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LAST MINUTE TAX REMINDERS

By: JOHN MARTENS, CPA

As we approach another individual income tax return filing deadline, just wanted to share a few thoughts about “due dates” and related issues.

Over the years, the IRS has simplified the process of getting an extension of time to file your tax return. By filing a form 4868, you are granted an automatic extension of time for 6 months. Seems pretty simple and straight forward, right?

However, many folks believe that if they file an automatic extension of time to file their tax return, it gives them more time to find the cash to pay for the balance of tax due, (that they hadn't anticipated)! Understand that an “Extension of time to file” a tax return, does NOT “Extend the time to PAY” your taxes. There are basically two different penalties associated with late tax returns. One is a penalty for “filing” the return after the original due date. This penalty can be avoided by filing an extension, and then timely filing before the extension period ends. The second penalty is for “paying” the associated tax late. This one cannot be avoided with an extension of time to file. Therefore, it is important to have an accurate estimate of the tax you will owe, and then be ready to pay it with the filing of your extension.

There are special considerations for “hardship” cases, where a six-month extension of time to pay the tax can be approved thereby avoiding the late payment penalties. This is done by filing form 1127. The taxpayer must show he/she cannot sell assets or borrow money to pay his/her taxes. There are additional statements of financial condition required with this form. Keep in mind, the service will not grant this extension as a “convenience” to the timing of the payment of your taxes.

The following are a few other items relative to due dates:

Traditional IRA (both deductible and non-deductible) and ROTH IRA contributions must be contributed to your account by the due date of the return, no extension of time for this, even if you extend your income tax return filing.

Retirement plans such as SEP, SIMPLE IRA, and 401K plan contributions must be contributed to your account by the due date of the return, however, it includes your extension period. Keep in mind however, if this is the first year you are making contributions to your plan, only the SEP plan can be established AFTER the end of the tax year. The other plans have varying dates by which they must be established... talk to your tax advisor for clarification.



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Keep in mind, these are just a few of the more common issues associated with tax returns and related extensions. There are many other dates and provisions related to tax returns for businesses, employment, estates, etc. Best practice is to be sure to communicate your situation to your tax professional early, so you can avoid unpleasant surprises connected with tax filings!

If you have questions about this or any other business or tax issue, please contact your Account Manager or [John Martens, CPA](mailto:John.Martens@connerash.com), at (314) 205-2510

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