

APRIL 15 TAX DEADLINE MOVED TO JULY 15 & CARES ACT



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Interactive Brokers Webinar

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Webinar description

- The IRS moved the April 15 tax deadline to July 15, 2020, thereby postponing tax filings and tax payments.
- Most states also delayed the tax deadline.
- Usually, a TTS trader must submit a 2020 Section 475 election by April 15, 2020.
- Will the IRS accept a 2020 Section 475 election made by the postponed July 15 deadline?

Webinar description

- The new CARES Act includes significant economic aid and tax relief provisions, including NOL carrybacks.
- If you have NOLs from business activities in 2018, 2019, and 2020, CARES allows five-year NOL carrybacks for immediate tax relief.
- TCJA had repealed NOL carrybacks and only allowed NOL carryforwards.

Webinar description

- Traders, eligible for trader tax status (TTS), might have NOLs from trading expenses and Section 475 ordinary losses.
- With NOL carrybacks allowed for 2020, it makes a 475-election essential if you have YTD trading losses in securities and or commodities.

APRIL 15 TAX DEADLINE MOVED TO JULY 15

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[Updated: April 15 Tax Deadline Moved To July 15](#)

April 15 deadline moved to July 15

- March 20: Treasury Secretary Steven Mnuchin announced President Trump's directive to move the April 15 tax deadline to July 15, 2020, thereby postponing tax filings and tax payments for all taxpayers.
- The new rules in [Notice 2020-18](#) remove the \$1M cap on individuals included in the superseded [Notice 2020-17](#), so all tax payments are penalty and interest-free until July 15, 2020.
- Mnuchin said the extension would give “all taxpayers and business this additional time” to file returns and make tax payments “without interest or penalties.”

IRS FAQs for Notice 2020-18

- March 24: The IRS published FAQs to support [Notice 2020-18](#) for the April 15 tax-deadline postponement to July 15: [Filing and Payment Deadlines Questions and Answers](#).
- It's important to note that FAQs are not yet “substantial authority,” as tax notices are, and the IRS often changes FAQs at a future date.

IRAs, HSAs & Q1 ES are postponed

- The IRS moved the IRA and HSA contribution deadlines from April 15 to July 15 (Q17 and Q21).
- Q1 2020 1040-ES estimated tax payments are due July 15; whereas, Q2 payments remain due June 15, 2020.
- Don't assume every tax payment or return is postponed to July 15, they are not. Check the latest list of FAQs.

FAQ 12: July 15 Extensions

- “If you are an individual, you can request an automatic extension to file your Federal income tax return if you can’t file by the July 15 deadline.
- If you properly estimate your 2019 tax liability using the information available to you and file an extension form by July 15, 2020, your tax return will be due on October 15, 2020.
- To avoid interest and penalties when filing your tax return after July 15, 2020, pay the tax you estimate as due with your extension request.”

States postponed to July 15

- [AICPA State Tax Filing Relief Chart for Coronavirus](#)
- “States are providing tax filing relief for individuals and businesses. Check out the latest developments on state tax filings related to coronavirus.”
- The AICPA chart shows states that postponed the April 15 deadline to July 15, or a different date after April 15.

475 ELECTION FOR 2020

TTS traders might want to consider this election for ordinary loss treatment in 2020, especially since CARES allows five-year NOL carryback refunds.

Section 475 MTM

- With heightened market volatility in Q1 2020, many traders incurred massive losses.
- Those who qualify for trader tax status (TTS) should consider a 2020 Section 475 election to turn capital losses into ordinary losses.
- Don't get stuck with a \$3,000 capital loss limitation for 2020 and a considerable capital loss carryover to 2021; unlock immediate tax savings with ordinary-loss deductions, and NOL carrybacks for 2020 under CARES.

April 15 or July 15 for making a Section 475 election?

- As of March 28, 2020, the IRS FAQs did not address elections, including Section 475 elections.
- Darren Neuschwander CPA communicated with the IRS Chief Counsel's office for Section 475(f) MTM elections.
- Mr. Neuschwander asked whether the tax deadline for submitting a 2020 Section 475 election is April 15 or July 15, considering that the IRS delayed the tax-filing deadline to July 15.

Section 475 election for 2020

- In our email to the IRS, we gave our rationale for why it should be July 15 (see update below).
- The IRS official told us to watch for an IRS FAQ, which they might add to answer our question, although she gave us no assurances or a timeline.

Section 475 election for 2020

- In the meantime, she highly recommends that those who want to elect 475 MTM for 2020 to file the election statement by attachment to a 2019 tax extension (Form 4868) mailed to the IRS by April 15.
- That's what Rev Proc 99-17 requires. The IRS tracks 475 elections with extensions or tax return filings, but not if the taxpayer sends a separate letter with the election.
- It's okay if the taxpayer files another extension Form 4868 on July 15 to pay 2019 taxes owed.
- She reminded us that the IRS does not grant tax relief for late-filed 475 elections.

