Form **1120-W**
(WORKSHEET)
Department of the Treasury
Internal Revenue Service

Corporation Estimated Tax

(Keep for Your Records—Do *Not* Send to Internal Revenue Service)

OMB No. 1545-0975

1990

1	Taxable income expected in the tax year	1	
	Qualified personal service corporations (defined in instructions): Skip lines 2 through 9 and enter 34% of line 1 on line 10.		
2	Enter the smaller of line 1 or $50,000 (members of a controlled group, see instructions)	2	
3	Subtract line 2 from line 1	3	
4	Enter the smaller of line 3 or $25,000 (members of a controlled group, see instructions)	4	
5	Subtract line 4 from line 3	5	
6	Enter 15% of line 2	6	
7	Enter 25% of line 4	7	
8	Enter 34% of line 5	8	
9	If line 1 is greater than $100,000, enter the lesser of: 5% of the excess over $100,000; or $11,750 (members of a controlled group, see instructions)	9	
10	Add amounts on lines 6 through 9	10	
11	Estimated tax credits	11	
12	Subtract line 11 from line 10	12	
13	Recapture of: **a** Investment credit and **b** Low-income housing credit	13	
14a	Alternative minimum tax	14a	
b	Environmental tax	14b	
15	Total—Add lines 12 through 14b	15	
16	Credit for Federal tax on fuels	16	
17	Total—Subtract line 16 from line 15. **Note:** *If the amount on this line is less than $500, the corporation is not required to make estimated tax payments*	17	

		(a)	(b)	(c)	(d)
(23) Add lines 20 through 22.	23				
(24) Base period percentage for months before filing month. Divide line 23 by three (3).	24				
(25) Divide line 18 by line 24.	25				
(26) Figure your tax on the amount on line 25 in the same manner as you figured line 10, Form 1120-W.	26				
(27) Divide the amount in columns (a) through (c) on line 19a by the amount in column (d) on line 19a.	27				
(28) Divide the amount in columns (a) through (c) on line 19b by the amount in column (d) on line 19b.	28				
(29) Divide the amount in columns (a) through (c) on line 19c by the amount in column (d) on line 19c.	29				
(30) Add lines 27 through 29.	30				
(31) Base period percentage for months through and including filing month. Divide line 30 by three (3).	31				
(32) Multiply the amount in columns (a) through (c) of line 26 by the amount in the corresponding column of line 31. In column (d), enter the amount from line 26, column (d).	32				
(33) Enter other taxes for each payment period (see instructions).	33				
(34) Total tax. Add lines 32 and 33.	34				
(35) For each period, enter the same type of credits as allowed on Form 1120-W, lines 11 and 16 (see instructions).	35				
(36) Total tax after credits. Subtract line 35 from line 34. If less than zero, enter zero.	36				
(37) Multiply line 36 by 90%.	37				
(38) Enter the combined amounts of line 45 from all preceding columns.	38				
(39) Subtract line 38 from line 37. If less than zero, enter zero.	39				

Part III—Computation of Required Installments

		1st installment	2nd installment	3rd installment	4th installment
(40) If you completed one of the above parts, enter the amounts in each column from line 16 or line 39. (If you completed both parts, enter the lesser of the amounts in each column from line 16 or line 39.)	40				
(41) Divide line 18c, Form 1120-W, by four (4) and enter the result in each column. (**Note:** *"Large corporations" see line 20b instructions on page 5 for the amount to enter.)*	41				
(42) Enter the amount from line 44 of Schedule A for the preceding column.	42				
(43) Add lines 41 and 42 and enter the total.	43				
(44) If line 43 is more than line 40, subtract line 40 from line 43. Otherwise, enter zero.	44				
(45) Enter the lesser of line 40 or line 43 here and on Form 1120-W, line 20.	45				

General Instructions

(Section references are to the Internal Revenue Code unless otherwise noted.)

Paperwork Reduction Act Notice.—Your use of this form is optional. It is provided to aid you in determining your tax liability.

