

Tax Extension Filing Guide

Introduction

Filing taxes can be stressful, especially when you're running out of time. Fortunately, the IRS allows both individuals and businesses to request an automatic extension of time to file their tax returns. This guide will walk you through the extension process for different types of taxpayers, clarify common misconceptions, and provide step-by-step instructions for completing the necessary forms.

Important Deadlines to Remember

Before diving into the specifics, let's review the key tax filing deadlines:

- **March 15:** Filing deadline for S Corporations (Form 1120-S) and Partnerships (Form 1065)
- **April 15:** Filing deadline for Personal tax returns (Form 1040) and C Corporations (Form 1120)

Note: When these dates fall on weekends or holidays, the deadline is extended to the next business day.

Extension of Time to File vs. Extension of Time to Pay

One of the most common misconceptions about tax extensions is that they give you extra time to pay any taxes owed. This is **not** the case.

Extension of Time to File: This gives you additional time to complete and submit your tax return paperwork.

Extension of Time to Pay: An extension to file does NOT extend the time to pay taxes owed. Any taxes unpaid by the original due date may be subject to interest and penalties.

When you file for an extension, you must estimate what you think you may owe and pay that amount by the original due date to avoid penalties and interest.

Business Extensions (Form 7004)

Who Needs to File Form 7004?

Form 7004 is used by businesses to request an automatic 6-month extension of time to file certain business income tax returns, information returns, and other returns.

This includes: - S Corporations (Form 1120-S) - Partnerships (Form 1065) - C Corporations (Form 1120) - LLCs taxed as corporations or partnerships

Important Notes for Different Business Entities

S Corporations and Partnerships

- S Corporations and Partnerships are **flow-through entities** that don't pay tax at the entity level
- Even though these entities don't pay tax directly, they must still file returns on time
- If you fail to file on time and don't request an extension, penalties will apply
- The extension deadline is typically 6 months from the original due date (usually September 15)

C Corporations

- C Corporations pay tax at the corporate level
- The extension deadline is typically 6 months from the original due date (usually October 15)
- You must estimate and pay any taxes owed by the original due date (April 15)

How to Complete Form 7004

1. **Part I:** Check the appropriate box for your business type
2. **Line 1:** Enter the form code for the return you're extending (see form instructions)
3. **Line 2-4:** Complete if applicable to your business
4. **Line 5a:** Enter the calendar or tax year information
5. **Line 6:** Enter your tentative total tax
6. **Line 7:** Enter total payments and credits
7. **Line 8:** Calculate balance due (Line 6 minus Line 7)

If there is a balance due on Line 8, you must pay this amount by the original tax due date to avoid penalties and interest.

Personal Extensions (Form 4868)

Who Needs to File Form 4868?

Form 4868 is used by individuals to request an automatic 6-month extension of time to file their personal income tax return (Form 1040).

How to Complete Form 4868

1. **Part I:** Enter your identification information
2. **Part II:** Enter your tax information
 - Line 4: Estimate your total tax liability for the year
 - Line 5: Enter total payments you've already made
 - Line 6: Calculate balance due (Line 4 minus Line 5)

- **Line 7:** Amount you're paying with the extension request

Filing Methods for Form 4868

There are three ways to request an automatic extension:

1. **Pay Electronically:** You can get an automatic extension when you pay part or all of your estimated income tax electronically. You don't need to file Form 4868 if you use this method.
2. **E-file:** You can file Form 4868 electronically using tax software or through a tax professional.
3. **Paper Filing:** You can complete a paper Form 4868 and mail it to the IRS.

Common Questions and Misconceptions

“Do I need to file an extension if I don't owe any taxes?”

- **For C Corporations and Individuals:** Yes, you still need to file an extension even if you don't owe taxes. This is because these entities pay tax at their respective levels.
- **For S Corporations and Partnerships:** Yes, you still need to file an extension even though these are flow-through entities that don't pay tax at the entity level. Failure to file on time without an extension will result in penalties.

“If I file an extension, do I still need to pay my taxes by the original due date?”

Yes. An extension of time to file is NOT an extension of time to pay. You must pay any taxes you expect to owe by the original due date to avoid penalties and interest.

Penalties for Late Filing and Payment

Late Filing Penalties

- **S Corporations and Partnerships:** \$210 per month (or part of a month) per partner/shareholder, up to a maximum of 12 months.
- **C Corporations and Individuals:** 5% of unpaid tax per month (or part of a month), up to a maximum of 25% of unpaid tax.

Late Payment Penalties

- 0.5% of unpaid tax per month (or part of a month), up to a maximum of 25% of unpaid tax.

Combined Penalties

If both the late filing and late payment penalties apply, the late filing penalty is reduced by the amount of the late payment penalty.

Conclusion

Filing for an extension is a straightforward process that can give you the extra time you need to properly prepare your tax return. Remember that while an extension gives you more time to file, it does not give you more time to pay any taxes owed. Always estimate and pay your taxes by the original due date to avoid penalties and interest.

In the next section, we'll cover the First Time Abatement program, which may help you get penalties waived if you've been compliant with filing and payment requirements in the past.