Section 475 election for 2020

- Therefore, we have been advising clients to make 2020 Section 475 MTM elections on securities and/or commodities by April 15.
- You can prepare the 2019 tax extension with the 2020 election statement attachment but wait to file it until the April 15 deadline.
- Meanwhile, monitor the IRS FAQs and our blog to see if the IRS postpones that deadline as well.
- [Massive Market Losses? Elect 475 For Enormous Tax Savings](#)

Section 475 law

- The Section 475 MTM election wording comes directly from [Rev Proc 99-17](#), which states:
 - “The (election) statement must be filed not later than the due date (without regard to extensions) of the original federal income tax return for the taxable year immediately preceding the election year and must be attached either to that return or, if applicable, to a request for an extension of time to file that return.”

Rationale for July 15 election

- FAQ12 allows an automatic extension request on July 15 for more time to file.
- It seems logical to conclude that a 2020 Section 475 election is due July 15.
- If the IRS does not explicitly address this question, then a TTS trader with a massive 2020 YTD trading loss might want to file a protective extension request with 475 election statement attachment by April 15, 2020, to play it safe.

CARES ACT

There is broad tax relief, and we focus on NOL carrybacks today.

CARES suspends TCJA business loss limitations

- CARES temporarily suspends tax loss limitations on businesses under TCJA for 2018, 2019, and 2020.
- TCJA repealed two-year NOL carrybacks and only allowed NOL carryforwards limited to 80% of the subsequent year's taxable income.
- TCJA introduced the "excess business loss" (EBL) limitation, where aggregate business losses over an EBL threshold (\$500,000 married, and \$250,000 other taxpayers for 2018), were considered an NOL carryforward.

CARES allows 5-year NOL carrybacks

- CARES lifts the above TCJA limitations allowing taxpayers to recalculate 2018 and 2019 NOLs and to file NOL carryback refund claims going back five years for immediate tax relief.
- 2020 NOL carrybacks must wait until 2021 when taxpayers file their 2020 tax returns. A fourth virus bill calls for not having to wait until 2021.
- TTS traders with Section 475 ordinary losses, and TTS traders without 475 but who have significant NOLs from expenses (i.e., borrow fees on short-selling), should consider NOL carrybacks.

Here's an example

- Joe Smith, a TTS trader with Section 475, filed a 2018 income tax return showing an NOL of \$400,000.
- Joe's NOL came from \$50,000 of trading expenses, \$350,000 of Section 475 trading losses, and he had no other income or loss.
- Joe's EBL limitation was \$250,000, and the remaining \$150,000 of the \$400,000 TTS loss was an NOL carryforward.

Here's an example

- Under TCJA, Joe did a \$400,000 NOL carryforward, his only option. His draft 2019 tax return has a low income, which will utilize a small portion of his 2018 NOL.
- Joe has more trading losses and expenses YTD for 2020, so he is holding a substantial unused NOL carryforward.
- Joe is thrilled that CARES opens the door to NOL carrybacks because he had substantial taxable income from other activities in years before 2018.

Here's an example

- Joe does away with his EBL limitation for 2018, and based on his situation; the \$400,000 NOL does not change.
- Joe does an NOL carryback for immediate tax refunds, rather than make an election on his 2018 tax return to forgo the carryback and carry forward the NOL.

Pending IRS and state guidance on CARES Act

- We await IRS and state guidance on CARES to indicate precisely how taxpayers should proceed with EBL and NOL recalculation and NOL carryback returns.
- Must taxpayers amend 2018 tax returns to remove EBL and recalculate NOLs; must we go five years back before 2018; can we use Form 1045 rather than Form 1040X; what are the amended tax return filing deadlines; and which states will conform to these CARES Act changes?
- See live updates and questions listed our blog post: [CARES Act Allows 5-Year NOL Carrybacks For Immediate Tax Refunds](#)

Closing Remarks

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CARES Act Allows 5-Year NOL Carrybacks For Immediate Tax Refunds

Live Updates: March 28: On March 27, 2020, President Trump signed into law the Coronavirus Aid, Relief, and Economic Security (CARES) Act. This bill includes significant economic aid and tax relie...[More](#)

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Massive Market Losses? Elect 475 For Enormous Tax Savings

Live updates March 25: Our Darren Neuschwander, CPA, communicated with the IRS Chief Counsel's office for Section 475(f) MTM elections. Mr. Neuschwander asked whether the tax deadline for submitt...[More](#)

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