

06/14/20

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Tax Season 2020: Taxes Are Due July 15, But Extending Might Lower Audit Risk

April 15 is usually tax day, but like everything else this year, it is different now. The IRS moved it to July 15. For most people, few deadlines are more dreaded than the annual rush to file. Instead of rushing to file your taxes, should you go on extension to October 15? It is automatic on request, and incredibly easy to do. If you extend, do you increase or decrease your odds of audit?

Many people do not want to put off that deadline, and may even feel guilty if they get more time, but millions of extensions are processed every year. Still, the extension is to file your tax return, not an extension of time to pay. By July 15, you need to pay you expect to owe when you actually file your taxes later in the year, anytime up until October 15th. Here are some good reasons to extend. Tax forms like K-1s from partnerships and LLCs have an annoying habit of showing up late, and they are often amended.

That can be a big reason to extend. Many returns filed right at the deadline are filed in haste, some carelessly, and that can bring on an audit. Extensions can allow time to gather records, consider reporting alternatives, and get professional advice. After all, tax returns must be signed and filed under penalties of perjury.

It is best to file accurately so you don't have to amend later. Amending a return isn't necessarily bad, and there are times you may want or need to amend. Still, amended returns are much more likely to be scrutinized. File once correctly so you do not need to do it again. If you extend, you may not need all the time between July 15 and October 15.

Once you extend, you can file whenever you would like one or before October 15. That time comes in useful in other ways too. You may be waiting for Forms 1099 or K-1, gathering documents or seeking professional advice. If there are debatable points on your return, take the time to get some professional advice. What if you receive a Form K-1 or 1099 after you file? It happens a lot.

How about audit risk? Some people say that going on extension increases audit risk, while some people say the opposite. There appears to be no hard evidence to prove

either one. Yet given all the advantages of an extension, an extension might actually help reduce your audit risk. No one wants an audit.

The IRS does not release data about whether going on extension increases or decreases your chances. But I say extensions encourage reflection and care, and that alone reduces audit risk. To extend, you can submit an IRS Form 4868, ask your tax return preparer, use commercial software, or do it yourself electronically.

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