

Revenue Information Bulletin No. 19-007

March 20, 2019

Individual Income Tax

Underpayment of Estimated Income Tax Penalty Waiver for Farmers and Fishermen

On February 28, 2019, the IRS announced an extension of the March 1, 2019, deadline for farmers and fishermen to make their 2018 estimated income tax payment to avoid underpayment of estimated income tax penalties. The extension is granted only if the eligible taxpayers file and pay the full amount of tax reported on their 2018 return by April 15, 2019 (or by April 17, 2019, for those taxpayers who live in Maine or Massachusetts).¹ The purpose of this bulletin is to provide complimentary state tax relief for farmers and fishermen.

Federal Estimated Income Tax Obligations of Farmers and Fishermen

Generally, qualifying farmers and fishermen² are required to make only one estimated income tax payment by January 15 of the year following the taxable year. To avoid underpayment of estimated income tax penalties, the estimated income tax payment must be at least 66.66% of the total income tax due. However, qualifying farmers and fishermen who do not make the required estimated income tax payment by January 15 are not subject to estimated income tax penalties if the farmer or fisherman files his or her returns and pays the full amount of income tax reported on the return by March 1.

Federal Extension of the March 1, 2019, Deadline

As explained in IRS Notice 2019-17, due to “certain changes in the rules that affect farmers and fishermen, the Treasury Department and IRS anticipate that farmers and fishermen may have difficulty accurately determining and paying their tax liability for the 2018 taxable year by March 1, 2019.” Therefore, the IRS is granting a waiver of the 2018 estimated income tax penalty to certain farmers and fishermen. To qualify for the underpayment of estimated income tax penalty waiver, the farmer or fisherman must meet both of the following requirements:

1. The farmer or fisherman did not make the required estimated income tax installment payment by January 15, 2019; and

¹ See IR-2019-24 and IRS Notice 2019-17

² For federal purposes, a taxpayer qualifies as a farmer or fisherman for the 2018 tax year if at least two-thirds of the taxpayer’s gross income was from farming or fishing in either 2017 or 2018. See Internal Revenue Code Section 6654(i)(2). For Louisiana purposes, a taxpayer is a farmer if the taxpayer’s estimated gross income from farming, including oyster farming, for the taxable year is at least two-thirds of the total estimated gross income from all sources for the taxable year. See LA R.S. 47:117(B).

2. The farmer or fisherman files and pays the full amount of tax reported on his or her 2018 return by April 15, 2019 (April 17, 2019, for those taxpayers who live in Maine or Massachusetts).

Complimentary Relief for Louisiana Tax Purposes

Pursuant to LA R.S. 47:118(I), the Secretary is authorized to waive the underpayment of estimated income tax penalty in cases where the taxpayer acted in good faith in failing to make the estimated payments. Due to certain federal changes in the rules that affect farmers and fishermen, farmers and fishermen may have difficulty accurately determining and paying their federal tax liability for the 2018 taxable year by March 1, 2019.

Therefore, the Department will presume that any eligible farmer or fisherman who fails to meet the March 1, 2019, deadline, but files and pays the full amount of tax reported on his or her 2018 Louisiana individual income tax return by the May 15, 2019, deadline, without regard for extensions, has acted in good faith. Accordingly, the farmer or fisherman will be relieved of the underpayment of estimated income tax penalty for state income tax purposes provided the following requirements are satisfied:

1. The farmer or fisherman qualifies for the federal underpayment of estimated income tax penalty waiver;
2. The farmer or fisherman files and pays the full amount of tax reported on the 2018 Louisiana individual income tax return by May 15, 2019 without regard for extensions. The farmer or fisherman must check the appropriate box indicating farmer status on the Underpayment Penalty line of the appropriate individual income tax return (Line 34 or 47 on Form IT-540, 2018 *Louisiana Resident Income Tax Return* or Line 35 or 48 on Form IT-540B, 2018 *Louisiana Nonresident and Part-Year Resident Income Tax Return*);
3. The farmer or fisherman submits Form R-210R or Form R-210NR, *Underpayment of Individual Income Tax Penalty Computation*, depending on residency status with the appropriate tax return; and
4. The farmer or fisherman submits Form R-20128, *Request for Wavier of Penalties*, referencing this bulletin and checks the “Underpayment of Estimated Tax” box.

Questions concerning this publication may be submitted by e-mail to Policy.Publications@la.gov.

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