The time needed to complete this form will vary depending on individual circumstances. The estimated average time is:

Form	Recordkeeping	Learning about the law or the form	Preparing the form
1120-W	6 hrs., 56 min.	1 hr., 12 min.	1 hr., 21 min.
1120-W, Sch. A (Pt. I)	5 hrs., 56 min.	10 min.	1 hr., 16 min.
1120-W, Sch. A (Pt. II)	12 hrs., 20 min.	18 min.	2 hr., 39 min.
1120-W, Sch. A (Pt. III)	2 hrs., 40 min.	--------	34 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form more simple, we would be happy to hear from you. You can write to the **Internal Revenue Service,** Washington, DC 20224, Attention: IRS Reports Clearance Officer, T:FP; or the **Office of Management and Budget,** Paperwork Reduction Project (1545-0975), Washington, DC 20503.

A. Who Must Make Estimated Tax Payments.—Generally, a corporation must make estimated tax payments if it expects its estimated tax (income tax less credits) to be $500 or more. Tax-exempt corporations filing **Form 990-T,** Exempt Organization Business Income Tax Return, must make estimated tax payments with respect to their unrelated business income tax. Tax-exempt corporations should use **Form 990-W,** Estimated Tax on Unrelated Business Taxable Income for Tax-Exempt Organizations, to figure their estimated tax.

B. Underpayment of Estimated Tax.—A corporation that does not pay estimated tax when due may be charged an underpayment penalty for the period of underpayment (section 6655), at a rate determined under section 6621.

C. Overpayment of Estimated Tax.—A corporation that has overpaid its estimated tax may apply for a "quick refund" if the overpayment is:

(1) At least 10% of its expected income tax liability, **and**

(2) At least $500.

To apply, the corporation must file **Form 4466,** Corporation Application for Quick Refund of Overpayment of Estimated Tax, after the end of its tax year, but before the 16th day of the 3rd month thereafter, and before it files its tax return.

D. Depositary Method of Tax Payment.— Deposit corporation income tax payments and estimated tax payments with a Federal Tax Deposit (FTD) Coupon. Be sure to darken the "1120" box on Form 8109. Make these tax deposits with either a financial institution qualified as a depositary for Federal taxes or the Federal Reserve bank or branch for the area where the corporation is located. **Do not** submit deposits directly to an IRS office; otherwise, the corporation may be subject to a failure-to-deposit penalty. Records of deposits will be sent to the IRS for crediting to the corporation's account. See the instructions contained in FTD Coupon Book **(Form 8109)** and **Publication 583,** Taxpayers Starting a Business, for more information.

E. Amended Estimated Tax.—If after the corporation figures and deposits estimated tax if it finds that its tax liability for the year is much more or less than originally estimated because its economic condition has changed, it may have to refigure its required installments. If earlier installments were underpaid as a result, the corporation may owe a penalty for underpayment of estimated tax.

An immediate "catch-up" payment should be made to reduce the amount of any such penalty resulting from the underpayment of any earlier installments, whether caused by a change in estimate, failure to make a deposit, or a mistake.

Specific Instructions

Form 1120-W Instructions

Qualified personal service corporations.—A qualified personal service corporation is taxed at a flat rate of 34% on its taxable income. For this purpose, a qualified personal service corporation is any corporation: **(a)** substantially all of the activities of which involve the performance of services in the fields of health, law, engineering, architecture, accounting, actuarial science, performing arts, or consulting, and **(b)** at least 95% of the stock of which is owned by employees performing the services, retired employees who had performed the services listed above, any estate of an employee or retiree described above, or any person who acquired stock of the corporation as a result of the death of an employee or retiree described above if the acquisition occurred within 2 years of death. See Temporary Regulations section 1.448-1T(e) for details.

Lines 2 and 4.—On line 2, members of a controlled group enter the lesser of the amount on line 1 or their share of the $50,000 amount. On line 4, members of a controlled group enter the lesser of the amount on line 3 or their share of the $25,000 amount.

