



Instructions for Form 2210

Underpayment of Estimated Tax by Individuals, Estates, and Trusts

General Instructions

Section references are to the Internal Revenue Code.

What's New

- If you were affected by Hurricane Katrina, the due dates for the September 15, 2005, and January 17, 2006, required installments are both extended to February 28, 2006. See *Hurricane Relief* on page 2.
- For certain taxpayers affected by Hurricane Katrina, the due dates for the September 15, 2005, and January 17, 2006, required installments are both extended to August 28, 2006. See *Hurricane Relief* on page 2.
- If you were affected by Hurricane Rita or Wilma, the due date for the January 17, 2006, required installment is extended to February 28, 2006. See *Hurricane Relief* on page 2.

Purpose of Form

Generally, use Form 2210 to see if you owe a penalty for underpaying your estimated tax and, if you do, to figure the amount of the penalty. If you are not required to file Form 2210, you can use it to figure your penalty if you wish to do so. Enter the penalty on your return, but do not file Form 2210.

Who Must File Form 2210

In most cases you do not need to file Form 2210. The IRS will figure any penalty you owe and send you a bill. See *The IRS Will Figure the Penalty for You* below. Read the chart at the top of page 1 of Form 2210 to see if you need to file Form 2210.

The IRS Will Figure the Penalty for You

Because Form 2210 is complicated, we strongly encourage you to let us figure the penalty. If you owe it, we will send you a bill. And as long as you file your return by April 17, 2006, we will not charge you interest on the penalty if you pay by the date specified on the bill.

If you want us to figure the penalty for you, complete your return as usual. Leave the penalty line on your return blank; do not file Form 2210.



See Part II of the form. If box B, C, or D is checked, you must figure the penalty yourself and attach a completed Form 2210 to your return.

Other Methods

We realize that there are different ways to figure the correct penalty. You do not have to use the method prescribed by Form 2210 as long as you enter the correct penalty amount on the penalty line of your return.

However, if you are required to file Form 2210 because one or more of the boxes in Part II applies to you, you must complete certain lines.

- If you use the short method, you must check the applicable boxes in Part II, complete lines 1 through 14, and enter the penalty on line 17.
- If you use the regular method, you must check the applicable boxes in Part II, complete lines 1 through 9 and lines 18 through 26, and enter the penalty on line 31.
- If you use the annualized income installment method, you must check the applicable boxes in Part II, complete lines 1 through 9, Schedule AI, and lines 18 through 26, and enter the penalty on line 31.

Who Must Pay the Underpayment Penalty

In general, you may owe the penalty for 2005 if you did not pay at least the smaller of:

- 90% of the tax shown on your 2005 tax return, or
- The tax shown on your 2004 tax return (110% of that amount if you are not a farmer or fisherman and your adjusted gross income (AGI) shown on that return is more than \$150,000, or, if married filing separately for 2005, more than \$75,000).

The penalty is figured separately for each installment due date. Therefore, you may owe the penalty for an earlier due date even if you paid enough tax later to make up the underpayment. This is true even if you are due a refund when you file your tax return. However, you may be able to reduce or eliminate the penalty by using the annualized income installment method. See the Schedule AI instructions beginning on page 6 for details.

Return. In these instructions, "return" refers to your original return. However, an amended return is considered the original return if it is filed by the due date (including extensions) of the original return. Also, a joint return that replaces previously filed separate returns is considered the original return.

Exceptions to the Penalty

You will not have to pay the penalty if either 1 or 2 applies.

1. You had no tax liability for 2004, you were a U.S. citizen or resident for the entire year (or an estate of a domestic decedent or a domestic trust), and your 2004 tax return was (or would have been had you been required to file) for a full 12 months.

2. The total tax shown on your 2005 return minus the amount of tax you paid through withholding is less than \$1,000. To determine whether the total tax is less than \$1,000, complete lines 1–7.

Estates and trusts. No penalty applies to either of the following.

- A decedent's estate for any tax year ending before the date that is 2 years after the decedent's death.
- A trust that was treated as owned by the decedent if the trust will receive the residue of the decedent's estate under the will (or if no will is admitted to probate, the trust primarily responsible for paying debts, taxes, and expenses of administration) for any tax year ending before the date that is 2 years after the decedent's death.

Special Rules for Farmers and Fishermen

If you meet both tests 1 and 2 below, you do not owe a penalty for underpaying estimated tax.

