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State tax developments in response to the coronavirus (COVID-19)

By Linda O'Brien, J.D., LL.M.

Introduction

As the coronavirus (COVID-19) pandemic continues to impact the country, Congress has enacted economic stimulus and tax relief legislation and continues to consider additional aid packages to support individuals and businesses during the current health crisis.

While the federal government has taken several steps in response to the economic disruption created by the COVID-19 pandemic, some of the states have provided types of tax relief as well. Many states have chosen to follow the federal income tax filing extension. In addition, states have extended the due dates for other taxes and provided penalty relief. This Strategic Perspective provides an overview of the federal response and the specific state responses to the COVID-19 pandemic.

Federal Response

Economic stimulus: On March 27, the President signed into law the Coronavirus Aid, Relief, and Economic Security (CARES) Act that provides financial relief to individuals, families, and businesses. With a \$2.2 trillion price tag, the bill is the most expensive piece of legislation ever passed and will deliver relief through a range of measures.

A widely publicized provision of the legislation provides a recovery rebate for taxpayers. The rebate amounts are advance refunds of credits against 2020 taxes, and equal to \$1,200 for individuals, or \$2,400 for joint filers, with a \$500 amount for each child. There is a phase-out provision based upon 2018 adjusted gross income (AGI), unless a 2019 return has already been filed. The phase-out begins at \$75,000 for single filers, \$112,500 for heads of households, and \$150,000 for joint filers. The rebates are completely phased out for single filers with AGI over \$99,000, heads of household with \$136,500 (or higher, depending upon whether status is established because of children), and joint filers with \$198,000.

Other provisions for individuals include a waiver of the early distribution penalty up to \$100,000 for coronavirus-related distributions, a waiver of required minimum distributions for 2020, an above-the-line charitable contribution deduction up to \$300 for 2020, increases in the percentage-of-AGI limitations for charitable deductions for 2020, and an exclusion from income up to \$5,250 for employers' repayments of employees' student loans.

Provisions for businesses include an employee retention credit, deferral of the time that payroll taxes need to be paid, five-year carryback for net operating losses (NOLs) arising in 2018, 2019, and 2020, a provision allowing NOLs arising before 2021 to fully offset income, acceleration of the time for use of minimum tax credits for corporations, and an increase in the business interest limitation.

Employment relief: The Families First Coronavirus Response Act provides relief for individuals, self-employed, and businesses. On March 18, the Senate passed the measure and the President signed the bill into law the same day.

The new law requires employers with fewer than 500 employees to provide paid sick leave to employees who are forced to stay home due to quarantining or to care for a family member (“qualified paid sick leave”) or to care for a child if the school or place of care is closed (“qualified family leave”). The bill compensates employers and the self-employed for this paid leave in the form of a tax credit. For sick leave wages paid by an employer to an employee, the employer receives a refundable credit against its share of either the OASDI and the RRTA (as applicable) portion of the payroll tax. The credit can be claimed on a quarterly basis, equal to 100 percent of the amount of sick leave wages paid under the new law.

IRS guidance: The IRS in Notice 2020-18 extended the due date for federal income tax returns and payments due April 15, 2020, to July 15, 2020. The extension is applicable to all taxpayers without regard to the amount of tax owed and is automatic, so Forms 4868 or 7004 (as applicable) do not need to be filed. The associated interest, additions to tax, and penalties for late payment are also suspended until July 15, 2020.

In Notice 2020-15, the IRS has provided emergency relief for health savings accounts (HSAs) and COVID-19 health plans costs. Under this relief, health plans that otherwise qualify as high-deductible health plans (HDHPs) will not lose that status merely because they cover the cost of testing for or treatment of COVID-19 before plan deductibles have been met. In addition, any vaccination costs will count as preventive care and can be paid for by an HDHP.

