

Tax Filing 101: It's Never Too Early To Procrastinate

By Wayne M. Davies

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For all you procrastinators out there, here's a nuts 'n bolts guide on how to legally postpone the filing of your Year 2002 income tax returns.

When it comes to putting things off, you can never plan too far ahead!

In many cases the IRS allows you to file a 'no-questions-asked' extension form. Which particular form you file depends on what type of entity your business happens to be.

CORPORATIONS:

Whether you are a "C" Corporation or an "S" Corporation, you must file Form 7004 by March 15. Doing so grants you an automatic 6-month extension for filing Form 1120 ("C" Corp) or Form 1120S ("S" Corp). So now you have until September 15 to file your corporate income tax return.

Note: Since March 15 falls on a Saturday this year, you actually have until Monday, March 17 to either file the corporate income tax return or file the extension.

By the way, this is true of any tax due date: if the due date falls on a weekend or legal holiday, then the return is due on the next business day.

To get a copy of Form 7004, click here:

<http://www.irs.gov/pub/irs-pdf/f7004.pdf>

<http://www.irs.gov/pub/irs-fill/f7004.pdf>

Note: all the links in this article take you to the IRS forms website. If "irs-pdf" is in the link, then you will be taken to a pdf file that can be saved to your hard drive or printed out; then you can complete the form by hand

and mail it to the IRS.

If "irs-fill" is in the link, you will be taken to a pdf file with fill-in-the-blank capabilities, enabling you to complete the form online and then print it out immediately, without having to complete the form by hand.

PARTNERSHIPS:

You need to file Form 8736 by April 15. This obtains a 3-month extension to file Form 1065.

<http://www.irs.gov/pub/irs-pdf/f8736.pdf>

<http://www.irs.gov/pub/irs-fill/f8736.pdf>

LIMITED LIABILITY COMPANIES (LLC):

Same as partnerships -- File 8736 by April 15 to get a 3-month extension to file Form 1065.

(The LLC is a cross between a corporation and a partnership. Legally, the LLC is similar to a corporation, offering limited liability to the owners. For tax purposes, the LLC is treated like a partnership.)

SOLE PROPRIETORSHIP:

You need to file Form 4868 to get an automatic 4-month extension to file your personal income tax return.

<http://www.irs.gov/pub/irs-pdf/f4868.pdf>

<http://www.irs.gov/pub/irs-fill/f4868.pdf>

Now, before you start extending to your heart's content, please keep the following guidelines in mind.

EXTENSION TIP #1:

Never forget the mantra of all tax extension forms:

The extension to file the return is NOT an extension to pay any tax due. It's only an extension for the filing of your tax return.

In other words, do not view the extension as an opportunity to legally postpone the payment of your tax.

So if you have a balance due on the return, then you must still pay the tax by the original tax return due date. If you file the extension but do not pay the balance due on time, then you will pay penalty and interest for late payment of tax. (You will legally avoid the penalty for late filing, however.)

So what's the point in filing an extension if you still have to pay the tax?

Three possible scenarios -- first, some folks get most of their "tax stuff" organized and are able to get enough of their return done to get the big picture: "Do I owe or am I getting a refund." You do the calculations, see where you stand, and if you owe, send in the extension form with a payment that's pretty close to the final figures.

You may have a few deductions that you need to research, one last shoebox to peruse. You need more time, that's all.

Second, you're running way behind on tax matters this year. Hey, it happens! There's no way you're going to get the return done on time, and you know you'll probably owe, so, be sure to file the extension, even if you don't know how much you may owe or even if you can't make a payment with the extension. The reason? Because there are penalties for late filing and penalties for late payment of tax. By filing the extension, at least you avoid the late filing penalties.

In short, by filing the extension, you can save yourself some money!

The third scenario is even more common -- you know you're getting a refund; you always get a refund. Maybe you're self-employed and your spouse has a W2 job, and the spouse's tax withholdings are always enough to cover both of you. And you're in no hurry to get the refund.

Which brings me to:

EXTENSION TIP #2:

If you are getting a refund on your personal return, you have 3 years to file the return to claim the refund, without any fear of a late filing penalty.

That's right. As long as you file your return within 3 years of the original due date (for Year 2002 returns due April 15, 2003 -- that would be April 15, 2006), you'll get your refund and there is no penalty for "filing late" -- even if you file after the extended due date of August 15.

Bottom line: if you think you may owe, if at all possible, do enough calculating to send in a payment with the extension; if you're getting a refund, still send in the extension (just to be safe), but relax, you've got plenty of time to get your money back (assuming you didn't need it yesterday!).

Oh, one more thing:

EXTENSION TIP #3:

This article only deals with federal extension rules. State rules vary considerably, so be sure to check with your state's tax department or your local tax professional to get the scoop on the extension rules for your particular state.

Some states simply piggyback off the federal rules. Others don't. So be careful here or you could be penalized severely for assuming that your state's rules are the same as the feds.

Many Happy Returns!

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