1. Your gross income from farming and fishing is at least $\frac{2}{3}$ of your annual gross income from all sources for 2004 or 2005.
2. You filed Form 1040 or 1041 and paid the entire tax due by March 1, 2006.

See Pub. 505, Tax Withholding and Estimated Tax, for the definition of gross income from farming and fishing.

If you meet test 1 but not test 2, use Form 2210-F, Underpayment of Estimated Tax by Farmers and Fishermen, to see if you owe a penalty. If you do not meet test 1, use Form 2210.

Hurricane Relief

If you were affected by Hurricane Katrina, the due dates for the September 15, 2005, and January 17, 2006, required installments are generally extended to February 28, 2006.

For certain taxpayers affected by Hurricane Katrina, the due dates for the September 15, 2005, and January 17, 2006, required installments are both extended to August 28, 2006.

If you were affected by Hurricane Rita or Wilma, the due date for the January 17, 2006, required installment is extended to February 28, 2006.

Who is eligible for relief. The following individuals, estates, and trusts are eligible for the extension.

- Any individual whose principal residence is located in the covered disaster area,
- Any business entity or sole proprietor whose principal place of business is located in the covered disaster area,
- Any individual, business entity, or sole proprietor whose records needed to meet a postponed deadline are maintained or whose tax professional's office is in a covered disaster area.
- Any relief worker who assisted in the Katrina or Rita covered disaster area,
- Any relief worker who assisted in the Wilma covered disaster area and who is affiliated with a recognized government or philanthropic organization assisting in the relief activities,
- Any individual visiting the covered disaster area who was killed or injured as a result of the hurricane or its aftermath,
- Any spouse of an affected taxpayer, solely with regard to a joint return of the husband and wife, and
- Any estate or trust that has tax records necessary to meet a filing or payment deadline in the covered disaster area.

Special instructions. If you use Part III, use the factor shown in the instructions for line 15 to figure the penalty. If you use Part IV, see *Hurricane Katrina Relief* on page 3 or *Hurricanes Rita and Wilma Relief* on page 4 for special instructions to use when figuring the penalty.

More information. For more information about hurricane relief, see Pub. 553 and Pub. 4492.

Hurricane Rita and Hurricane Wilma

The covered disaster area includes any county or parish designated by the Federal Emergency Management Agency (FEMA) as an individual assistance area or a public assistance area. A list of the designated counties and parishes can be found in Pub. 4492.

Procedures for claiming relief.

Individuals, estates, and trusts in the counties and parishes designated by FEMA as individual assistance areas will automatically receive the extension. They can mark "Hurricane Rita" or "Hurricane Wilma" in red ink on the top of their return and Form 2210. While they are not required to mark their return or Form 2210, they are strongly encouraged to do so.

Individuals, estates, or trusts in areas designated by FEMA as public assistance areas and those outside the affected area whose books, records, or tax professionals are located in the affected areas need to mark "Hurricane Rita" or "Hurricane Wilma" in red ink on the top of their return and Form 2210.

Hurricane Katrina

Relief extension through February 28, 2006. The covered disaster area includes any county or parish designated by the Federal Emergency Management Agency (FEMA) as an individual assistance area or a public assistance area. A list of the designated counties and parishes can be found in Pub. 4492.

Procedures for claiming relief.

Individuals, estates, and trusts in the counties and parishes designated by FEMA as individual assistance areas will automatically receive the extension. They can mark "Hurricane Katrina" in red ink on the top of their return and Form 2210. While they are not required to mark their return or Form 2210, they are strongly encouraged to do so.

Individuals, estates, or trusts in areas designated by FEMA as public assistance areas and those outside the affected area whose books, records, or tax professionals are located in the affected areas need to mark "Hurricane Katrina" in red ink on the top of their return and Form 2210.

Relief extension through August 28, 2006, for certain taxpayers.

Additional time is granted to pay your September 15, 2005, and January 17, 2006, required installments if you are an eligible individual, estate, or trust located in the counties and parishes listed in this section.

Automatic extension. Individuals, estates, and trusts in the following counties and parishes will automatically receive the additional extension to August 28, 2006.

- **Louisiana**—Cameron, Jefferson, Orleans, Plaquemines, St. Bernard, St. Charles, and St. Tammany parishes.
- **Mississippi**—Hancock, Harrison, and Jackson counties.

However, to ensure correct processing, you are encouraged to mark "Hurricane Katrina" in red ink on the top of your return and Form 2210.

Additional qualifying areas.

