



# High Net Worth Families



ALERT

APRIL 2020

## NJ, TN and CT Extend Tax Deadlines; Federal Estate Tax and Exempt Organization Filings Also Extended; IRS Releases Lowest AFRs in Recent History

As the COVID-19 pandemic continues to upend the U.S. economy, federal and state governments have postponed the deadlines for filing certain tax returns and payments.

New Jersey and Tennessee are among the latest states to enact extensions for tax filing and payment deadlines, while Connecticut announced further extensions to push all its filing and payment deadlines to July 15.

On the federal front, the Internal Revenue Service confirmed new deadlines for certain estate tax returns as well as for filings by tax-exempt organizations. The IRS also released historically low Applicable Federal Rates (AFRs) for May, making intrafamily loans and Grantor Retained Annuity Trusts (GRATs) very attractive planning vehicles at this time.

### New Jersey Extension

Following the lead of the federal government, the state of New Jersey has extended its deadlines for filing individual gross income, partnership and corporation business tax returns, and for making tax payments, from April 15 to July 15. The COVID-19 Fiscal Mitigation Act also extends deadlines for fiduciary income tax returns and payments by trusts and estates. No penalties or interest will be imposed

on the balance of 2019 income tax due between the original due date and July 15.

The act also extends the deadline for first-quarter 2020 gross individual income and corporation business tax payments, first-quarter 1041 gross income tax fiduciary estimates, and partnership returns and payments. Partnership filing fees and licensed professional fees are also pushed back until July 15.

The act does not extend deadlines for all payments and filings, however. Currently excluded from the extension are inheritance taxes and second-quarter 2020 estimated tax payments, among others.

To accommodate the state-mandated shutdown, the Division of Taxation will accept scanned or photographed images of signatures, as well as digital signatures, on documents related to the determination or collection of tax liability. In addition, the Division of Taxation will allow Division employees to accept documents via email and to transmit documents to taxpayers through secure messaging systems.

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### Tennessee Extension

The state of Tennessee has extended the deadline for filing the Hall income tax return and making payments from April 15 to July 15. The Hall income tax is imposed on individuals and other entities receiving interest from bonds and notes, and dividends from stock. Tennessee does not have a wage tax.

Interest and penalties will not be applied to returns filed and payments made on or before this extended due date. The six-month extension date of Oct. 15 for tax year 2019 returns remains unchanged.

### Connecticut Extension

Connecticut followed up previously announced extensions for some of its tax-related deadlines with a new set of extensions, announced April 14, that push all of the following filing and payment deadlines to July 15:

- Individual 2019 income tax returns and payments (Form CT-1040, CT-1040-NR/PY)
- Individual income tax estimates for both the first- and second-quarter 2020 (Form CT-1040 ES)
- Trust and estate income tax returns and payments for returns due between April 1 and July 15 (Form CT-1041)
- Trust and estate income tax return estimates for payments due between April 1 and July 15 (Form CT-1041 ES)
- Corporation tax returns and payments due between March 15 and July 15 (Form CT-1120, CT-1120CU )
- Corporation tax estimated payments due between March 15 and July 15 (Form CT-1120 ES)
- Estate tax returns and payments for returns due between April 1 and July 15 (Form CT-706/709)

- Gift tax returns and payments for returns due between April 1 and July 15 (Form CT-706/709)
- Pass-through entity returns and payments due between March 15 and July 15 (Form CT-1065/1120SI )
- Pass-through entity tax estimated payments due between March 15 and July 15 (Form CT-1065/1120SI ES)
- Unrelated business income tax returns and payments due between March 15 and July 15 (Form CT-990T)
- Unrelated business income tax estimated payments due between March 15 and July 15 (Form CT-990T ES)

### Federal Estate Taxes

Certain federal estate, trust and generation-skipping transfer tax returns and payments that are due after April 1 and before July 15 have been deferred until July 15.

As stated in IRS Notice 2020-23, these include:

- Estate and trust income tax payments and return filings on forms 1041, U.S. Income Tax Return for Estates and Trusts; 1041-N, U.S. Income Tax Return for Electing Alaska Native Settlement Trusts; and 1041-QFT, U.S. Income Tax Return for Qualified Funeral Trusts.
- Estate and generation-skipping transfer tax payments and return filings on forms 706, U.S. Estate (and Generation-Skipping Transfer) Tax Return; 706-NA, U.S. Estate (and Generation-Skipping Transfer) Tax Return; 706-A, U.S. Additional Estate Tax Return; 706-QDT, U.S. Estate Tax Return for Qualified Domestic Trusts; 706-GS(T), Generation-Skipping Transfer Tax Return for Terminations; 706-GS(D), Generation-Skipping Transfer Tax Return for Distributions; 706-GS(D-1), Notification of Distribution From a

Generation-Skipping Trust (including the due date for providing such form to a beneficiary); and 706, U.S. Estate (and Generation-Skipping Transfer) Tax Return filed pursuant to Revenue Procedure 2017-34.

- Gift and generation-skipping transfer tax payments and return filings on Form 709, U.S. Gift (and Generation-Skipping Transfer) Tax Return, that are due on the date an estate is required to file Form 706 or Form 706-NA.

### Tax-exempt Organizations

IRS Notice 2020-23 also outlines postponed deadlines for an expanded list of federal returns and payments for tax-exempt organizations, including Form 990, Return of Organization Exempt From Income Tax; Form 990-PF, Return of Private Foundation; and Form 4720, Return of Certain Excise Taxes Under Chapters 41 and 42 of the Internal Revenue Code.

Federal tax returns, tax payments, forms and schedules due during the period beginning April 1 and ending July 15 are now due on July 15.

### Estate Planning Opportunities in a Low-Interest Environment

The IRS released the Applicable Federal Rates for May—and they are the lowest they have been in a long time. Low interest rates make intrafamily loans

and GRATs very attractive planning vehicles. For example, a parent could lend a child cash for nine years at the current AFR of 0.58%. Over that nine-year period, the child should be able to invest the money at a much higher rate of return. The excess yield over the 0.58% AFR passes to the child free of gift and estate tax. The assumed rate of return for GRATs created in May is 0.8%. If the assets transferred to the GRAT yield more than 0.8% over the GRAT's term, the excess can also pass to children free of gift and estate tax. In addition, depressed asset values as a result of the COVID-19 pandemic make greater-than-normal yields more likely in the future, assuming that values rebound once the economy gets back to normal.

For information on the business impacts of COVID-19, please visit our [COVID-19 Resource Center](#), which we continue to update as the situation evolves. If you have questions about COVID-19's impact on your business, please reach out to your Loeb relationship partner or email us directly at [COVID19@loeb.com](mailto:COVID19@loeb.com).

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