State Responses

Alabama. *Income tax:* Due date for individual income tax, corporate income tax, financial institution excise tax, and business privilege tax returns and payments due April 15, 2020 (including estimated taxes due for 2020 tax year), is postponed to July 15, 2020. March 15, 2020 due date for filing a composite income tax return and making payments on behalf of nonresident members is postponed to July 15, 2020. *Sales tax:* Late payment penalties are waived for small businesses whose monthly retail sales during the previous calendar year averaged \$62,500 or less who are unable to timely pay their February, March, and April 2020 state sales tax liabilities through June 1, 2020. Late payment penalties are also waived through June 1, 2020 for registered businesses engaging in NAICS Sector 72 activities who are unable to timely pay their February, March, and April 2020 state sales tax liabilities. *Property tax and vehicle registrations:* Deadline extended through April 15, 2020. *Lodgings tax:* Late payment penalties for state lodgings account holders are waived through June 1, 2020, who are unable to timely pay February, March, and April 2020 liabilities.

Arizona. *Income tax:* Deadline for filing and paying state individual, corporate and fiduciary income taxes moved from April 15 to July 15, 2020.

Arkansas. *Income tax:* Deadline for filing and payment of state individual income taxes is extended from April 15, 2020, to July 15, 2020.

California. *Alcohol beverage, cannabis, diesel fuel, interstate user diesel fuel, jet fuel, motor vehicle fuel, sales and use, timber yield, and use fuel taxes:* Through May 12, 2020, individuals and businesses impacted by COVID-19 may seek filing and payment extensions, relief from interest and penalties, and filing claims for refund, applicable to all tax types administered by the California Department of Tax and Fee Administration. *Income tax:* Personal income tax and corporate tax filing/payment deadlines postponed to July 15, 2020. This includes deadlines for all individuals and business entities for 2019 tax returns and payments, 2020 1st and 2nd quarter estimated tax payments, 2020 LLC taxes and fees, and 2020 non-wage withholding payments. *Payroll tax:* Employers directly affected by COVID-19 may request up to a 60-day extension to file their state payroll reports and/or deposit payroll taxes without penalty or interest.

Colorado. *Income tax:* Corporate and personal income tax payment deadline extended to July 15, 2020. Interest from the original payment due date to July 15, 2020, will be waived. All income tax returns that were required to be filed by April 15, 2020, are granted a six-month extension to October 15, 2020. Penalties for estimated income tax payments due between April 15, and June 15, are also waived until July 15, 2020. The extensions apply to all income tax payments, regardless of amount.

Connecticut. *Income tax:* Thirty day filing extension for corporation business tax (June 15), unrelated business income tax (June 15), and pass-through entity tax (April 15) returns. June 15 deadline extension for payment of corresponding tax liability. July 15 filing and payment extension for personal income tax returns. Extension applies to Q1 and Q2 estimated tax payments.

Delaware. *Income tax:* July 15, 2020 extension for corporate income tax returns and payments due on April 15, 2020 and personal and fiduciary income tax returns and payments due on April 30, 2020. Extensions apply to corporate tentative and estimated personal income tax liability due on April 15, 2020.

District of Columbia. *Income tax:* The deadline for taxpayers to file and pay their 2019 individual and fiduciary income tax returns (D-40, D-41, and D-40B), partnership tax returns (D-65), and franchise tax returns (D-20, D-30) is extended to July 15, 2020. Taxpayers will have an additional 90 days to file and pay from the original deadline of April 15, 2020. The deadlines for individual and business taxpayers to file their tax year 2020 estimated tax payments (Forms D-40ES, D-41ES, D-20ES, and D-30ES) remain unchanged. The first quarter payments are due April 15, 2020, and the second quarter payments are due June 15, 2020. *Sales tax:* Due dates for sales tax due February 29 and March 31 are extended. Monthly returns must be filed by March 20 and April 20; Quarterly returns must be filed by April 20. All payments are due by July 20 to receive interest and penalty waivers. Sales tax relief not available to hotels or motels eligible for property tax relief. *Property tax:* Real property tax due date for first half of 2020 for hotels and motels is extended to June 30, 2020.