Qualifying individuals, estates, and trusts that are in the counties and parishes listed below need to mark "Hurricane Katrina" in red ink on the top of their return and Form 2210.

- **Alabama**—Baldwin, Choctaw, Clarke, Greene, Hale, Marengo, Mobile, Pickens, Sumter, Tuscaloosa, and Washington.
- **Louisiana**—Acadia, Ascension, Assumption, Calcasieu, East Baton Rouge, East Feliciana, Iberia, Iberville, Jefferson Davis, Lafayette, Lafourche, Livingston, Pointe Coupee, St. Helena, St. James, St. John the Baptist, St. Mary, St. Martin, Tangipahoa, Terrebonne, Vermilion, Washington, West Baton Rouge, and West Feliciana.
- **Mississippi**—Adams, Amite, Attala, Claiborne, Choctaw, Clarke, Copiah, Covington, Franklin, Forrest, George, Greene, Hinds, Holmes, Humphreys, Jasper, Jefferson, Jefferson Davis, Jones, Kemper, Lamar, Lauderdale, Lawrence, Leake, Lincoln, Lowndes, Madison, Marion, Neshoba, Newton, Noxubee, Oktibbeha, Pearl River, Perry, Pike, Rankin, Scott, Simpson, Smith, Stone, Walthall, Warren, Wayne, Wilkinson, Winston, and Yazoo.

Waiver of Penalty

If you have an underpayment, all or part of the penalty for that underpayment will be waived if the IRS determines that:

- In 2004 or 2005, you retired after reaching age 62 or became disabled and your underpayment was due to reasonable cause, or
- The underpayment was due to a casualty, disaster, or other unusual circumstance and it would be inequitable to impose the penalty.

To request a waiver, do the following.

- Check box A or B in Part II.
- If you checked box A, complete only page 1 of Form 2210 and attach it to your tax return (you are not required to figure your penalty to be waived).
- If you checked box B, complete Form 2210 through line 16 (line 30 if you use the regular method) without regard to the waiver. Write the amount you want waived in parentheses on the dotted line next to line 17 (line 31 for the regular method). Subtract this amount from the total penalty you figured without regard to the waiver,

and enter the result on line 17 (line 31 for the regular method).

- Attach Form 2210 and a statement to your return explaining the reasons you were unable to meet the estimated tax requirements and the time period for which you are requesting a waiver.
- If you are requesting a waiver due to retirement or disability, attach documentation that shows your retirement date (and your age on that date) or the date you became disabled.
- If you are requesting a waiver due to a casualty, disaster, or other unusual circumstance, attach documentation such as copies of police and insurance company reports.

The IRS will review the information you provide and decide whether to grant your request for a waiver.

Additional Information

See Pub. 505 for more details. It has examples of filled-in Forms 2210.

For guidance on figuring estimated taxes for trusts and certain estates, see Notice 87-32, 1987-1 C.B. 477.

Specific Instructions

Part I—Required Annual Payment

Complete lines 1–9 to figure your required annual payment.

If you file an amended return by the due date of your original return, use the amounts shown on your amended return to figure your underpayment. If you file an amended return after the due date, use the amounts shown on the original return.

Exception. If you and your spouse file a joint return after the due date to replace previously filed separate returns, use the amounts shown on the joint return to figure your underpayment.

Line 1

Enter the amount from Form 1040, line 57; Form 1040A, line 36; Form 1040NR, line 52; or Form 1040NR-EZ, line 15. For an estate or trust, enter the amount from Form 1041, Schedule G, line 4.

Line 2

Enter the total of the following amounts on line 2.

- Self-employment tax.
- Tax from recapture of investment credit, low-income housing credit, qualified electric vehicle credit, Indian employment credit, new markets credit, or credit for employer-provided childcare facilities.
- Tax on early distributions from (a) an IRA or other qualified retirement plan,

(b) an annuity, or (c) a modified endowment contract entered into after June 20, 1988.

- Tax on distributions from a Coverdell education savings account or a qualified tuition program not used for qualified education expenses.
- Tax on Archer MSA or health savings account distributions not used for qualified medical expenses.
- Section 72(m)(5) penalty tax.
- Advance earned income credit payments.
- Tax on accumulation distribution of trusts.
- Interest due under sections 453(l)(3) and 453A(c) on certain installment sales of property.
- An increase or decrease in tax as a shareholder in a qualified electing fund.
- Tax on electing small business trusts included on Form 1041, Schedule G, line 7.
- Tax on income not effectively connected with a U.S. trade or business from Form 1040NR, lines 53 and 56.
- Household employment taxes, before subtracting any advance EIC payments made to your employees. Do not include this amount if you will enter -0- on Form 2210, line 6, and the amount on line 4 (excluding household employment taxes) would be less than \$1,000.

