



Electing To Apply a 2020 Return Overpayment From a May 17 Payment with Extension Request to 2021 Estimated Taxes

The IRS postponed to May 17, 2021, the date to file 2020 Forms 1040 and 1040-SR and to pay any related tax. The due dates for estimated tax payments for 2021 were not postponed. The first 2021 estimated tax installment is due April 15, 2021. If an individual taxpayer has a 2020 overpayment and elects to credit the 2020 overpayment against the 2021 estimated tax, the date on which the 2020 overpayment is applied against the 2021 estimated tax depends on: (a) the date(s) of payment, and (b) the extent to which an overpayment exists as of April 15, 2021. An extension of time to file has no effect on either the date of payment or the date on which an overpayment exists.

To the extent an overpayment of the 2020 tax exists as of April 15, 2021 (because payments made on or before April 15, 2021, exceed the 2020 tax liability), and the taxpayer makes a valid election to apply the overpayment to 2021 estimated tax, the overpayment would be applied as of April 15, 2021, whether the 2020 return is filed on April 15, May 17, or October 15, 2021.

To the extent an overpayment of the 2020 tax is attributable to a payment made after April 15, 2021 (including any payment made after April 15, 2021, but on or before May 17, 2021), that overpayment would **not** be available for crediting as of April 15, 2021, and would be applied as of the payment received date, **not** as of April 15, 2021.

Example 1: Assume that an individual taxpayer: (a) owes \$40,000 in income tax for 2020; (b) made no payments toward that tax by April 15, 2021; (c) owes \$10,000 for the first estimated tax installment for 2021 due on April 15, 2021; and (d) paid \$50,000 toward the 2020 tax on May 17, 2021. As a result, the taxpayer has a \$10,000 overpayment for 2020. Because the payment was not made by April 15, 2021, no overpayment existed as of April 15, 2021, and the overpayment would not be available for crediting on April 15, 2021. Instead, the overpayment would be credited against the 2021 estimated tax installment as of May 17, 2021, the date of payment. The taxpayer's \$50,000 payment on May 17, 2021, caused the taxpayer's payments to exceed the taxpayer's liabilities. Therefore, the taxpayer became overpaid on May 17, 2021, and May 17, 2021 is the date the \$10,000 overpayment is available for crediting, even if the \$50,000 payment made on May 17, 2021, was paid with an application to automatically extend the due date to file the 2020 return to October 15, 2021. An extension of time to file has no effect on either the date of payment or the date on which an overpayment exists.

Example 2: Assume that an individual taxpayer: (a) owes \$40,000 in income tax for 2020; (b) prepaid \$40,000 of that 2020 tax during 2020; (c) owes \$10,000 for the first estimated tax installment for 2021 due on April 15, 2021; and (d) paid \$10,000 toward the 2020 tax on May 17, 2021. As a result, the taxpayer has a \$10,000 overpayment for 2020. Because the taxpayer's payments as of April 15, 2021, did not exceed the taxpayer's liability, no overpayment exists as of April 15, 2021, and the overpayment is not available for crediting on April 15, 2021. The taxpayer's \$10,000 payment on May 17, 2021, caused the taxpayer's payments to exceed the taxpayer's liabilities. Therefore, the taxpayer became overpaid on May 17, 2021, and May 17, 2021 is the date the \$10,000 overpayment is available for crediting, even if the \$10,000 payment made on May 17, 2021, was paid in conjunction with an application to automatically extend the due date to file the 2020 return to October 15, 2021. An extension of time to file has no effect on either the date of payment or the date on which an overpayment exists.

Example 3: Assume that an individual taxpayer: (a) owes \$40,000 in income tax for 2020; (b) prepaid \$45,000 of that 2020 tax during 2020; (c) owes \$10,000 for the first estimated tax installment for 2021 due on April 15, 2021; and (d) paid \$5,000 toward the 2020 tax on May 17, 2021. As a result, the taxpayer has a \$10,000 overpayment for 2020. Because the taxpayer's payments as of April 15, 2021, exceeded the taxpayer's liability by \$5,000, an overpayment of \$5,000 existed on April 15, 2021, and that overpayment is applied against the first 2021 estimated tax installment as of April 15, 2021. The remaining \$5,000 of the \$10,000 overpayment is attributable to the payment made on May 17, 2021, which is when this amount would be credited against the first 2021 estimated tax installment, even if the \$5,000 payment made on May 17, 2021, was paid with an application to automatically extend the due date to file the 2020 return to October 15, 2021. An extension of time to file has no effect on either the date of payment or the date on which an overpayment exists.

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