

Estimated Tax Payments

ESTIMATED TAX PAYMENTS

Income earned in the course of your business will usually require you to pay estimated tax payments by the due date per quarter or you will be charged a penalty. The amount of the estimated tax payment is usually 110% of the prior year tax which is divided by 4 and payable each quarter if the following year. Other types of income subject to estimated tax is interest, dividends, alimony, rent, gains from the sale of assets, prizes and awards.

General Rule (*Business and personal*)

If you owed additional tax for the prior year, you may have to pay estimated tax payments for the current year if both of the following applies:

- 1) You expect to owe taxes of at least \$1000
- 2) You expect your withholding amount on your W-2 wages, including refundable credits, to be less than 90% of the tax owed

Estimated tax payments are just estimates of the amount you may owe for the current year. Your actual tax is based on the current year business activities. The amount paid for estimated taxes are credited towards the total tax due. Once you actually file your return, you may be required to make an additional payment or you may be entitled to a refund.

HOW TO PAY AND DUE DATES

Send the payment coupon we provide to you with your payment to address shown. The payment should come from your personal bank account. The due dates are as follows:

- First quarter is due by April 15
- Second quarter is due by June 15
- Third quarter is due by September 15
- Fourth quarter is due by January 15 (of the next year)

PENALTIES AND INTEREST

If the estimated tax payments are not received by the due date or are less than the required amount then you will be charged an underpayment penalty by the IRS in addition to the tax due.

*This information should be used as a guideline. Specific questions regarding this "Biz Facts" should be directed to a Business by Design tax professional.