



TAX FACTS 2021-1

Income Tax Extension for Individuals, Corporations, Partnerships, Trusts, and REMICS

This Tax Facts provides general information about income tax extensions for individuals, corporations, partnerships, trusts, and REMICS.

1 How do I file for an income tax extension?

You are granted an automatic 6-month extension of time to file Forms N-11, N-15, N-20, N-30, N-35, N-40, N-66, N-70NP, and N-310. The 6-month extension is automatically granted if certain requirements are met.

2 What requirements must be met to qualify for an automatic 6-month extension?

To qualify for an automatic 6-month extension, the following requirements must be met:

- On or before the prescribed due date of your return, 100% of the properly estimated tax liability is paid;
- The tax return is filed on or before the expiration of the 6-month extension period;
- The tax return is accompanied by full payment of any tax not already paid; and
- A court has not ordered you to file the tax return on or before the prescribed due date.

3 What does properly estimated tax liability mean?

Properly estimated tax liability means you made a bona fide and reasonable attempt to locate and gather all of the necessary information to make a proper estimate of the tax liability for the taxable year.

4 How do I make a payment to meet the properly estimated tax liability requirement?

If you must make a tax payment to meet the requirement that 100% of the properly estimated tax liability is paid on or before the prescribed due date of your return, you must file Form N-200V,

Individual Income Tax Payment Voucher, or Form N-201V, Business Income Tax Payment Voucher, with your payment.

5 What if I don't meet the "100% of the properly estimated tax liability is paid" requirement?

In order to give taxpayers some certainty regarding this condition, the taxpayer will be presumed to have met this condition if the amount paid by the prescribed due date is 90% or more of the amount of tax as shown on the tax return.

6 What if I pay less than 90% of the amount of tax as shown on my tax return?

If the amount paid by the prescribed due date is less than 90% of the amount of tax as shown on the tax return, the taxpayer will have the burden of proving that the taxes paid on or before the prescribed due date were based on a proper estimate of income tax liability. In such cases, a taxpayer may submit a statement signed under penalty of perjury with its tax return explaining how the payment of tax on or before the prescribed due date was based upon a proper estimate of tax liability. The statement should be a cover letter attached to the first page of the return.

For ease of administration, the Department may automatically assess penalties and interest in circumstances where less than 90% of the taxes shown on the tax return were paid on or before the prescribed due date. If a taxpayer receives a notice assessing penalties and interest for this reason and the taxpayer believes that a proper estimate of tax liability was made, the taxpayer should submit a statement signed under penalty of perjury explaining how the payment of tax on or before the prescribed due date was based upon a proper estimate of tax liability. If a taxpayer demonstrates that the amount paid by the prescribed due date constituted 100% of the properly estimated tax liability as of the prescribed due date, the penalties and any interest associated with the penalties will be reversed.

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For more information, visit the Department of Taxation's website at tax.hawaii.gov

7 What if I do not meet all the requirements to qualify for an automatic 6-month extension?

Failure to meet any of the conditions will result in the extension being deemed invalid and penalties and interest will be assessed on the amount of tax owed as if no extension had been granted. Penalties and interest will be imposed from the prescribed due date of the return.

8 Can I use any federal extension form to make a payment to meet the 100% of the properly estimated tax liability requirement?

No. If you must make an additional payment of tax on or before the prescribed due date of your return in order to meet the condition requiring payment of 100% of the properly estimated tax liability, file Form N-200V or N-201V with your payment. Federal Form 4868 and 7004, may not be used in lieu of Form N-200V or N-201V.

9 Are the Hawaii and federal extension rules the same?

The Hawaii rules follow some of the federal rules that provide extensions of time to file income tax returns. Minor differences still exist because of the difference in penalty provisions.

Unlike the Hawaii extension rules, the federal rules do not explicitly condition the grant of an extension to file upon the payment of the properly estimated tax liability (except in the case of corporations). The federal law still requires full payment of the tax by the prescribed due date, unless a separate extension of time to pay tax is granted.

Another minor difference from the federal income tax extension rules is that Hawaii individual taxpayers are not required to file an application in order to request an extension of time to file a Hawaii income tax return. For federal income tax purposes, all taxpayers must file an application to request an extension.