Line 4

If Form 2210, line 4, is less than \$1,000, you do not owe the estimated tax penalty. Do not file Form 2210.

Line 6

Enter the taxes withheld from Form 1040, lines 64 and 67; Form 1040A, line 39, plus any withheld amount written in on line 43; Form 1040NR, lines 59, 61, 66, 67, and 68; or Form 1040NR-EZ, line 18. For an estate or trust, enter the amount from Form 1041, line 24e.

Line 8

Enter the tax shown on your 2004 tax return (110% of that amount if the adjusted gross income shown on that return is more than \$150,000, or, if married filing separately for 2005, more than \$75,000). Figure your 2004 tax using the taxes and credits shown on your 2004 tax return. Use the same type of taxes and credits as shown on lines 1, 2, and 3 of this Form 2210.

If you are filing a joint return for 2005, but you did not file a joint return for 2004, add the tax shown on your 2004 return to the tax shown on your spouse's 2004 return and enter the total on line 8 (figured as explained above). If you filed a joint return for 2004 but you are not filing a joint return for 2005, see Pub. 505 to figure your share of the 2004 tax to enter on line 8.

If you did not file a return for 2004 or your 2004 tax year was less than 12 months, do not complete line 8. Instead, enter the amount from line 5 on line 9. However, see *Exceptions to the Penalty* on page 1.

Part III—Short Method

If you can use the short method, complete lines 10–14 to figure your total underpayment for the year, and lines 15–17 to figure the penalty.

In certain circumstances, the IRS will waive all or part of the penalty if you have an underpayment on line 14. See *Waiver of Penalty* beginning on page 2.

Line 12

If you are a household employer and made advance EIC payments, include those payments as estimated tax payments as of the date you paid the wages to your employees.

Line 15

Most taxpayers use the .04457 factor to figure line 15. Taxpayers affected by Hurricane Katrina (see *Hurricane Relief* on page 2) should cross out .04457 and enter one of the following factors.

IF eligible for relief through...	THEN enter...
February 28, 2006	.03460
August 28, 2006	.03019

Taxpayers affected by Hurricane Rita or Wilma (see *Hurricane Relief* on page 2) should cross out .04457 and enter .04246.

Part IV—Regular Method

Use the regular method if you are not eligible to use the short method.

Hurricane Katrina Relief

If you are eligible for relief due to Hurricane Katrina (see *Hurricane Relief* on page 2), you will need to modify Part IV as follows.

Taxpayers eligible for relief through February 28, 2006.

- Change the date above lines 18 and 29 in column (d) from 1/15/06 to 2/28/06.
- Do not complete lines 18 through 30 in column (c).
- If box C in Part II applies, add the amounts on Schedule AI, line 25, in columns (c) and (d), and enter the total on line 18 in column (d) of Part IV. Otherwise, enter 50% (.50) of line 9, Form 2210, on line 18 in column (d) of Part IV.
- Include on line 19 in column (d), estimated tax payments made after June 15, 2005, through February 28, 2006.
- On line 20 in column (d), enter the amount from line 26 in column (b).

- On line 22 in column (d), add the amounts from lines 24 and 25 in column (b).

Taxpayers eligible for relief through August 28, 2006.

- Do not complete lines 18 through 30, in columns (c) and (d).
- If you are using Schedule AI because you checked box C in Part II, do not complete columns (c) and (d).

Hurricanes Rita and Wilma Relief

If you are eligible for relief due to Hurricane Rita or Wilma (see *Hurricane Relief* on page 2), you will need to modify Part IV as follows.

- Change the date above lines 18 and 29 in column (d) from 1/15/06 to 2/28/06.
- Include on line 19 in column (d), estimated tax payments made after September 15, 2005, through February 28, 2006.

Form 1040NR or 1040NR-EZ Filers

If you are filing Form 1040NR or 1040NR-EZ and did not receive wages as an employee subject to U.S. income tax withholding, the instructions for completing Part IV are modified as follows.

