



Extension Policy for 2023 Tax Return Year

Dear Client:

As 2023 draws to a close, we wanted to remind you of our extension policy for 2023 tax returns, so you have time to think through your options.

Please review the topics below and let us know if you have any questions.

- **Timeline for extensions**
- **Our extension policy for the 2023 tax year**
- **Our cut off dates for extensions**
- **How do you let us know if you do not want to go on extension?**
- **Last call for tax information for extended returns**
- **Frequently asked questions (Please see addendum.)**

Timeline for Extensions

Most individuals and businesses can request a tax filing extension, **without a reason or even their signature!**

We can cost effectively request automatic extensions with one form. This means that all individuals may now automatically file on October 15th instead of the customary April 15th date—as long as a timely automatic extension is requested. Corporations, partnerships, and trusts have less time meaning that they can file on September 15th (corporations, partnerships) or September 30th (trusts) instead of the customary March 15th or April 15th deadline date—as long as a timely automatic extension is requested.

Please keep in mind that these automatic extensions do not extend the time to pay taxes!

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Our Extension Policy for 2023 Tax Returns

No Fees for the following extensions if we prepare them by the middle of January (or later when the software becomes available for the 2023 tax year).

1. If we did tax planning or a tax calculation for you, we utilize the amounts provided in the summary that we sent to you, and you access an electronic copy of your payment vouchers via your client portal.
2. If you have a pass-through entity (partnership, LLC, S corporation and/or certain trusts) with no tax liability.

Fees for the following extensions

If you are not in either of the above categories, our normal fee based on an hourly rate for preparing extensions will be charged. This happens in two primary situations:

- 1) You qualified for our "no fee" service as indicated above, but
 - i. You opt out as below,
 - ii. Want us to recalculate your extension amount, or
 - iii. You want to receive paper copies of your payment vouchers using the amounts provided in the summary we sent to you.
- 2) We did not do your tax planning, and we need to determine your projected tax liability.

If You Do Not Want to Go on Extension

1. **OPT OUT from Free Extensions** - If you qualify for our free extension policy and still do not want to go on extension, please email and/or call Kitt at our office and let her know you want to opt out.
 - i. It is easier for us to automatically do all free extensions at one time, even if you want your return by the original due date.
 - ii. You can still get your return by the original due date, even if we automatically put you on extension. You only need to get your information to us by the cut off dates indicated below.
 - iii. Even if you opted out last year, and wish to do so again this year, please OPT OUT again this year.

- iv. After considering the above issues, if you still wish to OPT OUT, you may do so at anytime up through January 26, 2024. We would prefer that you email us at Kitt@rcthornton.com.

If you have not opted out, then we will proceed with the preparation of your extension(s), based on the amounts in your tax planning.

2. **Cut Off Dates**—If you opted out from the free extensions above, or were ineligible for the free extensions, we will need to have your complete information to us by the cut off dates below:

- For returns with an original March 15 due date (partnerships, S Corporations), we will need to have all information no later than **Wednesday, January 31, 2024**.
- For returns with an original April 15 due date, we will need to have all information no later than **Wednesday, February 28, 2024**.

“All” or “complete” information is defined as:

1. *Completed tax organizer*
2. *Signed engagement letter*
3. *All relevant and customary tax information that you normally provide.*

Last Call for tax information for extended returns.

Once your return is on extension, there are no further extensions. Please don't relax and put off getting your information to us. We will establish mutually agreeable dates to get your information in and to deliver your tax returns. Please keep in mind that if you miss your agreed upon date in getting information to us, we cannot accept responsibility for your return not being filed on time.

Frequently Asked Questions

Does going on extension increase the chance of an audit? No. In our surveys of many CPA practitioners around the country, we have concluded that you have a much higher risk of an audit if you file April 15th or before. It seems that selection of returns diminishes as you approach the last extended due date. (However, we can't guarantee this!) The IRS has long recognized the right and need of taxpayers to go on extension. There is **no** guarantee that you will **not** get an audit if you go on extension.

I have nothing to hide, so why do I care about an audit and just file on time? Just simply going through an audit can be “disheartening”. You’ll answer a lot of personal questions to an agent and must obtain a lot of documentation. You’ll be incurring professional fees for representation, and even if you “win” in an audit, you still “lose” in aggravation and cost.

Does going on extension mean we can hide things from the IRS? No, and we in no way intend to suggest this. All returns should be legitimate, and if you take an aggressive position, there should be authority for that position. We do not suggest any “schemes” simply because your return goes on extension.

Should tax planning clients have us redo their calculations for extensions with more updated information?

Until we do your final return, everything is an estimate (although based upon some well thought out assumptions). If the estimates for the extension are off, there could be some penalties and interest. Our strategy provides for the mitigation of this possibility. *What we have found is that when infrequent penalties and interest arise, it would have been a much greater cost to you to have recalculated your tax liability, even with more current information.*

Most clients have used their end of the year tax planning numbers. However, if you prefer us recalculate your tax liability with updated information, this is your choice—at an additional fee.

What are some common reasons for not going on extension?

Your banker needs the tax return. The banker will not accept a copy of your extension.

Your partners need their K-1's and we do not prepare their returns. There is a concern that they will get upset if they don't get timely K-1's. If you think you will have unhappy partners, then **do not** go on extension.

Procrastination can cause this to go to the last minute. That is our greatest fear also! We will be calling all our extended clients to discuss when they need their returns. We'll develop a time table, and literally hold a “reservation” for the staff member who will be preparing the return. We ask that you pick the time suitable for you, but please keep to the schedule. We don't want either September 15 or October 15 to become the rush of April 15. If your return is done before the final extended due date, we still suggest you hold these returns and file them at the extended due date.