



TAX EXECUTIVES INSTITUTE, INC.

State and Local Tax Policy Statement

State Corporate Income Tax Return Due Dates and Extension Procedures

In many states, the original and extended due dates for corporate income and franchise tax returns are the same as the filing date for the federal tax return (e.g., for calendar-year taxpayers, March 15 and September 15, respectively). Moreover, in some circumstances, the original and extended due dates for state corporate income and franchise tax returns can precede the original and extended due dates for the federal tax return.¹

Many substantial and important items composing federal taxable income – the starting point for determining state taxable income – must be modified for state tax purposes. Thus, the determination of state taxable income is not instantaneous.

Furthermore, corporate taxpayers often file consolidated federal income tax returns. Few states accept this practice. Consequently, separate federal returns must be prepared for each member of the consolidated group. States vary regarding whether they require separate or combined unitary reports. Moreover, even among states requiring combined reports, states diverge regarding the definition of the unitary group and the manner of reporting the combined group's taxable income. Thus, taxpayers often need additional time to prepare their state tax returns.

The complexity of the federal tax law and the difficult reporting and compliance burdens engendered by that complexity rarely allow taxpayers to file their federal income tax returns until on or shortly before the extended federal due date. Thus, taxpayers whose state income or franchise tax return filing dates coincide with or precede the original and/or extended federal due date often have inadequate time to analyze and report the adjustments required to prepare their state income tax returns. As a result, many taxpayers must file amended state corporate income and franchise tax returns.

Tax Executives Institute, Inc. ("TEI") recommends states alleviate the compliance burdens associated with coincident state and federal return filing dates and

¹ If a corporation joins a federal consolidated tax return following an acquisition, the due date of that corporation's pre-acquisition federal tax return is the earlier of: (1) the due date of the consolidated federal tax return, or (2) the due date of the separate federal tax return, determined without regard to any change of its taxable year by inclusion in the federal consolidated tax return. Treas. Reg. Sec. 1-1502-76(c). Some states do not follow this due date. Thus, there are circumstances where the due date of a corporation's state income or franchise tax return can precede the due date of the corporation's federal income tax return.

redundant state extension procedures:

- (1) States should adopt a uniform, automatic extension procedure triggered by the taxpayer's filing of a federal extension request, and
- (2) The original and extended due dates for filing state income and franchise tax returns should be no earlier than 45 days following the applicable federal income tax return due date.

These changes would afford taxpayers the time to properly analyze the federal data for state adjustments and would reduce the number of amended state return filings, which must be reconciled and examined by state auditors, thereby conserving states' limited administration and examination resources.

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