1. Skip column (a).
2. In line 18, column (b), enter $\frac{1}{2}$ of the amount on line 9 of Part I (unless you are using the annualized income installment method).
3. In line 19, column (b), enter the total tax payments made through June 15, 2005, for the 2005 tax year. If you are treating federal income tax (and excess social security or railroad retirement tax) as having been withheld evenly throughout the year, you are considered to have paid $\frac{1}{3}$ of these amounts on each payment due date.
4. Skip all lines in column (b) that are shaded in column (a).

Section A—Figure Your Underpayment

Line 18

Enter on line 18, columns (a)–(d), the amount of your required installment for the due date shown in each column heading. For most taxpayers, this is $\frac{1}{4}$ of the required annual payment shown on Part I, line 9. However, it may be to your benefit to figure your required installments by using the annualized income installment method. See the Schedule AI instructions beginning on page 6.

Line 19

Enter the estimated tax payments you made plus any withheld federal income

tax and excess social security and railroad retirement tax, for the 2005 tax year. If you are a household employer and made advance EIC payments, include those payments as estimated tax payments as of the date you paid the wages to your employees.

In column (a), enter the tax payments you made by April 15, 2005; in column (b), enter payments you made after April 15 through June 15, 2005; in column (c), enter payments you made after June 15 through September 15, 2005; and in column (d), enter payments you made after September 15, 2005, through January 17, 2006.

When figuring your payment dates and the amounts to enter on line 19 of each column, apply the following rules.

- For withheld federal income tax and excess social security or railroad retirement tax, you are considered to have paid $\frac{1}{4}$ of these amounts on each payment due date unless you can show otherwise.



If you treat withholding as paid for estimated tax purposes when it was actually withheld, you must check box D in Part II and complete and attach Form 2210 to your return.

- Include in your estimated tax payments any overpayment of tax from your 2004 tax return that you elected to apply to your 2005 estimated tax. If you file your return by the due date, treat the overpayment as a payment made on April 15, 2005. Payments made after the due date (not including extensions) are treated as made on the date of payment.
- If you file your return and pay the tax due by January 31, 2006, include on line 19, column (d), the amount of tax you pay with your tax return. In this case, you will not owe a penalty for the payment due by January 17, 2006.
- If you paid estimated tax on January 16 or 17, 2006, it is considered paid on January 15, 2006, to the extent it is applied to the fourth required installment.

Line 25

If line 25 is zero for all payment periods, you do not owe a penalty. But if you checked box C or D in Part II, you must file Form 2210 with your return. If you checked box E, you must file page 1 of Form 2210 with your return.

In certain circumstances, the IRS will waive all or part of the penalty if you have an underpayment on line 25. See *Waiver of Penalty* beginning on page 2.

Section B—Figure the Penalty



Read the following instructions through line 30, including the six examples, before completing Section B.

Figure the penalty by applying the appropriate rate against each underpayment shown on line 25. The penalty is figured for the number of days that the underpayment remained unpaid.

The rates are established at various times throughout the year. For the period covered by the 2005 Form 2210, there were two rates in effect over two rate periods. If an underpayment remained unpaid for more than one rate period, the penalty on that underpayment will be figured using more than one rate.

Use lines 27 and 29 to figure the number of days the underpayment remained unpaid. Use lines 28 and 30 to figure the actual penalty amount by applying the rate against the underpayment for the number of days it remained unpaid.

Your payments are applied to any underpayment balance on an earlier installment. It does not matter if you designate a payment for a later period. For example, you had an underpayment for the April 15 installment of \$500. The June 15 installment required a payment of \$1,200. On June 10, you made a payment of \$1,200 to cover the June 15 installment. However, \$500 of this payment is applied to the April 15 installment. The penalty for the April 15 installment is figured to June 10 (56 days). The amount applied to the June 15 installment is \$700.

List your payments after 4/15/05.

Before figuring your penalty in Section B, it will be helpful to list the payments you made after April 15, 2005, as shown in the tables below.

Table 1
Payments after 4/15/05 through 9/30/05

Date	Payments

Table 2

Payments after 9/30/05 through 4/15/06

Date	Payments

In each table, list only the payments made during the dates shown in the table heading. Also, apply the following rules.

- Any withheld federal income tax and excess social security or railroad retirement tax should be included. You are considered to have paid 1/4 of these amounts on each payment due date unless you can show otherwise. For example, if you had federal income tax withheld from your wages of \$4,000 during the year, list \$1,000 as paid on 6/15/05, 9/15/05, and 1/15/06 in the applicable table. Do not list the withholding attributable to the first payment due date (4/15/05).
- For Table 2, any balance due of income tax that you pay with your tax return is considered a payment for this purpose and should be listed. Use the date you file your return or 4/15/06, whichever is earlier, as the payment date.

