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MARKET MATTERS: Summer is waning and tax deadlines are looming

By Russell L. Abrahms
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Photo: Contributed Photo: **Russell L. Abrahms**

Yes, it is still summertime, and for the moment the living may be easy, but for those who have tax filing responsibilities in their futures, individuals and businesses, the words hazy and lazy should not be part of their working vocabulary.

They may seem to be a ways off yet, but the Sept. 15 and Oct. 15 tax deadlines are closing in, and the clock is running. Even if we ignore them while trying to squeeze out a few last days at the shore, or hiking in the coolness of the mountains, the IRS is fully aware that the deadlines are approaching and, to steal a phrase from another season, soon will be deciding who is naughty and who is nice.

As a reminder, the Sept. 15 deadline is for filing business tax information, and should be as important a date for businesses as the April 15 deadline is for all taxpayers. If you are in business you should know this, and not put it off.

The Oct. 15 deadline was the IRS gift to taxpayers who missed the April 15 filing deadline, better known as an extension. If you applied yourself to gathering all the information and forms that you didn't have in April, and now have a complete tax submission, you are in good shape.

But if you took all the info you had spread out on your dining room table in April, put it away the instant your extension was granted, and have not looked at it since, this would be a good time to get going. It may not have been your fault that you needed an extension back in April; often there are very good reasons why some information is not available, and those reasons have nothing to do with the individual's sense of responsibility.

It is important to remember, when April 2020 rolls around, that it's a good idea to pay the anticipated outstanding tax upon filing the extensions to relieve late payment penalties. An extension does not provide more time to pay the tax, only more time to file the tax returns.

It is entirely possible, for instance, that taxpayers were waiting for a K-1 earnings statement from their trust, estate or partnership investments, and those entities in turn are trying to get that info from third parties. Since they are waiting, you have to wait, and any lack of due diligence on the part of those third parties can cause delays that ultimately will land on the taxpayer's head.

Or, it may be that back in April you thought you had all the necessary documents needed to breeze through your tax return, only to find out that you didn't have everything, such as up-to-date brokers' statements, and the anticipated complete return was full of blank spaces. Contacting the appropriate agencies or entities to get that information can be time consuming, and your request may have been lingering in someone's inbox for the past few months. Regardless of how apologetic the delinquent individual may be, and how many promises are made to deliver the info quickly, it is the taxpayer who bears the burden of missing the IRS deadline.

Other good reasons include documents destroyed by storms, fires or other calamities, requiring identification and replacement. Also family medical issues, deaths, accidents, breakups, litigation and complex transactions can result in needing extension. These are all good reasons, but the IRS may just see them as excuses, and there is a big difference between the two. From the IRS standpoint, this can easily be viewed as a "The dog ate my homework" moment.

There are many other issues that can accumulate as the new deadlines approach, such as recording required tax information for overseas accounts, even small amounts. Forgetting a small amount in such categories, which might not make much of an impact on your overall tax status, can come back in a major way when the IRS applies penalties for omitting required information.

The IRS can be very understanding and helpful, and if you are owed a refund you will be in a good place. But if you owe them, you are in a different world entirely. And just as a precautionary note, the IRS recently has begun pulling passports of those who have outstanding tax liabilities and haven't bothered to negotiate payments, which could be a major impediment to that long-planned, end-of-summer overseas trip.

Remember the old adage, "Patience is a virtue"? You won't find that hanging on the wall in most IRS offices.

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