If no apportionment plan is adopted, the members of the controlled group must share the amounts in each taxable income bracket equally. For example, controlled group AB consists of corporation A and corporation B. They do not elect an apportionment plan. Therefore, corporation A is entitled to $25,000 (half of $50,000) in the first taxable income bracket, and $12,500 (half of $25,000) in the second taxable income bracket. Corporation B is also entitled to $25,000 in the first taxable income bracket and $12,500 in the second taxable income bracket.

Members of a controlled group may elect an unequal apportionment plan and divide the amounts in each taxable income bracket in any way they want.

They need not divide each taxable income bracket in the same way. For example, if controlled group AB above elects an unequal apportionment plan, any member of the controlled group may be entitled to all, some, or none of the $50,000 amount in the first taxable income bracket, as long as the total for all members of the controlled group is not more than $50,000. Similarly, any member may be entitled to all, some, or none of the $25,000 amount in the second taxable income bracket, as long as the total for all members of the controlled group is not more than $25,000.

Line 9.—Members of a controlled group of corporations are treated as one corporation for purposes of figuring the applicability of the additional 5% tax. If the taxable income of the controlled group exceeds $100,000, enter on line 9 the portion of the lesser of: 5% of the excess over $100,000; or $11,750, that this member must pay.

Line 11.—The estimated tax credits include the sum of any credits against tax provided by Part IV of Subchapter A of Chapter 1 (except the credit for Federal tax on fuels shown on line 16).

Line 14a.—Alternative minimum tax is generally the excess of tentative minimum tax over regular tax. See section 55 for definitions of tentative minimum tax and regular tax. Limited amounts of foreign tax credit and investment credit may be used to offset the minimum tax. See sections 55 through 59 for more information on alternative minimum tax.

Line 14b.—Environmental tax is 0.12 percent of the excess of modified alternative minimum taxable income over $2 million. See section 59A and **Publication 542,** Tax Information on Corporations, for more information.

Line 18b.—Figure your 1989 tax in the same manner as line 17 of this worksheet was determined, using the taxes and credits from your 1989 tax return. If you did not file a return showing at least some amount of tax for the 1989 tax year, or

if your 1989 tax year was for less than 12 months, do not complete this line. Instead, enter the amount from line 18a on line 18c.

Line 19.—*Calendar year taxpayers:* Enter 4-16-90, 6-15-90, 9-17-90, and 12-17-90, respectively, in columns (a) through (d).

Fiscal year taxpayers: Enter the 15th day of the 4th, 6th, 9th, and 12th months of your tax year in columns (a) through (d). If any date falls on a Saturday, Sunday, or legal holiday, substitute the next regular workday.

Line 20.—A corporation may elect to apply its 1989 overpayment against its 1990 tax. Generally, the overpayment will be applied against the earliest installment unless the taxpayer instructs the IRS differently. See Rev. Rul. 84-58, 1984-1 C.B. 254.

Line 20a.—Annualized Income Installment Method or Adjusted Seasonal Installment Method: If the corporation's income is expected to vary during the year because, for example, it operates its business on a seasonal basis, it may be able to lower the amount of one or more required installments by using the annualized income installment method or the adjusted seasonal installment method. For example, a ski shop, which receives most of its income during the winter months, might benefit from using one or both of these methods in figuring one or more of its required installments.

To use one or both of these methods to figure one or more required installments, use Schedule A on pages 2 and 3. If you use Schedule A for any payment date, you must use it for **all** payment due dates. To arrive at the amount of each required installment, Schedule A automatically selects the smallest of: **(a)** the annualized income installment, **(b)** the adjusted seasonal installment (if applicable), or **(c)** the regular installment under section 6655(d) (increased by any reduction recapture under section 6655(e)(1)(B)).

