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## **Benefits and Drawbacks of Tax Filing Extensions**

The tax deadline has just passed. Did you file your returns on time? If you did not, you should have filed for an extension before the April 15 deadline. If you did neither, then you can expect a failure to file penalty. The IRS will charge you a penalty of 5% of the taxes you owe each month up to a maximum of 25%. Hence if you know you are liable for taxes, you should have filed either your tax return or a request for extension if you knew you could not prepare your tax returns on time. Filing an extension will buy you another 6 months of time (till October 15) to file your tax returns.

However, an extension will not delay your obligation to pay your taxes. Paying your taxes and filing your returns are two separate things. If you owe taxes, you should still pay an estimated amount of your debt before April 15 together with your extension filing to avoid another penalty, the penalty for late payment. Failing to pay your taxes on time carries a penalty of 0.5% of your taxes for each month plus an 8% interest on whatever balance left outstanding per month. This rate is changed every quarter.

So is there any benefit to filing an extension for your tax returns? First of all, let me debunk one common myth that filing your tax returns late will raise a red flag on your case and subject you to an audit by the IRS. This is not true. In fact, the opposite is true in most cases. Filing an extension would likely reduce your chances of being audited. This is because when you file your returns in the fall, the IRS may have already reached its quota for the number of cases to audit. Some tax professionals believe the IRS chooses audit cases mainly from the returns that come in on time. Of course, there is no way to ascertain this. Therefore, if you wish to avoid an audit, the surest way is to stick to the tried and true practice of filing your tax returns accurately.

The benefits of filing an extension are obvious. You get more time to make an accurate and error-free return. And if you engage the services of a tax preparer, you would likely be given better service after the tax deadline. Just before the deadline is the most stressful peak period for tax preparers. They may have to rush through your case because of the volume of work on their hands. But after the deadline, they can do a much better job for you because it is off the peak period.

There are no real drawbacks per se in filing an extension. Perhaps the only drawback would be the fact that an extension of time to file does not mean a postponement to pay your taxes, as

stated above. If you are prone to procrastination, filing an extension might not do you any good. You would likely end up rushing to beat the October deadline as well.

Darrin T. Mish is a veteran, nationally recognized tax attorney who has focused on providing IRS help to taxpayers for over a decade. He regularly travels the country training other attorneys, CPAs and enrolled agents on how to handle their toughest cases with the IRS. He is highly ranked among the top attorneys in the country, with an AV rating from Martindale-Hubbell and a perfect 10 on Avvo.com. Martindale-Hubbell has also honored him with a listing in their Bar Register of Preeminent Lawyers. He is a member of the American Society of IRS Problem Solvers and the Tax Freedom Institute. With clients on every continent but Antarctica, he has what it takes to solve your IRS problems no matter where you live in the world. If you would like more information about his practice and how he can help you, please call his office at (813) 229-7100 or toll free at 1-888-GET-MISH.