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THE TAX LAWYER

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April 18 Is Tax Day, Extend But Don't File Late

The deadline to file 2021 federal taxes for most people is Monday, April 18. You can forget special Covid extensions this year, but why April 18th? It turns out that April 15 is Emancipation Day, a holiday in Washington, D.C. So the IRS is giving the nation a an extra weekend. Late tax returns incur penalties, and they can be big. Late payment triggers other penalties. That's right, the IRS penalizes you if you file late, and penalizes you again if you pay late. What's more, filing late can draw extra scrutiny. That's right, filing late could make you more likely to be audited. Talk about a triple whammy, so be careful. But should you rush to file your taxes on time, or should you go on extension to October 15? If you extend, it is automatic on request, and incredibly easy to do. But *should* you take advantage of the extra time?

If you extend, do you *increase* your odds of audit or *decrease* them? Millions of extensions are processed every year. Everyone can automatically get until October 15 by filing (electronically or by mail) a tiny form. It doesn't even require a signature. Careful, the extension is to file your tax return, it is not an extension of time to *pay*. Thus, you need to pay by April 18 what you expect to owe when you actually file your taxes later in the year, anytime up until

October 15th. But are there good reasons to take the extension? Perhaps the best reason to extend is that going on extension encourages reflection and due care. All tax returns must be signed and filed under penalties of perjury. Many returns filed right at the deadline are filed in haste, some carelessly. That will probably be true this year, perhaps even more so than usual, and that can bring on an audit.



Extensions can allow time to gather records, consider reporting alternatives, and get professional advice. It is best to file accurately so you don't have to amend later. Amended returns often come about because people are in a rush. Amending isn't necessarily bad, of course. There are times you may want or need to amend your return. But try to use amended returns sparingly. For one thing, amended returns are much more [likely to be scrutinized](#). File once correctly so you do not need to do it again.

The IRS doesn't even have to approve the extension. It is automatic, and there is no discretion involved. You automatically get the extra six months, period.

You may not need all that time, and once you extend, you can file whenever you would like between April 15 and October 15. That time comes in useful in other ways too. For example, going on extension also allows for corrected Forms 1099 and K-1. You may be waiting for Forms K-1, gathering documents or seeking professional advice.

If there are debatable points on your return, such as whether a [legal settlements is ordinary or capital gain](#) or if your [lawsuit settlement](#) is taxable at all, take the time to get some professional advice. Besides, even if you have all your forms ready, what if you receive a Form K-1 or 1099 *after* you file? It happens a lot, and the earlier you file your return, the greater the risk you will receive corrected forms that may make you need to amend. Going on extension makes it less likely that you will be surprised by a tardy corrected Form K-1 or 1099. You may as well file once and file correctly.

There appears to be no hard evidence to prove whether extending reduces, increases or does not impact audit risk. There is no evidence that there is an *increased* audit risk if you go on extension, but given all the advantages of an extension, I believe that an extension can actually help *reduce* your audit risk. All taxpayers worry about [IRS audit](#) risk. The IRS does not release data about whether going on extension increases or decreases your chances. But I still say extensions encourage reflection and care, and that alone reduces audit risk. To extend, you can submit a [Form 4868](#), ask your tax return preparer, use commercial software, or do it yourself electronically. For more guidance, check out [IRS tax topic 304, covering extensions of time to file your tax return](#).

Check out my [website](#).