

Partnership, S-Corp and Trust Extensions End September 15

Article Highlights:

- September 15 is the extended due date for partnership, S-corporation, and trust tax returns.
- Late-filing penalty for partnerships and S-corporations
- Late-filing penalty for trust returns

If you have a calendar year 2014 partnership, S-corporation, or trust return on extension, don't forget the extension for filing those returns ends on September 15, 2015.

Pass-through entities such as Partnerships, S-corporations, and fiduciaries (trusts, estates) pass their income, deductions, credits, etc., through to their investors, partners, or beneficiaries, who in turn report the various items on their individual tax returns.

Partnerships file Form 1065, S-corps file Form 1120-S, and Fiduciaries file Form 1041, with each partner, shareholder, or beneficiary receiving a Schedule K-1 from the entity that shows their share of the reportable items.

If all of the aforementioned entities could obtain an automatic extension to file their returns on the same extended date as allowed to individuals, it would be difficult for individuals to meet the filing deadline without estimating the pass-through information and then later filing an amended return when the actual data was received.

To overcome this problem, the automatic extension period for partnerships and trusts is set at 5 months, thus providing individual taxpayers with a month's grace period to complete their individual 1040 returns. The original due date for calendar year S-corporation returns was March 15, and they are allowed a 6-month extension period, making the due date for these returns also September 15. Thus, individual S-corp shareholders also have a month to finish up their individual returns.

An S-corporation or partnership which fails to file on time is liable for a monthly penalty equal to \$195 times the number of persons who were partners, or shareholders for S corps, during any part of the taxable year, for each month or fraction of a month for which the failure continues. In addition, a \$100 penalty may be imposed on the partnership or S-corp for each Schedule K-1 that it fails to timely provide to partners or S-corp members (maximum penalty per year is \$1.5 million). These penalties can be substantial.

Trusts are subject to a penalty of 5% of the tax due for each month, or part of a month, for which a return is not filed up to a maximum of 25% of the tax due. A \$100 per beneficiary penalty may also apply for failure to timely provide a Schedule K-1. Each beneficiary, who receives a distribution of property or an allocation of an item of the estate, is required to be provided a Schedule K-1.

If this office is waiting for some missing information to complete your pass-through return, we will need that information at least a week before the September 15 due date. The late-filing penalties are substantial, so please call this office immediately if there are anticipated complications related to providing the needed information so a course of action can be determined to avoid the potential penalties.