

CLIENT ALERT

U.S. Treasury Action in Response to COVID-19

Mar.19.2020

On March 18, the IRS issued [Notice 2020-17](#), which formalizes Secretary Mnuchin's Tuesday announcement that deadlines for tax payments for individuals (up to \$1 million) and corporations (up to \$10 million) will be deferred for 90 days, with interest and penalties waived. Mnuchin stated that these deferred payments could total over \$300 billion.

Unlike other coronavirus-related relief measures, this action by Treasury requires no legislation. President Trump's declaration of the virus as a "national emergency" under the Stafford Act empowered Treasury to delay certain tax-related deadlines for up to a year for taxpayers affected by the emergency pursuant to I.R.C. §7508A. Notice 2020-17 defines "Affected Taxpayers" as anyone having a Federal income tax payment due on April 15, 2020.

The payment deadline is extended only for Federal income tax payments and estimated tax payments. Treasury has not extended the time to file tax returns or pay other Federal taxes. For businesses and individuals with large tax bills due, the waiving of interest for late payments is beneficial. Those expecting a refund have no reason to delay filing, and refunds are expected to be processed and paid in a timely manner. As the extension does not apply to any state income taxes due next month, states will have to act individually in order to grant taxpayers relief from those obligations.

Interestingly, Section 7508A also empowers Treasury to extend other deadlines for taxpayers such as deadlines for filing returns, filing of claims for refund and Tax Court petitions, or filing suit on a credit or claim for refund, as well as deadlines for the government such as deadlines for assessing tax, issuing notices of deficiency, and collection of tax. None of these powers have yet been invoked with regard to COVID-19, but should other deadlines be extended, the IRS would issue another notice or similarly formal document describing the additional relief.

Other tax-related relief measures have been enacted or are part of legislative proposals. The Families First Coronavirus Response Act, signed into law on March 18, includes a payroll tax credit that will fund sick leave for employees affected by the virus. Proposals for a third Covid-19 package include excise tax relief for airlines. One White House legislative proposal includes \$241 million for the IRS to improve taxpayer services and handle the 90-day delay tax payments. We continue to monitor these legislative efforts and will analyze them as there are proposed and enacted, and provide updates on Crowell & Moring's [COVID-19 Resource Page](#).

For more information, please contact the professional(s) listed below, or your regular Crowell & Moring contact.

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