

Alerts

1 Tax Update – When Are Taxes Due?

IRS Individual Income Tax Return and Estimated Tax Due Dates

Unlike last year, the Internal Revenue Service (“IRS”) has not extended the filing deadline for your 2020 individual income tax return. Your return is due April 15, 2021.

If you cannot file by April 15, 2021, to avoid penalties you must file an extension by submitting Form 4868 to the IRS by April 15, 2021. This extension extends your return filing due date to October 15, 2021. Be aware that this extension does not extend the time to pay your IRS tax liability, but merely extends your return filing due date. To avoid late payment penalties, you may need to make a payment to the IRS by April 15, 2021.

Likewise, the IRS has not extended the deadlines for making estimated tax payments in 2021. If you are required to make estimated tax payments, individuals must submit payments by the following dates:

FOR THE PERIOD:	PAY BY:
Jan. 1 – March 31	April 15, 2021
April 1 – May 31	June 15, 2021
June 1 – Aug. 31	Sept. 15, 2021
Sept. 1 – Dec. 31	Jan. 17, 2022*

* You do not have to make this estimated payment if you file your income tax return and pay the entire amount by January 31, 2022.

Minnesota Tax Return Due Dates

Similarly, Minnesota has not extended the filing deadline for your 2020 individual income tax return.

Minnesota requires taxpayers to file their 2020 individual income tax returns by April 15, 2021. Minnesota does allow an extension to file returns until October 15, 2021. No special form is needed to file for this extension. It is an automatic grace period provided to taxpayers. However, to avoid a late payment penalty, you must pay your Minnesota tax liability by April 15, 2021.

Minnesota has not extended any estimated tax payments due in 2021. The due dates for making Minnesota estimated tax payments are the same as for federal estimated tax payments, which are outlined above.

Although Minnesota has not extended the various due dates, it is abating penalties due to reasonable cause, which may include being negatively affected by the COVID-19 pandemic. Please reach out to a Moss & Barnett attorney to help evaluate whether your circumstances constitute reasonable cause or if you have questions regarding the tax filing deadlines.

2 Company Expenses Paid with Forgiven PPP Loan Proceeds Are Tax Deductible

The Consolidated Appropriations Act, 2021 (the “Act”) clarifies the treatment of business expenses paid with Paycheck Protection Program (“PPP”) loan proceeds that were subsequently forgiven. Prior to the Act, the Internal Revenue Service (“IRS”) issued guidance that businesses could NOT claim a tax deduction for business expenses that were paid with forgiven PPP loan proceeds. The IRS position was that businesses would recognize a “double benefit” since the forgiven PPP loan proceeds were excluded from taxable income. The Act reverses the IRS position and provides that such expenses are tax deductible. Please note that some states have taken a position that expenses paid with forgiven PPP loan proceeds are NOT tax deductible for state income tax purposes.

If you would like assistance assuring best practices in these areas, please contact your attorney at Moss & Barnett.