Total days per rate period. If an underpayment remained unpaid for an entire rate period, use the chart below to determine the number of days to enter in each column. The chart is organized in the same format as Form 2210, Part IV, Section B.

Chart of Total Days

Rate Period	(a)	(b)	(c) ¹	(d) ¹
1 (Line 27)	168	107	15	—
2 (Line 29)	197	197	197	90 ²

¹Do not use columns (c) and (d) if you are eligible for relief through August 28, 2006, due to Hurricane Katrina.

²Use 46 days instead of 90 if you are eligible for relief through February 28, 2006, due to Hurricane Katrina, Rita, or Wilma.

For example, if you have an underpayment on line 25, column (a), but show no payments in Table 1, you would enter "168" on line 27, column (a).

The following line-by-line instructions apply only to Section B, column (a). If there is an underpayment shown in column (b), (c), or (d) on line 25, complete lines 27 through 30 for those columns in a similar manner.

Rate Period 1

Line 27

Enter on line 27, column (a), the number of days from 4/15/05 to the date of the first payment listed in Table 1. If no payments are listed, enter "168."

Example 1. You had an underpayment of \$5,000 on line 25 and your first payment shown in the table was made on 4/30/05 in the amount of \$3,000. Enter "15" on line 27, column (a) (days from 4/15 to 4/30).

Line 28

Make the computation requested on line 28 and enter the result. Note that the computation calls for the "underpayment on line 25." The amount you use as the "underpayment" depends on whether or not a payment is listed in Table 1.

If there is a payment listed in Table 1. On a separate sheet of paper, apply the payment to the underpayment shown on line 25. The "underpayment" for the computation on line 28 is the amount of the payment applied to the line 25 underpayment. If the payment is more than the underpayment, apply only an amount equal to the underpayment and use that amount for the line 28 computation.

Example 2. Assume the same facts as in Example 1. Because you paid \$3,000 toward the underpayment, enter \$7.40 on line 28 ($\$3,000 \times 15/365 \times .06$).

Example 3. Your underpayment on line 25 was \$5,000 and you paid \$8,000 on 4/30/05. Because your payment was more than your underpayment, you would apply \$5,000 to the underpayment. Enter \$12.33 on line 28 ($\$5,000 \times 15/365 \times .06$).

If there are no payments listed in Table 1. The "underpayment" is the entire underpayment balance.

Determine If You Need To Make Additional Computations for Column (a)

Whether you need to make additional computations depends on which of the following four conditions applies to you.

1. **The first (or only) payment listed in Table 1 was enough to reduce the underpayment to zero.** There are no further computations to make for column (a). Figure the penalty for any other underpayments shown in columns (b)–(d) of line 25.
2. **No payments are listed in Table 1.** You will need to figure the penalty for the next rate period. See *Rate Period 2* on page 6.
3. **The payment listed in Table 1 did not reduce the underpayment to zero, and no other payments are**

listed. Make one more computation for column (a) on lines 27 and 28. This second computation is to figure the penalty on the underpayment balance; that is, the portion of the underpayment that remained unpaid for the entire period. In this case, you would enter another number in the entry space for lines 27 and 28, as follows:

- a. On line 27, enter "168." This is the total number of days in the period. See *Total days per rate period* on this page.
- b. On line 28, make the computation and enter the result. In this case, however, the "underpayment" in the computation is the remaining balance of the underpayment.

Example 4. Assume the same facts as in Examples 1 and 2. After applying the \$3,000 payment, the underpayment balance is \$2,000. Line 28, therefore, will contain a second entry of \$55.23 ($\$2,000 \times 168/365 \times .06$). Go to line 29 to figure the penalty on the underpayment balance for Rate Period 2.

4. Additional payments are listed in Table 1 and the first payment was not enough to reduce the underpayment to zero. On line 25, you may list the amounts and the payment dates that apply to the underpayment for that installment period. Then figure the penalty for each amount listed on line 25. If an underpayment balance remains after applying all the payments, figure the penalty on the balance of the underpayment for the entire period. See *Total days per rate period* on this page.

Example 5. Your underpayment for column (a) is \$5,000 and you made two payments: \$3,000 on 4/30/05 and \$2,000 on 6/22/05. On line 25, you can enter \$5,000 or enter each payment and date separately, which will correspond with the two entries on lines 27 and 28 as explained below.

