

Now & Next

Tax Alert

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Potential COVID-19-era tax refunds — Act before July 10, 2026

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Don't miss a possible COVID-19 tax relief refund—new cases support broader extensions that may cut penalties and/or interest, but protective claims must be filed by July 10, 2026.



What's the impact?

- You may qualify if penalties/interest for 2020–2022 were computed using normal due dates, but the relevant deadline fell between Jan. 20, 2020, and July 10, 2023.
- Gather IRS transcripts/notices and payment proof, then map penalties/interest to COVID-19 disaster-period “time-sensitive acts” to estimate refund potential.
- Consider a protective Form 843, citing IRC §7508A(d) and *Abdo/Kwong* to preserve rights; July 10, 2026, is the key practical deadline.

Two recent court decisions (*Abdo*ⁱ and *Kwong*ⁱⁱ) support an argument that the COVID-19 federal disaster period may have automatically extended certain federal tax deadlines more broadly than the IRS previously acknowledged. If this applies to you, it could create an opportunity to

seek reductions or refunds of certain penalties and interest assessed during the COVID-19 period.

Are you likely affected?

You may be affected if both of the following are true:

- / You had federal tax penalties and/or interest assessed for 2020–2022 activity (most commonly failure-to-file or failure-to-pay) calculated as if the normal due date applied; and
- / The underlying filing/payment deadline or related “time-sensitive act” fell during the FEMA COVID-19 disaster window, January 20, 2020, through July 10, 2023.

Because COVID-19 disaster declarations covered every state/territory/DC, most US individual and business taxpayers are “qualified taxpayers” entitled to this statutory relief.

Also, even if you received the IRS’s automatic penalty relief, announced in December 2023 (which was limited and eligibility-based), this court-driven statutory theory may be broader and could support additional relief depending on your facts.

What should you do now?

To preserve options while the law develops (*Kwong* is expected to be appealed), the practical step is to identify any potentially affected penalties/interest and, if warranted, file a protective claim.

GATHER THE DATA THAT PROVES YOUR CLAIM:

- / IRS account transcripts and penalty/interest detail for the impacted years;
- / Any IRS balance-due notices and penalty notices; and
- / Proof of payment dates (if amounts were paid).

MAP THE INTEREST AND PENALTIES TO THE RELEVANT COVID-19 RELIEF DEADLINES:

- / Identify which penalties/interest are tied to deadlines that fell between Jan. 20, 2020, and July 10, 2023;
- / Confirm whether the IRS’s 2023 automatic waiver has already removed part of any interest and penalties for you; and
- / File a protective claim if the dollars justify it.

FILING THE PROTECTIVE REFUND CLAIM:

- / Use IRS Form 843 (Claim for Refund and Request for Abatement) for interest and penalties already paid (ask IRS for a refund) or still outstanding (ask IRS for “abatement”);
- / Cite IRC § 7508A(d) and the reasoning discussed in the *Abdo* and *Kwong* cases; and
- / State that this is a “protective claim,” designed to preserve your rights while the appeals of those cases and related IRS actions play out.

Why this is time-sensitive

July 10, 2026, is the key practical deadline for preserving claims tied to the COVID-19 disaster window. There is an unresolved legal question about whether the COVID-19 relief statute merely postpones deadlines or whether it “tolls” (i.e., pauses the running of) the limitations periods. Missing this filing deadline could risk losing the ability to recover refunds, even if the taxpayer-favorable interpretation “tolling” ultimately prevails.

Next steps

Nixon Peabody’s [tax lawyers](#) have been closely tracking COVID-19-era tax regulations and relief programs to help clients identify reporting obligations and refund opportunities. If you’d like us to help you evaluate whether you have a meaningful refund opportunity, please contact one of our tax attorneys.

For more information on the content of this alert, please contact your Nixon Peabody attorney or:

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ⁱ *Abdo v. Commissioner*, 162 T.C. 148 (2024).

ⁱⁱ *Kwong v. United States*, 179 Fed. Cl. 382 (Fed. Cl. 2025).