If you are using only the annualized income installment method, complete Parts I and III of Schedule A. If you are using only the adjusted seasonal installment method, complete Parts II and III of Schedule A. If you are using both methods, complete all 3 parts of Schedule A. Enter in each column on line 20 the amounts from the corresponding column of line 45 of Schedule A.

Line 20b.—"Large corporations": A "large corporation" is one that had, or its predecessor had, taxable income of $1 million or more for any of the 3 tax years immediately preceding the tax year involved. For this purpose, taxable income is modified to exclude net operating loss or capital loss carrybacks or carryovers. Members of a controlled group, as defined in section 1563, must divide the $1 million amount among themselves in accordance with rules similar to those in section 1561.

If you are not using the annualized income installment method or adjusted seasonal installment method, follow the instructions below to figure the amounts to enter on line 20. (If you are using the annualized income installment method and/or the adjusted seasonal installment method, these instructions apply to line 41 of Schedule A.)

If line 18a is less than line 18b: Enter 25% of line 18a in columns (a) through (d).

If line 18b is less than line 18a: In column (a), enter 25% of line 18b. In column (b), determine the amount to enter by: (i) subtracting line 18b from line 18a, (ii) adding the result to the amount on line 18a, and (iii) multiplying the total by 25%. In columns (c) and (d), enter 25% of line 18a.

Schedule A Instructions

Caution: *If you use Schedule A, do not attempt to figure any required installment until after the end of the month preceding the due date for that installment.*

Part I—Annualized Income Installment Method

Line 9.—Enter the taxes the corporation owed because of events that occurred during the months shown in the headings used to figure annualized taxable income. Include the same taxes used to figure line 15 of Form 1120-W.

Compute the alternative minimum tax and environmental tax by figuring alternative minimum taxable income and modified alternative minimum taxable income based on the corporation's income and deductions during the months shown in the column headings used to figure annualized taxable income. Multiply the alternative minimum taxable income and modified alternative minimum taxable income by the annualization amounts used to figure annualized taxable income (on line 2 or line 5) before subtracting the exemption amounts (see sections 55(d) and 59A(a)(2)).

Line 11.—Enter the credits to which you are entitled because of events that occurred during the months shown in the column headings used to figure annualized taxable income.

Part II—Adjusted Seasonal Installment Method

Do **not** complete this part unless the corporation's base period percentage for any six consecutive months of the tax year equals or exceeds 70%. The term "base period percentage" for any period of six consecutive months is the average of the three percentages figured by dividing the taxable income for the corresponding six consecutive-month period in each of the 3 preceding tax years by the taxable income for each of their respective tax years.

Example: An amusement park that has a calendar year as its tax year receives the largest part of its taxable income during the six-month period from May through October. To compute its base period percentage for the period May through October 1990, it must figure its taxable income for the period May through October in each of the following years: 1987, 1988, and 1989. The taxable income for each May-through-October period is then divided by the total taxable income for the tax year in which the period is included, resulting in the following quotients: .69 for May through October 1987, .74 for May through October 1988, and .67 for May through October 1989. Since the average of .69, .74, and .67 is equal to .70, the base period percentage for May through October 1990 is 70%. Therefore, the amusement park qualifies for the adjusted seasonal installment method.

Line 33.—Enter the taxes the corporation owed because of events that occurred during the months shown in the column headings above line 17 of Part II. Include the same taxes used to figure line 15 of Form 1120-W.

Compute the alternative minimum tax and environmental tax by figuring alternative minimum taxable income and modified alternative minimum taxable income based on the corporation's income and deductions during the months shown in the column headings above line 17 of Part II. Divide the alternative minimum taxable income and modified alternative minimum taxable income by the amounts shown on line 24 before subtracting the exemption amounts (see sections 55(d) and 59A(a)(2)). For columns (a) through (c) only, multiply the alternative minimum tax and environmental tax so determined by the amounts shown on line 31.

Line 35.—Enter the credits to which you are entitled because of events that occurred during the months shown in the column headings above line 17 of Part II.