Florida. Property tax: The date for individuals and businesses to pay property taxes in all Florida counties is extended from March 31 to April 15, 2020. Taxes will be considered to be timely paid if received by electronic payment or postmarked by April 15, 2020. The due date for property tax returns filed by a railroad, railroad terminal, private car and freight line, and equipment company property is extended from April 1 to April 15, 2020. Returns received electronically or postmarked by April 15, 2020 will be considered timely filed. The imposition of penalty and accrual of interest will be waived for those taxpayers who collected any of the following taxes in February 2020, but were unable to meet the due date, if the taxes are reported and remitted by March 31, 2020: (1) sales and use taxes; (2) tourist development taxes; (3) new tire fees; (4) rental car surcharge; (5) prepaid wireless E-9-1-1 fee; (6) lead acid battery fees; and (7) dry cleaning gross receipts tax. Taxpayers not adversely affected by the COVID-19 outbreak are required to continue to file and remit on or before April 20, 2020. For taxpayers adversely affected by the COVID-19 outbreak, the due date is extended to April 30, 2020, for any of the taxes listed above collected in March. “Adversely affected” is defined as: (1) the business closed in March 2020 in compliance with a state or local government order issued in response to the COVID-19 outbreak and following the closure had no taxable transactions for the taxes listed above; (2) the business experienced sales tax collections in March 2020 that are less than 75% of March 2019 sales tax collections; (3) the business was established after March 2019; or (4) the business is registered to file quarterly.

Georgia. Income tax: The tax filing deadline has been extended to July 15, 2020 in accordance with the new federal tax filing deadline.

Hawaii. Income tax: Deadline for filing 2019 state income tax returns and making 2019 state income tax payments due from April 20, 2020, to June 20, 2020, is postponed to July 20, 2020. The relief does not apply to estimated income tax payments for the 2020 taxable year. It also does not extend to withholding tax, franchise tax, public service company tax, general excise tax, transient accommodations tax, estate tax, or any other tax not specifically identified.

Idaho. Income tax: Tax filing and payment deadline is extended to June 15. **Property tax.** Deadline to apply for the property tax deduction, property tax deferral, and 100% service-connected disabled veteran benefit program is extended to June 15, 2020.

Illinois. Income tax: July 15, 2020 income tax return filing and payment deadline applies for all corporations, trusts, and individuals. Waiver of penalties and interest if tax is paid by extended due date. Relief does not apply to April 15, 2020 or June 15, 2020 estimated income tax payments. **Sales tax:** Any penalty and interest accrued is waived on late sales tax payments for bars and restaurants that incurred a total sales tax liability of less than \$75,000 in calendar year 2019. Qualified taxpayers must still file their sales tax return even if they are unable to make a payment. Any taxpayers taking advantage of the extension will be required to pay their sales tax liabilities due in March, April and May in four installments starting on May 20 and extending through August 20.

Indiana. Income tax: Individual tax returns and payments, along with estimated payments originally due by April 15, 2020, are now due on or before July 15, 2020. Returns included are the IT-40, IT-40PNR, IT-40RNR, IT-40ES, ES-40 and SC-40. Corporate tax returns and payments, along with

estimated payments originally due by April 15 or April 20 are now due on or before July 15, 2020. Those originally due on May 15, 2020, are now due on August 17, 2020. Returns included are the IT-20, IT-41, IT-65, IT-20S, FIT-20, URT-1, IT-6, FT-QP and URT-Q. All other tax return filings and payment due dates remain unchanged.

Iowa. Income and franchise taxes: The filing and payment deadlines for income, franchise, and moneys and credits taxes with a due date on or after March 19, 2020, and before July 31, 2020, is extended to a new deadline of July 31, 2020. No late-filing or underpayment penalties will be due for qualifying taxpayers who comply with the extended filing and payment deadlines. Interest on unpaid taxes will be due beginning on August 1, 2020. **Withholding tax:** Iowa extended one income tax withholding deposit due date for certain taxpayers. The income tax withholding deposit due date for the period ending March 15, 2020, from March 25, 2020, is extended to the new deposit due date April 10, 2020.

Kansas. Income tax: The July 15, 2020 return and payment due dates apply for corporate income tax, fiduciary income tax, individual income tax, and privilege tax on banks and financial institutions. The extension also applies to fiscal year returns due between April 15, 2020 and July 15, 2020. There is a penalty and interest waiver if tax is paid by July 15. **Property tax:** Homestead and property tax relief refund claims due date extended from April 15 to October 15, 2020.

Kentucky. Income tax: July 15 filing and payment due date applies for corporation, partnership, LLC, and individual income tax returns due on April 15, 2020.