10 Why does the Hawaii extension rules grant an extension to file conditionally upon the payment of the properly estimated tax liability?

The reason that the Hawaii rules must contain the grant of an extension upon the payment of properly estimated tax liability is because the Hawaii Revised Statutes does not contain a failure to pay penalty similar to the federal. If a taxpayer fails to make

a full payment of federal income tax by the prescribed due date, the federal taxpayer is assessed a penalty unless the taxpayer can demonstrate that the failure to pay was due to reasonable cause and not willful neglect.

For purposes of federal income tax, reasonable cause is presumed for the period of an extension of time to file, if:

- (1) the excess of the amount of tax shown on the individual income tax return over the amount of tax paid on or before the prescribed due date of the return is no greater than 10% of the amount of the tax shown on the individual income tax return; and
- (2) any balance due shown on the individual income tax return is remitted with the return.

Although the path is different, the outcome is the same for Hawaii income tax purposes. If an individual Hawaii taxpayer meets the same two conditions in relation to its Hawaii income tax liability, then the individual Hawaii taxpayer will not be subject to a penalty.

11 If the federal delays their income tax filing deadline, will Hawaii also delay their deadline?

Not necessarily. The federal income tax deadline is different from the Hawaii deadline. If there are any delays to the federal deadline, Hawaii will independently determine whether we will delay the deadline for the Hawaii income tax returns.

12 Does an extension of time to file my return give me more time to pay my income taxes?

No. An extension of time to file an income tax return is not an extension of time to pay the income tax liability. Penalties and interest will accrue on any tax liability not paid on or before the prescribed due date.

13 What are the penalties and interest if I do not file my return on time?

If you do not file your return on time, there is a late filing penalty and interest on the unpaid taxes and penalties.

Late filing penalty - The penalty for failure to file a return on time is assessed on the tax due at a rate of 5% per month, or part of a month, up to a maximum of 25%.

Interest - Interest at the rate of 2/3 of 1% per month or part of a month shall be assessed on unpaid taxes and penalties beginning with the first calendar day after the date prescribed for

payment, whether or not that first calendar day falls on a Saturday, Sunday, or legal holiday.

14 Can Form N-200V or N-201V be filed electronically?

Yes. Form N-200V or N-201V can be filed and payment made electronically at Hawaii Tax Online at hitax.hawaii.gov. Select "Make Payment" under the "Quick Links" section.

15 I electronically file my income tax return, how can the payment accompany the return when Hawaii does not allow for me to include my payment?

The Department deems that payments that have the same Statutory Lien Date (SLD) as the efiled return as having accompanied a return. The SLD of an efiled return is the date that the efiled return is **accepted** by the Hawaii Department of Taxation.

16 What is considered a payment's SLD?

The SLD of a payment can be one of three things:

- (1) The date the payment is postmarked at the U.S. Post Office;
- (2) Dropped off at the Department of Taxation's Drop Box; or
- (3) The date that a payment is electronically submitted for settlement through our website at hitax.hawaii.gov and selecting "Make Payment" under the "Quick Links" section.

17 How do I know how much tax to pay to get the automatic extension?

You must make a bona fide and reasonable attempt to locate and account for all of the information necessary to make the estimate of the tax owed based upon Hawaii tax laws in effect as of the prescribed due date of the return. In addition to the information

available for the current tax year, taxpayers should also consider the amount of taxes owed in prior years. The Department suggests overestimating the tax owed when calculating your estimated payment to avoid penalties and interest and to qualify for the automatic extension. See question 18 to help you calculate your balance due.

18 How do I determine the amount of my income tax balance due?

Use the worksheet below to help you determine the amount of your income tax balance due.

1. Amount of income tax you expect to owe for the taxable year. If you do not expect to owe tax, do not complete this worksheet..... _____
2. Hawaii income tax withheld _____
3. Current year's estimated tax payments (include prior year's overpayment allowed as a credit) _____
4. Other payments and tax credits _____
5. Total (add lines 2, 3, and 4) . _____
6. Income tax balance due (line 1 minus line 5) _____

Where to Get Forms and Information

Website: tax.hawaii.gov
Telephone: 808-587-4242
Toll-Free: 1-800-222-3229

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