Line 27 will show two entries in column (a) as follows: "15" days (from 4/15 to 4/30) and "68" days (from 4/15 to 6/22).

Line 28 will show two entries in column (a) as follows: \$7.40 ($\$3,000 \times 15/365 \times .06$) and \$22.36 ($\$2,000 \times 68/365 \times .06$).

Example 6. Your underpayment on line 25, column (a), is \$8,000 and you made two payments: \$3,000 on 4/30/05 and \$3,000 on 6/22/05. Lines 27 and 28 will each show three entries in column (a); one for each payment and a third for the underpayment balance of \$2,000 (\$8,000 minus \$6,000).

Line 27 will show "15" days (from 4/15 to 4/30), "68" days (from 4/15 to 6/22), and "168" days (from 4/15 to 9/30).

Line 28 will show \$7.40, \$33.53, and \$55.23, computed as follows: $\$3,000 \times 15/365 \times .06$ (first payment), $\$3,000 \times 68/365 \times .06$ (second payment), and $\$2,000 \times 168/365 \times .06$ (remaining underpayment balance).

Then figure the penalty for Rate Period 2 (lines 29 and 30) on the remaining \$2,000 balance.

Rate Period 2

If an underpayment balance remains after applying any payments in Table 1, figure the penalty attributable to that balance on lines 29 and 30. Generally, use the same steps as explained under the instructions for *Rate Period 1*. But use the dates and interest rate shown on lines 29 and 30 and use only the payments listed in Table 2.

Line 29

Enter on line 29, column (a), the number of days from 9/30/05 to the date of the first payment listed in Table 2. If no payments are listed in Table 2, enter "197."

Line 30

Figure line 30 in the same manner as explained for line 28.

Schedule AI— Annualized Income Installment Method

If your income varied during the year because, for example, you operated your business on a seasonal basis, you may be able to lower or eliminate the amount of one or more required installments by using the annualized income installment method. Use Schedule AI to figure the required installments to enter on Form 2210, line 18.

If you use Schedule AI for any payment due date, you must use it for all payment due dates. To figure the amount of each required installment, Schedule AI automatically selects the smaller of the annualized income installment or the regular installment (increased by the amount saved by using the annualized income installment method in figuring any earlier installments).

To use the annualized income installment method, you must do all three of the following.

1. Enter the amount from Schedule AI, line 25, in each column of Form 2210, line 18.
2. Check box C in Part II.
3. Attach both Form 2210 and Schedule AI to your return.

Additional Information

See Pub. 505 for more details about the annualized income installment method and a completed example.

Estates and trusts with short tax years, see Notice 87-32.

Form 1040NR or 1040NR-EZ Filers

If you are filing Form 1040NR or 1040NR-EZ and you did not receive wages as an employee subject to U.S. income tax withholding, the instructions for Schedule AI are modified as follows.

1. Skip column (a).
2. Enter on line 1 your income for the period that is effectively connected with a U.S. trade or business.
3. Increase the amount on line 17 by the amount determined by multiplying your income for the period that is not effectively connected with a U.S. trade or business by the following.
 - In column (b), 72%.
 - In column (c), 45%.
 - In column (d), 30%.

However, if you can use a treaty rate lower than 30%, use the percentages determined by multiplying your treaty rate by 2.4, 1.5, and 1, respectively.
4. Enter in line 22, column (b), $\frac{1}{2}$ of the amount from Form 2210, Part I, line 9. In columns (c) and (d), enter $\frac{1}{4}$ of that amount.
5. Skip column (b), lines 20 and 23.

Part I—Annualized Income Installments

Line 1

Figure your total income for the period minus your adjustments to income for the period. Include your share of partnership or S corporation income or loss items for the period.

If you are self-employed, be sure to take into account the deduction for one-half of your self-employment tax. To figure this amount for each period, complete Schedule AI, Part II, and divide the amount in each column on line 34 by 8, 4.8, 3, and 2, respectively.

Line 2

Estates and trusts, do not use the amounts shown in columns (a)–(d). Instead, use 6, 3, 1.71429, and 1.09091, respectively, as the annualization amounts.

Line 6

Multiply line 4 by line 5 and enter the result on line 6. But if line 3 is more than \$145,950 (\$72,975 if married filing separately), use the following worksheet to figure the amount to enter on line 6.

