

Urgent: State and Local Corporate Income Tax Return Filing Penalty Relief Statement

COST urges your State and other impacted states (and localities, where applicable) to provide a one-month penalty waiver for filing extended corporate returns that are due on October 15, 2020.¹

Explanation

Beginning with calendar year 2016, federal corporate tax returns are now due one month later than they were previously (*e.g.*, March 15 to April 15 for calendar year filers), and extended returns likewise are due one month later than previously (*e.g.*, October 15 for calendar year filers). COST continues to advocate for state corporate tax return due dates (and extended due dates) to be at least 30 days beyond the federal filing deadlines.²

The confluence of federal, state, and in some cases local tax filing dates creates ongoing compliance issues for state corporate tax filers. And those issues were recently exacerbated by the COVID-19 pandemic (along with the continued struggle to comply with the complex changes enacted under federal tax reform). Your State allowing an **automatic** one-month extension should decrease taxpayers' need to file amended returns to correct any errors. This will enhance your agency's efficiency in processing returns.

COST urges your agency to adopt the draft policy language below (modified to reflect your agency's vernacular).

*****DRAFT Informational Release/Bulletin Language*****

One-Month Penalty Relief Waiver for 2019 State Corporate Income Tax Filings

Due October 15, 2020 to November 16, 2020³

Because the extended filing date for [state's] corporate income tax return on October 15, 2020 is the same due date as the extended federal return date, [state agency] will allow corporate income taxpayers more time to accurately file their returns. All corporate income tax returns with a properly extended federal return due date to October 15, 2020, the [state agency] will automatically waive the imposition of the late filing penalty if the State's corporate income tax return is filed by November 16, 2020.

The [state agency] will consider a return timely filed if the State's 2019 corporate income tax return is filed by November 16, 2020. For non-calendar year returns, this penalty relief will also apply if the return is filed within one month of a corporation's federal extended due date.

Note, this penalty relief only applies to the filing of [state's] corporate income tax return. As applicable, interest may still apply. To utilize this extension, a taxpayer should mark on its return that it is seeking a "Penalty Relief Extension." Failure to file by the November 16, 2020 date, unless abated by the [state agency], will result in the imposition of a late filing penalty based on the October 15, 2020 due date.

Please contact X at XXX-XXX-XXXX, email XXX@XX.gov, with any questions.

¹ It is understood that interest would continue to accrue until the tax is paid by the revised extended due date.

² See COST's Policy Position, "Fair, Efficient, and Customer-Focused Tax Administration," available at: <https://cost.org/globalassets/cost/state-tax-resources-pdf-pages/cost-policy-positions/fairefficientandcustomerfocusedtaxadministration.pdf>.

³ If applicable, your agency should also waive any cancellation of a business's authority to do business in the state until after the one-month penalty relief period.