

Benefits of filing an extension

By Diane Osborne

Filing a tax extension is free, easy and automatic: Just submit Form 4868 electronically or on paper by the April filing deadline.

Not only will you gain six months to file, you'll relieve the stress that often accompanies trying to pull everything together by tax time. More time and less stress means you'll be able to thoroughly review your return and ensure you're taking advantage of all the tax benefits available to you.

You'll also avoid failure-to-file penalties, which can add up to **25%** of the tax due. If you file an extension but miss the extended deadline, you will be subject to this penalty. Keep in mind that filing an extension when you owe taxes only gives you more time to file, not more time to pay—your payment is still due at the April deadline.

Filing an extension may also give your tax preparer more time to look at all options to reduce your tax liability. Tax preparers have limited time before April 15th to provide a thorough analysis of the different options to reduce your tax, especially if you own a business or a farm.

If you file an extension, you must determine as best you can whether you'll owe money or get a refund; if you expect to owe money, you should pay that amount with your extension. The IRS offers some payment alternatives. You can request a short extension to pay, of 60 to 120 days; you will still pay penalties and interest, but at a lower rate. The IRS also offers installment agreements for taxpayers who can't pay their taxes when they are due. This agreement lets you pay a set amount per month until the tax is paid.

As always, it is best to talk to your tax professional if you feel you need more time to file your tax return. Please let us know if you would like to file an extension or have questions if this is right for you.

Diane Osborne

Tax Preparer

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