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As Tax Day Looms, 6 Month Extension Has Big Benefits

Tax returns are usually due April 15, but this year you'll get an extra two days, until April 17th. Those extra few extra days might help, but they may not matter to many. Instead of rushing to file your taxes, you can go on an automatic six-month extension. You need to pay what you owe even if you go on extension. The extension is to *file* your return, not to pay. Some people fine tune their payment, while others do only a rough estimate. Just remember that if you owe more when you later file your return, you'll have to settle up then. But even though you have to pay now, there can be good reasons to take the extension.



If you do succumb to the allure of an extra six months, it is worth considering whether you *increase* your odds of audit or *decrease* them. Few deadlines are more dreaded than the annual rush to April 15th (well, 17th this year). You may not *want* to delay it. You may even feel guilty if you

take advantage of an automatic six-month reprieve. There's no shame in an extension, and millions are processed every year. Everyone can get *six extra months* by filing (electronically or by mail) a tiny form that doesn't even require a signature.

Here are some reasons to consider an extension. Going on extension encourages reflection. Use the time to gather records, consider reporting alternatives, and get professional advice. Remember, tax returns are filed under penalties of perjury. File accurately so you don't have to amend later. Amended returns often come about because people rush. Although there are times you may want or need to amend, use amended returns sparingly. Amended returns are much more [likely to be scrutinized](#). File once correctly, so you don't have to do it again.

The extension is automatic. The IRS doesn't have to approve the extension, and there is no discretion involved. You just get the extra six months, period. Extensions used to be four months, with two additional months only if you had a good reason. Now, automatic extensions are six months. Again, the extension is to *file*, not to *pay*. Make your payment and use the time to make your return accurate and complete.

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 [litigation](#) recovery is ordinary or capital, get some professional advice. But even if you have all your forms and are ready, what if you receive a K-1 or 1099 after you file? The earlier you file, the greater the risk you will receive corrections. Going on extension makes it less likely that you will be surprised by a tardy corrected K-1 or 1099. You may as well file once and file correctly.

Some people say that going on extension increases audit risk, while some people say the opposite. But there is no hard evidence to support either theory. Still, it is worth saying this again: there is no *increased* audit risk to going on extension. And given all the advantages of an extension, one can argue that an extension may help reduce audits.

All taxpayers worry about [IRS audit](#) risk. Opinions vary, and there are many theories about what triggers an audit. However, it is unlikely that [going on extension increases IRS audit risk](#). The IRS releases data about audit rates based on income levels and types of tax returns. They do not release data about whether going on extension increases or decreases your chances. So, go on extension if you need the time. To extend, you can submit a [Form 4868](#), ask your return preparer, use commercial software, or do it yourself electronically. For more guidance, [IRS tax topic 304 explains extensions of time to file your tax return](#).

For alerts to future tax articles, email me at Wood@WoodLLP.com. This discussion is not legal advice.