

Six Tips for Paying Estimated Taxes

Estimated tax is a method used to pay tax on income that is not subject to withholding. You may need to pay estimated taxes during the year depending on what you do for a living and what type of income you receive.

These six tips from the IRS will provide you with a quick look at estimated taxes and how to pay them.

1. If you have income from sources such as self-employment, interest, dividends, alimony, rent, gains from the sales of assets, prizes or awards, then you may have to pay estimated tax.
2. As a general rule, you must pay estimated taxes in 2011 if both of these statements apply: 1) You expect to owe at least \$1,000 in tax after subtracting your tax withholding (if you have any) and credits, and 2) You expect your withholding and credits to be less than the smaller of 90% of your 2011 taxes or 100% of the tax on your 2010 return. There are special rules for farmers, fishermen, certain household employers and certain higher income taxpayers.
3. For Sole Proprietors, Partners and S Corporation shareholders, you generally have to make estimated tax payments if you expect to owe \$1,000 or more in tax when you file your return.
4. To figure your estimated tax, include your expected gross income, taxable income, taxes, deductions and credits for the year. Use the worksheet in Form 1040ES, Estimated Tax for Individuals for this. You want to be as accurate as possible to avoid penalties. Also, consider changes in your situation and recent tax law changes.
5. The year is divided into four payment periods, or due dates, for estimated tax purposes. Those dates generally are April 15, June 15, Sept. 15 and Jan. 15.
6. Form 1040ES, Estimated Tax for Individuals, provides all you'll need to pay estimated taxes. This includes instructions, worksheets, schedules and payment vouchers. The easiest way to pay estimated taxes, however, is electronically through the Electronic Federal Tax Payment System or EFTPS. You can also pay estimated taxes by check or money order using the Estimated Tax Payment Voucher or by credit or debit card.

For more information on estimated taxes refer to Form 1040ES and its instructions, as well as Publication 505, Tax Withholding and Estimated Tax. These forms and publications are available at <http://www.irs.gov> or by calling 800-TAX-FORM (800829-3676).