

CALCULATE YOUR ESTIMATED TAX PAYMENTS NOW

Calculating Your Payments

Although the IRS offers a worksheet (Form 1040-ES) to help taxpayers calculate their estimated tax, computing a new quarterly payment schedule can be complex. In addition to estimating your taxable income for the entire year, you must also calculate your tax liability. For estimated taxpayers, seeking the advice of a trained tax professional can take the “complexity” issue out of the calculation.

When Are Estimated Payments Due

Your four estimated tax payments are due April 15, June 15, September 15 and January 15 of the following year. When a payment date falls on a weekend or legal holiday, the payment is considered on time if you make it on the first day following the due date that is not a Saturday, Sunday or legal holiday.

How To Avoid The Risk of Underpayment

Underpayment of your estimated taxes for 2004 will result in IRS penalties, even if you pay everything you owe by April 15, 2005.

Underpayment penalties are based on rates set for that quarter and are subject to change. To avoid the penalties from the IRS, total withholding and estimated payments should equal the lesser of:

- 90 percent of your current year tax, or
- 100 percent of your prior year tax (110 percent if the 2003 adjusted gross income was over \$150,000).

How To Make

Estimated Payments

The IRS has made it easy to pay your estimated tax:

- Send the payment along with Form 1040-ES payment voucher
- Use a credit card. Visit www.irs.gov for more information

/// If you are one of the more than 13 million people who pay estimated taxes – the self-employed, retirees or taxpayers who receive capital gain income — your number one priority should be to calculate your quarterly payments for 2004. ///

— Jackie Perlman,
CPA, Senior Tax
Research Analyst

- Have your quarterly payment automatically withdrawn from your checking or savings account when filing Form 1040/1040A electronically
- Use the Electronic Federal Tax Payment System (EFTPS). EFTPS is available 24/7 and allows you to make payments from the comfort of your home or office. You may also schedule your payments up to 120 days in advance of the due date for businesses and 365 days in advance for individuals. Visit www.eftps.gov for more information.

Sound Tax Planning

A smart rule of thumb for all taxpayers who pay estimated taxes is to revisit your tax estimates annually, or any time there have been significant changes in expected or actual business income, capital gain, etc.

While no taxpayer wants to find he has a substantial balance due come tax day, a big tax refund is nothing more than an interest-free loan to the government. Sound tax planning will allow you to make your hard-earned money work for you year ‘round.