

Tips for Taxpayers

Tips to Avoid the April 15th Rush

Action item: File Form 4868 to extend your 1040 personal tax return until October 15, 2009

With April 15th rapidly approaching, you may be considering a late night cram session to get your taxes filed by the due date. A few questions might want to ask yourself.

1. Who owes who? If you are entitled to a refund, you might want to consider filing on time. The government does not pay interest on overpayments. Do not, however, sacrifice accuracy for expediency. This is particularly true if you own and operate a sole proprietorship, which have one of the highest audit rates. They also have significant substantiation rules as to what documentation you need to have in hand before the return is filed.
2. Do you need to make a qualified plan contribution? If you have a SEP-IRA, profit sharing plan, etc, you have until as late as October 15th to make the contribution if you file an extension. Regular IRA's must be made by 4/15.
3. Do you need a loan? File Form 4868 and pay what you can. Note that the extension is an extension to file, not an extension to pay. The good news is that the late payment penalty is only .5% per month, plus an interest charge. Forget to file the extension, and you will have a late filing penalty too, which is 5% of the tax per month. Note that the late filing penalty is 10X the late payment monthly penalty.

This memo is not designed to answer specific questions. Contact your tax advisor to get details on your specific situation.

Mike Bosma founded Bosma Group, a CPA firm dedicated to serving closely held growing businesses. Contact Mike Bosma at 775-786-4900 ext 111 or by email at mbosma@thebosmagroup.com. Find this and other articles at www.thebosmagroup.com/newsletters