Louisiana. Income tax: Corporate, personal, and franchise tax returns and payments due in April and May are extended to July 15, 2020. **Sales tax:** February 2020 sales tax return and payment due date is extended from March 20, 2020 to May 20, 2020.

Maine. Income tax: The filing and payment deadline for corporate and personal income taxes, including estimated payments, is extended from April 15 to July 15, 2020.

Maryland. Income tax: Filing and payment deadline for corporate and personal income taxes is extended to July 15. Interest and penalties are waived for late April 15 corporate and personal income tax payments if made by July 15. **Sales tax:** Sales and use tax payments due March 20 are now due June 1, 2020. **Sales & use, alcohol, tobacco, and motor fuel taxes.** Sales and use, withholding, admissions & amusement, alcohol, tobacco, and motor fuel tax (including tire recycling and bay restoration fees) returns and payments for Maryland business-related taxes not collected in March, April and May are due on June 1.

Massachusetts. Income tax: The extended July 15 deadline applies for personal income tax return filing and payment. **Sales tax.** Payment deadline for sales, meals and occupancy taxes for small businesses is extended to June 20. Interest and penalties are waived if made by June 20. Businesses (excluding marijuana retailers, marketplace facilitators and vendors selling motor vehicles) with less than \$150,000 in sales and meals taxes for the year ending February 29 or businesses (excluding intermediaries) with less than \$150,000 in occupancy taxes for the year ending February 29, are eligible for the tax relief.

Michigan. *Income tax:* All state and city income tax returns and payments (including estimated tax payments) otherwise due on April 15, 2020, will now be due on July 15, 2020. All state and city income tax returns and payments (including estimated tax payments) otherwise due on April 30, 2020, will now be due on July 30, 2020. *Sales tax:* There is a 30-day penalty and interest waiver for sales, use, and withholding tax payments and returns (returns and payments due March 20, 2020 may be submitted April 20, 2020). The waiver is not allowed for accelerated filers. *Property tax:* The tax foreclosure deadline moves from March 31, 2020 to May 29, 2020, or 30 days after the state of emergency is terminated, whichever occurs first.

Minnesota. *Income tax:* Taxpayers filing individual income tax returns for tax year 2019 now have until July 15, 2020, to file and make payments without any penalties or interest. The grace period does not apply to state estimated tax payments for individual income taxes due April 15, 2020, for the 2020 tax year. Corporate franchise tax and partnership, fiduciary, and S corporation income tax payment deadlines have not changed. However, corporations receive an automatic extension to file until the later of November 15, 2020, or the date of any federal extension to file, and partnerships, fiduciaries, and S-corporations receive an automatic extension to file until the date of any federal extension to file. *Sales tax:* 30-day grace period for sales and use tax payments, penalties and interest (payments due March 20, 2020, may be submitted until April 20, 2020). The grace period is only for monthly filers and only for the March 20, 2020 payment. *Lawful gambling tax:* There is a 30-day lawful gambling tax extension upon request for payments due on March 20, 2020. Businesses and non-profit organizations with a monthly lawful gambling tax payment due March 20 that request an extension by March 27, will have until April 20 to make that payment. During this time penalties or interest will not be assessed. These customers should still file their return by March 20, if possible. *MinnesotaCare:* There is a 60-day filing extension on request for MinnesotaCare returns that were due on March 16, 2020. The extension applies to provider tax, hospital tax, surgical center tax, wholesale drug distributor tax, and legend drug use tax. Taxpayers can request relief from penalty and interest for reasonable cause for late payments that were due March 16.

Mississippi. *Income tax:* The deadline to file and pay corporate and personal income taxes is extended from April 15, 2020, to May 15, 2020. First quarter estimated payments are also extended to May 15, 2020.

Missouri. *Income tax:* The deadline to file and pay individual and corporate income taxes (including estimated taxes) has been extended from April 15 to July 15, 2020. The relief is automatic, so filers do not need to take any additional steps to qualify.

Montana. *Income tax:* The payment and filing deadline for individual income taxpayers is extended to July 15, 2020. The extension also applies to those making estimated tax payments for first quarter of 2020.

Nebraska. *Income tax:* The July 15, 2020 return and payment due date applies for corporate income tax, fiduciary income tax, and individual income tax. The extension also applies to estimated income tax returns and payments due on April 15, 2020.

