

Expanded Extension Instructions (Form 1040)



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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 **Tuesday, April 15, 2025** (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 **2025 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 1040 Extension Payments Using a Tax Plan

If we prepared a **2024** 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 (see button below for Sharefile access). If you have made the quarterly estimated tax payments as illustrated in your tax plan, and there are no material changes between reality and tax plan, **then you don't need make an extension payment**. Sorry to sound like Mom, but in a properly planned tax year, an extension payment is never needed.

Otherwise, if WCG prepared your 2023 individual tax return (Form 1040), we created an "auto Tax Projection Worksheet" or "TPW" which takes 2024 data as a proxy and projects your 2024 taxes. The projection factors in likely repeated income (wages, interest, dividends) and one-and-done income (such as selling a rental or stocks). 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 the image to the left. The following table illustrates how to calculate your extension tax payment using the automatic tax projection worksheet-

Total Tax (Line 76 on 2024'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
Net Extension Payment Due	9,452

The state is similar to above.

Calculating 1040 Extension Payments Using Last Year's Tax Return

If we did not prepare your 2023 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 2023'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	-2,500
Q2	-2,500
Q3	-2,500
Q4	-2,500
Net Extension Payment Due	6,454

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 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 IRS Direct Pay button below to get re-directed to their payment portal (again, we will advise you separately)
- 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 > 2024. 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). However, a quick google search with "online california tax payment" or something similar will yield good results. An account setup might be required (as more states move to seeing your account, tax ledger, etc. online, this is a good idea).

Always keep receipts, screenshots, emails, etc. showing the tax payment. We will need these.



Investor Patrol and Tax Patrol

Tax planning takes the mystery out of estimated tax payments and extension tax payments. Our Business Advisory Service plans have **tax planning and tax reduction strategy** sessions built-in, but not everyone has a business or needs that level of service.

Investor Patrol is a wonderful tax service for those who don't need all the business advisory bells and whistles, but desire proactive tax planning and scenario-based decision making assistance from an experienced tax consultant. Have a quick tax question? Need to know the depreciation rules as you furnish that new short-term rental? Want to kick around Real Estate Professional designation? Wondering what your April tax bill is going to be in August?

Investor Patrol is like ski patrol... you might not use it, but you sleep better knowing you have it. We offer three typical versions aptly labeled Houses, Hotels and Monopoly.

We also have Tax Patrol which is similar, but without the rental property and real estate investment mindset.

Both our Patrol Services, Tax and Investor, are specifically designed to give you the freedom to call, text or email us without the worry of being nicked and dimed like other outdated CPA firms. And! We also provide a tax planning event (usually around May, June and July) where we gather up your financial records like paystubs, rental activities, stock sales, etc. and we create a mock tax return projecting your annual income and eventual tax obligations. We are not big on surprises... bad news in August is palatable, yet bad news on April 15 is unacceptable.

Our Patrol Services include tax preparation, estimated tax payment calculations, unlimited complimentary quick chats and a tax planning event plus IRS audit defense for any tax return that we prepare.

In Closing

If you have any questions, please feel free to call us at 719-387-9800 or email taxsupport@wcginc.com. Thanks again for your time- We look forward to working with you!!