

COVID-19 Tax Relief Update: Extension to Pay

March 19, 2020

On March 13, 2020, the President issued an emergency declaration under the Stafford Disaster Relief and Emergency Assistance Act in response to the Covid-19 pandemic. This notice instructed the Treasury Department to provide relief from certain payment deadlines to those adversely affected by the COVID-19 outbreak, pursuant to Internal Revenue Code 7508A(a). This Tuesday, March 17, 2020, the IRS issued Notice 2020-17, outlining the terms of this relief:

- The relief applies to any individuals, partnerships, corporations, trusts or other entity with Federal income tax payments due on April 15, 2020 (“Affected Taxpayers”).
- The deferral includes payments of tax on self-employment income, and covers both amounts due for the Affected Taxpayer’s 2019 taxable year, and Federal estimated income tax payments due on April 15, 2020 for the first quarter of 2020.
- Federal income tax payments for Affected Taxpayers are deferred up to the “Applicable Postponed Amount” until July 15, 2020, with amounts exceeding this Applicable Postponed Amount still due on April 15.
- The “Applicable Postponement Amount” is (a) \$1,000,000 for individuals, trusts, estates, partnerships, and associations; and (b) \$10,000,000 for a single C corporation or for any group of C corporations that file a consolidated tax return.
- Interest, penalty or addition to tax for failure to pay will also be deferred during this period, although not with respect to amounts owed over the Applicable Postponement Amount and not paid on April 15.
- There are a few caveats with respect to this declaration:
 - This relief applies only to Federal income tax payments, and does not provide any deferral as to payroll taxes, excise taxes or any other taxes.
 - Only the obligations to pay Federal income tax is deferred, not to the obligation to file – *Affected Taxpayers are still required to file their Federal income tax returns in a timely manner, or seek appropriate extensions.*
 - While it is expected that the Delaware Division of Revenue will follow the Treasury guidance with respect to Delaware income tax, no formal announcement has been made to date.

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Practice Areas

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COVID-19 Tax Relief Update: Extension to Pay (Continued)

Should you have any questions or concerns, please do not hesitate to reach out to the Tax, Estates & Business Practice Group of Morris James LLP.