New Hampshire. Business tax: The deadline to file and pay the Business Tax (Business Profits Tax and Business Enterprise Tax), Interest and Dividends Tax, or any other tax has not been extended. The Interest and Dividends tax is due on April 15, 2020. **Meals & Return Tax:** The Meals & Rental Tax return and payment date for March has not been extended and is still due on April 15, 2020.

New Mexico. Income tax: The corporate and personal income tax returns and payments due between April 15, 2020, and July 15, 2020, may be submitted by July 15, 2020. Withholding returns and payments due between March 25, 2020, and July 25, 2020, may be submitted by July 25, 2020. No late filing or late payment interest or penalties will be imposed for income tax returns and payments made by the extended due dates. However, interest will accrue on withholding and estimated taxes not submitted by the original due date.

New York. Income tax: The July 15, 2020 extension applies to individual, fiduciary, and corporate returns, payments, and estimated tax installments due April 15, 2020. **Sales tax:** Penalty and interest may be waived for quarterly and annual sales and use tax filers who were unable to file or pay on time due to COVID-19. Returns must be filed, and the amount due must be paid within 60 days of the due date for the relief to apply.

North Carolina. Income tax: The July 15 filing and payment extension applies for corporate income, franchise, and individual income taxes due on April 15, 2020. State law prevents the waiver of interest, including interest for the underpayment of estimated tax. However, a penalty waiver for those affected by COVID-19 applies to the failure to timely obtain a license, file a return, or pay a tax that is due between March 15, 2020, and March 31, 2020, provided the license is obtained, the return or extension application is filed, or the tax is paid by April 15, 2020.

North Dakota. Income tax: Income tax penalties and interest are waived for individuals and businesses unable to file or pay by April 15, 2020, if filed and paid by July 15, 2020.

Ohio. Income tax: The filing and payment dates for state, municipal, and school district income taxes has been extended. The new deadline is July 15, an extension of approximately three months from the original deadline of April 15. Any penalty on tax due payments made during the extension will be waived. There will be no interest charges on payments made during the extension. The filing extension, and waiver of penalty and interest, will be available to those filing the individual income tax, the school district income tax, the pass-through entity tax, and to those taxpayers that have opted in to have the commissioner administer the municipal net profit tax through the state's centralized filing system. Individuals, estates, trusts and certain businesses making quarterly estimated income tax payments, have also been granted additional time to file and pay without penalty or interest. The first and second quarterly payments, normally scheduled for April 15 and June 15 for most taxpayers, have both been extended to July 15.

Oklahoma. Income tax: Taxpayers now have until July 15, 2020 to file and pay their 2019 Oklahoma income tax return. The 2019 Oklahoma income tax return due date is extended from April 15 to July 15, 2020. This is applicable to income tax due from Tax Year 2019 and the first quarter payment for Tax Year 2020, both of which would normally be due on April 15, 2020.

Oregon. Income tax: The tax filing and payment deadlines for personal income taxes and other taxes has been extended. For personal income tax, transit self-employment tax and fiduciary income tax the filing and payment due date and deadline for payments due for tax year 2019 is automatically extended to July 15, 2020. The tax year 2019 six-month extension to file, if requested, continues to extend only the filing deadline until October 15, 2020. For corporate excise/income taxpayers the return filing and payment due date and deadline is extended to July 15, 2020. Fiscal year returns and payments due after May 15, 2020 are not extended. Estimated tax payments for tax year 2020 are not extended for any taxes. As a result of the extension of the due dates and making tax payments to July 15, 2020, interest and penalties for the extended tax filings and payments will begin to accrue on July 16, 2020.

Pennsylvania. Income tax: The deadline for individuals to file their 2019 personal income tax returns is extended to July 15, 2020. Penalties and interest on 2019 personal income tax payments will be waived through the new deadline of July 15, 2020. The extension applies to both final 2019 tax returns and payments, and estimated payments for the first and second quarters of 2020. The state has extended the deadline to July 15, 2020 for declarations of estimated personal income tax, payments of estimated personal income tax, and filing of informational returns related to Pennsylvania S corporations and partnerships, estates and trusts (Form PA20S/PA65). **Sales tax:** Penalties are waived for businesses that are required to make Accelerated Sales Tax (AST) prepayments by the March 20 deadline. For April sales tax payments, the AST prepayment requirement is waived, and businesses are requested to remit the sales tax that they have collected in March. **Real estate tax:** The due date for 2020 real estate taxes has been extended to April 30, 2020. **Business Income and Receipts tax:** The filing and payments for the Business Income and Receipts Tax and the Net Profits Tax has been extended until July 15, 2020.

