The Daily Dish

To File or Not To File

DOUGLAS HOLTZ-EAKIN | JUNE 25, 2020

Eakinomics: To File or Not To File

The Wall Street Journal is reporting that Treasury Secretary Mnuchin has not ruled out the possibility of pushing the current tax filing deadline from July 15 to September 15. (The IRS extended the normal April 15 deadline to July back in March).

The argument in favor of a further deferral is simple: Millions of individuals, many of whom have income from small businesses, will owe considerable amounts in their returns on July 15. Along with first and second quarter estimated tax payments and federal excise taxes, these could add up to a $1 trillion overall bill in the midst of an economic recovery.

Fair enough, but there are tons of ways to provide $1 trillion of fiscal support for the economy. Extending the filing deadline comes with a lot of drawbacks.

To begin, deferring the federal tax filing deadline is a *de facto* deferral of collecting state and local taxes, precisely at the time the state-local sector is appealing to Congress for hundreds of billions of dollars. Deferring the tax filing day would simply exacerbate this problem.

Second, there is suggestive evidence that some people who expect a refund do not file at the first opportunity. Instead, they wait until the deadline. To the extent this occurs, delaying the deadline defers any beneficial economic impact of those refunds.

Third, another deferral would threaten to make the 2021 tax season a disaster. The IRS needs time to wrap up the 2020 filing and then plan and implement the new programming needed for 2021. Being a sensible, low-tax conservative is not the same thing as being pro-administrative-mayhem.

Finally, and most important, the Treasury could keep July 15 as the tax filing deadline but

defer tax payments for those taxpayers who are struggling due to the impact of the COVID-19 recession.

Pushing back the July 15 deadline has – at least for me – a superficial appeal. But digging even a little bit into the issue reveals that this is not a step Treasury should take.