

United States Treasury Issues Formal Guidance Regarding 90-day Tax Deferral Updated Notice

[We previously informed you](#) that United States Secretary of the Treasury, Steven Mnuchin, announced tax relief in the form of a 90 day deferral of certain federal income tax payment deadlines. On March 18, 2020 the United States Department of Treasury issued Notice 2020-17 to formally implement the relief provisions.

Under this [notice](#), taxpayers may delay certain tax payments for 90 days due to the coronavirus pandemic. Based on the notice provisions, the revised due date for paying certain federal income taxes that would be due April 15, 2020, is now extended to July 15, 2020. This 90-day extension of the payment due date applies to tax liabilities of (1) up to \$10,000,000 for each c corporation (or certain consolidated groups of corporations) or (2) up to \$1,000,000 for other affected taxpayers (such as individuals, LLC members, and S corporation shareholders). With respect to individuals, the amount that can be deferred is the same for a single individual and for married individuals filing a joint return. In both instances, the amount that can be deferred is up to \$1,000,000.

This deferral relief applies to: payments for the 2019 federal income tax liability due on April 15, 2020; and payments for the first quarter Federal estimated income tax payments (including payments of tax on self-employment income) due on April 15, 2020, for the 2020 taxable year. Self-employment income generally includes business income reported on Schedule K-1 (for partners, LLC members, and S corporation shareholders) and income reported in IRS Form 1099-MISC (e.g., for directors and sole proprietors). For the 2020 first quarter estimate, because 2020 earnings may be reduced due to the current economic conditions, taxpayers may benefit from making estimated payments based on a projection of actual 2020 income – and not using the prior year liability. By calculating 2020 estimated tax payments using a projection of actual earnings, taxpayers will be able to avoid both overpayments of taxes and interest and penalties. Calculating estimated taxes can be complicated; however, individual taxpayers normally can accurately estimate income tax liabilities and avoid penalties and interest by using the IRS Form 1040-ES worksheet and IRS Publication 505.

There is no extension provided for the payment or deposit of any other type of Federal tax, or for the filing of any tax return or information return. Therefore, at this point, taxpayers should plan to timely file either the annual federal tax return (e.g., IRS Form 1040 or 1120), or an extension of time to file the applicable tax return.

The current deferral is 90 days, and there generally will be no interest or penalty imposed during this period. However, interest, penalties, and additions to tax with respect to the deferred payment amount of Federal income taxes will begin to accrue again on July 16, 2020. As such, from a practical perspective, while taxpayers may want to consider deferring payment of taxes for the 90 day period, any deferred payment amount should be carefully accounted for and paid by July 15, 2020 to avoid negative consequences.

The federal tax relief granted in Notice 2020-17 also does not apply to state income taxes. Several states have already provided tax relief and certain other states have indicated they intend to provide filing or tax payment relief similar

to the relief granted by the United States Department of Treasury. The Michigan Department of Treasury, for example, has issued a notice indicating that relief will be granted with respect to sales, use, and withholding tax liabilities of businesses. Attached is a link to the Bodman alert regarding this development. Also attached is a link to a list compiled by the AICPA of some of the State Tax Filing Requirements for Coronavirus Pandemic updated as of March 17, 2020.

Bodman will be closely monitoring these developments at the federal and state levels and will continue to provide updates. If you have questions please contact Bodman attorney Emily Kwolek at **(248) 743-6048** or **ekwolek@bodmanlaw.com** or Wayne Roberts **(248) 743-6039** or **wroberts@bodmanlaw.com**