



Tax Tips You Can Use, May 2006
Filing an Extension
By Kathleen Crawford, EA

That big sigh of relief you heard on April 17th, was taxpayers and tax return preparers being thankful that tax season was over for another year. That is not true for everyone however. Many individuals filed an extension request for additional time to file their return. Extensions are an important option of which taxpayers should be aware and the rules for individual extensions had major changes put in place at the beginning of 2006.

The first important point about extensions is that the IRS is very clear that an “extension of time to file” your return is not an “extension of time to pay” any taxes owed. If you file an extension of time to file, you must make a good guess at your tax liability and pay enough that you don’t incur late payment penalties. If you are anticipating a refund, then no additional tax payments are required.

The old rules for extensions for individuals set up a two form system. The first extension form was almost always automatically approved and allowed an additional four months to file the tax return. The due date became August 15th instead of April 15th. If additional time was needed by the taxpayer, an additional extension form could be filed. This form required written approval response by the IRS and allowed an additional two months of time to file. Thus the final deadline for filing a timely return was October 15th.

This involved system was streamlined for 2005 returns and future years. The new rules allow just one extension of six months. So, if you filed an extension by April 17, 2006 for your 2005 return, the last day to file it is October 15, 2006. Like the old first extension, these have an automatic approval for almost all taxpayers. This system now allows individuals the same simple system that corporations have used for some time.

If you are not able to file your return by April 15th, you should file an extension. File an extension even if you anticipate a refund. The extension extends other deadlines in addition to the date to file. It preserves taxpayers rights to make certain elections, although these are very special situations.

The fine print is that this article is for information only. Please call Kathy or a tax professional for questions about your individual tax situation. The Jacksonville Tax Lady can be reached at 541-899-7926 or at 610 North Fifth Street.

