an extension of time to pay tax estimates that are also due April 15 for first calendar quarter of 2020.

The planned changes announced today also do not extend the time to make contributions to retirement plans such as IRAs, or to health savings accounts for 2019 or modify any other tax deadlines.

State Filing and Payments:

Most states are rapidly working to communicate their plans regarding filings and payments. According to the American Institute for Certified Public Accountants, the state of Colorado indicated they would mirror IRS guidance as it is updated amid the pandemic. But as of now, no further guidance from the State of Colorado has been provided. Because we have clients that file returns in many states across the United States, we also wanted to provide this helpful link where you can monitor the changing requirements for all states as they unfold:

<https://www.aicpa.org/content/dam/aicpa/advocacy/tax/downloadabledocuments/coronavirus-state-filing-relief.pdf>

What we will do:

As communicated previously, we will continue to work on clients returns on a first in first out basis. In the event that we are not able to complete your returns in full so that they can be filed by April 15, we will file an extension on behalf of all clients for whom we have received

information, or from whom we have received specific request or authorization to do so. So even if the IRS does not ultimately extend the time to file, an extension would prevent any late filing penalties. Combined with the extension of time to pay, this should provide much needed flexibility in fulfilling tax obligations.

Please rest assured that we file extensions without any problems on behalf of many clients every year in the normal course of our operations. We will continue to work first in first out to complete any extended returns as soon after April 15 as possible.

We will also continue to monitor tax developments as they unfold.

If you have any questions or concerns regarding your specific situation, please do not hesitate to contact us. We continue to sincerely appreciate your trust and patience during this unique time.

Thank you for selecting our firm for your tax and accounting needs. We appreciate the confidence you have shown in us, and we remain ready to assist you at any time. Also, thank you for recommending us to your family, friends, and associates. We appreciate your referrals.

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