

Nagel on Finances: Try Form 4868 for tax extension; you might like it

BY ROGER NAGEL
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RIO RANCHO, N.M. — *Editor's note: Roger Nagel has let us know that the federal government has deferred the income tax filing deadline until May 17 since he submitted this article, but any tax payments due for the first quarter of 2021 are still due April 15. The rules are still subject to change.*

Workload compression refers to the surge in demand for tax preparation services each year around key filing deadlines.

A surge in demand usually brings a smile to the faces of business owners. That is, until they realize despite their best efforts in planning and staffing, they simply cannot meet that demand. No business owner likes to turn away business.

Every year, CPAs around the country fret about workload compression. Recruiting talented professionals to work seasonally is prohibitively expensive.

As a result, some CPAs outsource fundamental elements of tax processing to third-party providers, often in foreign countries. That can be hard to control.

Most of us just work longer days. When we go home late at night, exhausted, we dream of vacations “after tax season.” At least we did, pre-COVID.

For the past two years, COVID-19 relief legislation has seriously affected filing deadlines. This week last year, for the first time ever, the IRS announced the traditional April 15 deadline would be moved to July 15.

In anticipation of this annual surge and the disruption caused last year by moving the date, I wrote about deadlines in a newsletter to small-business owners. You can find it at nagelcpa.us/resources.

I wrote about important deadlines other than filing deadlines and the uncertainty facing business owners with pending legislation. The point is, we need time to plan.



Roger Nagel

Traditional filing deadlines are important to the tax planning process. Much of our advisory work circles around business investment and the timing of actions required to maximize deductions.

For example, huge tax benefits exist for improving commercial real estate, but the improvements must first be completed and in service. Same thing goes for equipment purchases and software.

Retirement plan contributions must be determined and paid by a certain date. Business owners and their advisors need time, well ahead of deadlines, to plan.

The American Rescue Plan Act (ARPA) signed into law recently has once again compounded workload compression. Among many other provisions, ARPA approved retroactively, without guidance or regulations, an exemption from tax, up to \$10,200 of unemployment compensation received in 2020.

Like last year, processing will be disrupted as the new law is absorbed into the system, tax professionals get educated and software modified.

Last year, the CARES ACT brought tax processing to a screeching halt. The Consolidated Appropriations Act signed Dec. 27 prevented the IRS from accepting tax returns until after Feb. 12. And now, ARPA.

Working longer hours will not solve workload compression this year.

The tool of preference for addressing this dilemma is Form 4868, the Application for Automatic Extension of Time to File U.S. Individual Income Tax Returns. Use this tool to create more time to file.

Ask your tax preparer to file one now. To learn more, find FAQs at nagelcpa.us/resources.

One last thought: Be kind to CPAs. They could use compassion, grace and mercy right now.

And, if you are a talented tax professional interested in seasonal work, send me your résumé.

(Roger Nagel, CPA/PFS, CMA, CGMA, is the managing director of Nagel CPAs, LLC – Accountants and Advisors, serving the middle Rio Grande Valley and beyond. Learn more at nagelcpa.us.)