

## Expanded Extension Instructions (Form 1040)

### Extensions

If you want to extend your tax returns, there are a few things to keep in mind. First, we must get written approval from you to extend your tax returns either directly or as part of your Engagement Letter. We cannot legally file an extension without permission. So, if we don't hear from you, an extension will not be filed. Failure to file is a huge penalty (5% per month based on tax due). Yuck.

Second, an extension to file is NOT an extension to pay. Taxes are due **Monday, April 15, 2024** (or as adjusted depending on natural disasters or Congressional whims, which are actually the same). Failure to pay is a smaller penalty (0.5% per month based on tax due).

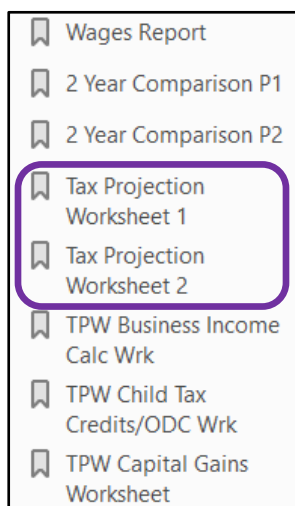
Extended tax returns will be completed in August or September provided we have everything we need from you. If you need them prepared sooner, please contact us. May, June and July are reserved for 2024 tax planning.

Our turnaround time increases to **12-15 days** during the off-season to accommodate for mental breaks and vacations. Frankly, our motivation wanes slightly after April 15 but we bounce back fast.

### Calculating Form 1040 Extension Tax Payments Using a Tax Plan

If WCG prepared your 2022 individual tax return (Form 1040), we create an "auto Tax Projection Worksheet" which takes 2022 data as a proxy and projects your 2023 taxes. The projection factors in likely repeated income and one-and-done income (such as selling a rental). This will be part of your tax return PDF and is buried near the end of the federal portion of the tax return.

If you have bookmarks within your PDF viewer (such as Adobe), it will look like this-



If we prepared a 2023 Tax Plan for you using specific data, first congratulations since tax planning is a wonderful tool. Second, please review the Tax Plan PDF that was delivered to you via your Sharefile, and review the income, adjustments, deductions and tax computation for accuracy.

[wcginc.com/sharefile](http://wcginc.com/sharefile)

Regardless of the auto Tax Projection Worksheet or a specific Tax Plan, the following table illustrates how to calculate your extension tax payment.

Total Tax (Line 76 on 2023's Tax Plan)	21,455
Federal Income Tax Withheld	
Bob's W-2	-6,772
Jenny's W-2	-3,231
Federal Estimated Tax Payments	
Q1	-2,500
Q2	-2,500
Q3	-2,500
Q4	-2,500
<b>Net Extension Payment Due</b>	<b>9,452</b>

The state is similar to above.

### Calculating Form 1040 Extension Tax Payments Using Last Year's Tax Return

If we did not prepare your 2022 tax returns, there are various safe harbors to minimize underpayment penalties. For simplicity, we suggest paying 110% of your federal prior year total tax obligation. Use this simple worksheet to assist you-

Total Tax (Line 24 on 2022's Form 1040)	16,552
Total Tax x 110%	18,207
Federal Income Tax Withheld	
Bob's W-2	-6,772
Jenny's W-2	-3,231
Federal Estimated Tax Payments	
Q1	-500
Q2	0
Q3	-750
Q4	-500
<b>Net Extension Payment Due</b>	<b>6,454</b>

Does sending \$6,454 eliminate failure to pay penalties and interest? No. You might have an underpayment penalty assessed since quarterly estimated tax payments were lumpy and not large enough. You might also have an underpayment penalty based on the overall tax obligation and payment.

The above exercise only minimizes your pain. Most states are similar. Need more help? Please let us know.

As a quick side bar to our S Corp shareholders: Income taxes withheld on your W-2 are generally considered to have been paid evenly throughout the year even if all the federal income tax withholdings happen in Q4. This is why WCG recommends manually adjusting withholdings to at least reduce and perhaps eliminate quarterly estimated tax payments. We can chat more about this if you like.

### Still Not Sure?

Please contact us at **719-387-9800** or [taxsupport@wcginc.com](mailto:taxsupport@wcginc.com) and we can help point you in the right direction.

### Making Payment

Shockingly the IRS has made making an estimated tax payment super easy on their website. Use this link below to get re-directed to their payment portal (again, we will advise you separately)-

<https://www.irs.gov/payments/direct-pay>

You will need your prior year tax return so the IRS can validate your identity. Perhaps someone stole your identity and made a payment on your behalf. That would be nice.

Once validated, you will want to choose [Make a Payment > Extension > 4868 > 2023](#). This is all very important, especially the year.

We also suggest using the primary taxpayer's Social Security Number. You would like to think the IRS can connect the dots, but we've seen a lot of errors if a payment is made under the Spouse's SSN.

Each state is different- some have online payment portals like the IRS, and some are clunky. California is easy. Colorado (our home state) is clunky. You can always use a third-party payment portal. We suggest ACI Payments (formerly Official Payments) who can make state payments as well as accept credit cards (for a fee)-

<https://www.officialpayments.com>

### If You Owe Taxes

If money is tight and you think an extension will give you some amnesty or delay your pain, our recommendation is to file your tax returns and then work out a payment plan with the IRS. For any amount under \$50,000 the process is done via phone or online, and the terms are generally 6% for 60 months (might be less depending on the amount). There are other devils in the details such as set up fees, automatic ACH, accruing penalty and interest, etc. However, the installment agreement with the IRS does not show on your credit report and is a quick way to get out of a bad situation.

Under no circumstances should you not file your tax returns. File on time, and then figure out the money later. As mentioned before, the failure to file penalty is huge.

Please contact us with additional questions or concerns. We are here to help!

**Your tax buddies at WCG**