1. Enter the amount from Schedule AI, line 4 _____
2. Enter the amount included on line 1 for medical and dental expenses, investment interest, casualty or theft losses, and gambling losses _____

3. Subtract line 2 from line 1 . . . _____
4. Enter the number from Schedule AI, line 5 _____
5. Multiply the amount on line 1 by line 4 _____
Note: If the amount on line 3 is zero, stop here and enter the amount from line 5 on Schedule AI, line 6.
6. Multiply the amount on line 3 by the number on line 4 . . . _____
7. Multiply the amount on line 6 by .80 _____
8. Enter the amount from Schedule AI, line 3 _____
9. Enter \$145,950 (\$72,975 if married filing separately) . . . _____
10. Subtract line 9 from line 8 . . . _____
11. Multiply the amount on line 10 by .03 _____
12. Enter the smaller of line 7 or line 11 _____
13. Subtract line 12 from line 5. Enter the result here and on Schedule AI, line 6 _____

Line 10

Multiply \$3,200 by your total exemptions. But if line 3 is more than the amount shown for your filing status in the table below, use the following worksheet to figure the amount to enter on line 10.

Single	\$145,950
Married filing jointly or qualifying widow(er)	\$218,950
Married filing separately	\$109,475
Head of household	\$182,450

1. Enter the amount from Schedule AI, line 3 _____
2. Enter the amount shown for your filing status from the above table _____
3. Subtract line 2 from line 1 . . . _____
4. Divide the amount on line 3 by \$2,500 (\$1,250 if married filing separately). If the result is not a whole number, increase it to the next whole number _____
5. Multiply the number on line 4 by .02. Enter the result as a decimal but not more than 1 _____
6. Multiply \$3,200 by your total exemptions _____

- 7. Multiply the amount on line 6 by the decimal on line 5 . . . _____
- 8. Subtract line 7 from line 6. Enter the result here and on Schedule AI, line 10 _____

Line 12

To compute the tax, use the Tax Table, Tax Computation Worksheet, Qualified Dividends and Capital Gain Tax Worksheet, Schedule D Tax Worksheet, Schedule J, or Form 8615.

Line 14

Enter all of the other taxes you owed because of events that occurred during the months shown in the column headings. Include the same taxes used to figure Form 2210, line 2 (except self-employment tax), the tax from Form 4972, Tax on Lump-Sum Distributions, and any alternative minimum tax (AMT). Individuals, use Form 6251, Alternative Minimum Tax—Individuals, to figure AMT; estates and trusts, use Schedule I of Form 1041, U.S. Income Tax Return for Estates and Trusts. Figure alternative minimum taxable income based on your income and deductions during the period shown in the column headings. Multiply this amount by the annualization amounts shown on Schedule AI, line 2, before subtracting the AMT exemption.

Line 16

Enter the credits you are entitled to because of events that occurred during the months shown in the column headings. These are the credits you used to arrive at the amounts shown on Part I, Required Annual Payment, lines 1 and 3. Do not annualize any

credit. However, when figuring your credits, you must annualize any item of income or deduction used to figure the credit. For details, see Rev. Rul. 79-179, 1979-1 C.B. 436.

Part II—Annualized Self-Employment Tax

If you had net earnings from self-employment during any period, complete Part II for that period to figure your annualized self-employment tax.

If you are married and filing a joint return and both you and your spouse had net earnings from self-employment, complete a separate Part II for each spouse. Enter on line 13 the combined amounts from line 34 of both Parts II.

Line 26

To figure your net earnings from self-employment on line 26, multiply your net profit from all trades or businesses for each period by 92.35%. If you completed the 2005 Annualized Estimated Tax Worksheet on pages 28 and 29 of Pub. 505 (Rev. December 2004), carry the amounts from line 29 of that worksheet to Schedule AI, line 26.

Paperwork Reduction Act Notice.

We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act

unless the form displays a valid OMB control number. Books or records relating to a form or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated burden for individual taxpayers filing this form is approved under OMB control number 1545-0074 and is included in the estimates shown in the instructions for their individual income tax return. The estimated burden for all other taxpayers who file this form is shown below.

	Short Method	Regular Method
Recordkeeping	13 min.	13 min.
Learning about the law or the form	15 min.	31 min.
Preparing the form	32 min.	2 hr., 2 min.
Copying, assembling, and sending the form to the IRS	16 min.	41 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. See the instructions for the tax return with which this form is filed.