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Taxpayers confused by the new tax law may be tempted to file extensions — here's why you shouldn't

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The last major U.S. tax reform, in 1986, took more than a decade to fully understand and implement, experts say

Accountants and taxpayers alike may not be ready to file returns by the April 15 deadline.

Americans are still making sense of the Tax Cuts and Jobs Act, the largest tax-law reform in 30 years. The TCJA was enacted in December 2017, but many Americans are still unsure how it affects them, even though they'll incorporate those changes into their returns for the first time this year.

Even accountants whose job it is to understand the law say they'll need time to wrap their heads around it. "It'll take years to sort out the rules," said Joseph Perry, tax and business services leader at New York-based accounting and advisory firm Marcum.

To buy his clients time and fully understand the implications of the new law, he's recommending that some file for an extension, which allows taxpayers to submit their returns by Oct. 15. "We are recommending an extension, and the reason we recommend that is for more guidance," he said. The last major reform, in 1986, took more than a decade to fully understand and implement, he said.

For instance, individual tax rules can be hundreds of pages long, and the 35-day partial government shutdown in January did not help taxpayers and preparers either, as the Internal Revenue Service was significantly understaffed and not taking calls for its help line during part of the shutdown.

Anyone can file for an extension, but there's a catch: An extension only grants taxpayers more time to send in their returns, not more time to **also pay** the Internal Revenue Service whatever taxes they may owe.

"Filing an extension sounds like a great way to push off the work until later in the year, but you do need to pay your bills, and that means basically doing your taxes," said Andrea Coombes, a tax specialist at personal finance site Nerdwallet. "It's not an easy out."

Americans are only starting to become aware of tax-law changes, now that it's time to prepare to file, said Nathan Rigney, lead tax-research analyst at the Tax Institute at H&R Block. **HRB, +1.31%** Almost half (49%) of taxpayers were not aware a tax bill was enacted in 2017, and 28% said they were unsure what exactly changed, according to a NerdWallet survey released in January.

Still, tax professionals are better-versed in the changes, and should be prepared to help, Rigney said. The country will see an adjustment period as the new tax law is implemented. The IRS may even wait a year or two before conducting audits on any of these 2019 returns, he said.

There will be new notices or guidance coming from the IRS for the next year as tax professionals and the IRS apply the laws, and figure out how best to interpret them, he said.

An extension still makes sense in certain cases, such as when a taxpayer is missing paperwork or someone with a side hustle is trying to determine their business-related deductions, Coombes said.

People with typically simple tax returns, however, shouldn't have too much trouble incorporating the law changes, which doubled the standard deduction and limited itemized deductions. The IRS also has a **14-page document** that breaks down the impacts of tax reform for individuals and families.

Those who are still unsure or uncomfortable with filing a tax return this year may want to consult a **professional**, or try to calculate their own taxes using software or **free calculators** using figures from their paycheck.

Taxpayers can file for an extension with Form 4868, which will extend their deadline to **Oct. 15**. But again, taxpayers must pay their tax bill by April 15, and if they miss that deadline, there are financial consequences.

The penalty for late filing is 5% of the amount due for each month or part of a month a return is late, up to 25%. For returns more than 60 days overdue, the minimum penalty is \$210 or the balance, if it is less. Taxpayers must still pay their estimated taxes by April 15, even with an extension, or they face a .05% penalty of any unpaid dues, up to 25%.