Rhode Island. Income tax: The deadline for corporate and personal income tax and insurance gross premiums returns and payments due on April 15, 2020, is extended to July 15, 2020. The extension includes estimated tax payments and pass-through withholding estimated payments and extensions. The April 1, 2020, deadline for returns and payments of surplus lines brokers is also extended to July 15, 2020.

South Carolina. Income tax: The deadline is extended to July 15, 2020, for income tax payments, returns, and quarterly estimated payments due April 15, 2020. For all returns and payments, including estimated payments, due beginning April 1, 2020, penalties and interest are waived for taxpayers affected by COVID-19 if filed and/or paid by the new due date of June 1, 2020.

Tennessee. Income tax: All income taxpayers have until July 15, 2020, to file returns and make payments originally due April 15, 2020. **Franchise and excise tax:** Franchise and excise taxpayers have until July 15, 2020, to file returns and make payments, including quarterly estimated payments, originally due April 15, 2020.

Texas. Motor vehicle tax: An extension of up to 90 days past the original due date applies to pay the motor vehicle tax due on purchased vehicles (does not apply to seller-financed sales).

Utah. *Income tax:* Utah law provides that individuals and fiduciaries have the due dates to file and pay their 2019 taxes as provided by the IRS. For corporations and pass-through entities, penalties and interest are waived for late 2019 returns and payments made by July 15, 2020. The deadline for submitting sales taxes has not changed.

Vermont. *Income tax:* Income tax filing and payment due dates are extended from April 15 to July 15, 2020, for personal income tax, corporate income tax, fiduciary income tax, and homestead declaration and property tax credit claims. Extension also applies to any tax year 2020 estimated payments due for these taxes on April 15, 2020. *Sales tax:* Businesses who, because of COVID-19, are unable to meet the March 25 and April 25 filing deadlines for meals and rooms tax or sales and use tax will not be charged any penalty or interest on these taxes for late submissions.

Virginia. *Income tax:* The due dates for income tax payments, including estimated payments, is extended from April 1 to June 1, 2020. Penalties are waived if paid by extended due date of June 1, 2020. *Sales tax:* Sales tax dealers may request an extension of the due date for filing and payment of the February 2020 sales tax return due March 20, 2020. If the request is granted, the filing and payment of such return on April 20, 2020 is allowed with a waiver of any penalties that would have applied. However, interest will accrue even if an extension is granted.

Washington. *Business & Occupation tax:* The due date for filing returns and for the payment of taxes (B&O tax, real estate excise tax, leasehold excise tax, and forest tax), a 30-day extension is provided for annual and quarterly filers and a 60-day extension is provided for monthly filers.

West Virginia. *Income tax:* The income tax return filing and payment deadline for C corporations, individuals, and estate or trust fiduciaries is extended to July 15, 2020. The extension also applies to April 15 and June 15, 2020 estimated income tax payments for corporations, nonresident S corporation shareholders, partners, or limited liability company members, individuals, and estates or trusts. Penalties and interest will apply starting July 16, 2020 if the outstanding tax liability is not paid by the July 15 deadline. July 15 is the date used to calculate the interest and penalty for the underpayment of estimated tax between April 15 and July 15, 2020. *Property tax:* The second-half 2019 ad valorem property tax that would become delinquent on April 1, 2020, will now become delinquent if not paid on or before May 1, 2020.

Wisconsin. *Income tax:* The deadline is extended to July 15, 2020, for income tax payments, estimated income tax payments, and returns due April 15, 2020. *Sales & Use tax:* Small businesses can request an extension to file sales and use tax returns due March 31, 2020 until April 30, 2020 and due April 30, 2020 until June 1, 2020. Late filing fees or penalties will not be assessed if sales/use tax returns are filed by April 30 or June 1. However, interest may accrue.