

## TF.2

# Due Dates, Extensions and Penalties

## Filing due date

Individuals must file federal income tax returns by April 15th unless this day falls on a weekend or holiday. In that case, returns are due on the next business day.

"Filed" means:

- electronically received by the IRS, or
- post marked by the United States Post Office

prior to midnight on the due date.

You may choose to ask the post office for a "Proof of Mailing" receipt.

If you drop your return off in a USPS mailbox be sure to check the time of the pick up.

## Extension of Time to File

An extension is an extension of time in which to file - it is not an extension of time in which to pay. When you file an extension you are supposed to pay any amounts due (or estimated amounts due) with the extension request.

If you file a request for an extension of time to file and fail to pay what is due by the original (unextended) due date you will avoid late filing penalties but you will owe late payment penalties.

File IRS Form 4868 to request an extension - you must file the 4868 no later than the regular due date of your return.

Note that in some disaster situations the IRS may make an automatic extension for everyone in the county.

### **March 1 Due Date**

The March 1 due date is a special rule that allows some farmers, ranchers and fishers to avoid following the regular rules for paying estimated taxes on a quarterly basis and instead pay all of their taxes on March 1.

For the regular rules on paying quarterly estimated taxes see the IRS website and IRS Publication 505.

If two-thirds (66⅔ %) or more of your gross revenue from all sources is agricultural (or fishing) income (related to producing unprocessed agricultural products or unprocessed fishing catch), then you may elect not to pay quarterly estimated taxes and instead either pay all of your estimated taxes by the 15th day after the end of your tax year (generally January 15th) or file your taxes and pay all taxes due by the 1st day of the 3rd month after the end of your tax year (generally March 1).

If you do not meet the two-thirds gross income requirement you are required to pay estimated taxes if you expect to owe \$1,000 or more when you file your returns.

## Penalties for late filing

If you do not file on time: The failure-to-**file** penalty is 5% of the unpaid taxes for each month or part of each month that a tax return is late (filed after the due date or extended due date) up to a maximum of 25% of your unpaid taxes. Interest compounds daily so amounts grow fast!

## Penalties for late payment

If you file, but do not pay your taxes: The failure-to-**pay** penalty is 0.5% (half a percent) of the tax owed after the due date, for each month or part of each month the tax remains unpaid, up to 25% of the total amount owed. Interest compounds daily so amounts grow fast!

## Consequences of failure to file or failure to pay

**Failure to file:** If you never file a return the IRS can audit as far back as they want to find unreported income.

**Failure to pay:** The IRS has extraordinary ways to enforce payment. They may seize money directly from your accounts or garnish your wages.

**Failure to file:** Generally the IRS can audit for three years after the date you file your returns. For substantial understatements of income they can audit for six years after you file your return. If you never file a return, they can audit as far back as they want to find unreported income.

**Failure to pay:** Penalties and interest on amounts owed compound daily. The IRS may place a lien on your property (this means if you sell it the IRS automatically takes what you owe from the proceeds.) The IRS may levy your assets - that means take money out of your bank accounts, or order your employer to send most of your paycheck to the IRS instead of you (a wage garnishment).

**Negligence:** If your tax return is incorrect in a manner that results in understatement of tax by the greater of \$5,000 or ten percent of the correct tax you may be liable of negligence and accuracy penalties of up to 20% of the tax owed.

**Willful failure to file or pay** involves knowingly filing a false return or actively hiding money or assets in order to evade IRS collection actions. Willful failure to file or pay is **tax fraud** which is subject to penalty up to 100,000 and up to five years in prison.

**The difference between negligence and fraud:** From the IRS website: "Avoidance of taxes is not a criminal offense. Any attempt to reduce, avoid, minimize, or alleviate taxes by legitimate means is permissible... One who avoids tax does not conceal or misrepresent... Evasion... involves deceit, subterfuge, camouflage, concealment, some attempt to ... make things seem other than they are."

*This resource is derived from materials developed by the University of Arkansas School of Law Agricultural Tax Training as part of the Agricultural Financial, Tax and Asset Protection (AgFTAP) partnership with the University of Arkansas Southern Risk Management Education Center and others.*