Introduction

The federal income tax is a pay-as-you-go tax. You must pay the tax as you earn or receive income during the year. There are two ways to pay as you go.

- **Withholding**: If you are an employee, your employer probably withholds income tax from your pay. In addition, tax may be withheld from certain other income, such as pensions, bonuses, commissions, and gambling winnings. The amount withheld is paid to the Internal Revenue Service (IRS) in your name.

- **Estimated Tax**: If you do not have to have withholding taxes withheld from your pay or if your withholding taxes do not amount to enough to pay the tax you owe, you must pay estimated taxes.

### Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Pages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Introduction</td>
<td>1</td>
</tr>
<tr>
<td>What's New for 2010</td>
<td>2</td>
</tr>
<tr>
<td>Reminders</td>
<td>3</td>
</tr>
<tr>
<td>Chapter</td>
<td></td>
</tr>
<tr>
<td>1. Tax Withholding for 2010</td>
<td>3</td>
</tr>
<tr>
<td>Salaries and Wages</td>
<td>3</td>
</tr>
<tr>
<td>Tips</td>
<td>13</td>
</tr>
<tr>
<td>Taxable Fringe Benefits</td>
<td>13</td>
</tr>
<tr>
<td>Sick Pay</td>
<td>14</td>
</tr>
<tr>
<td>Pensions and Annuities</td>
<td>14</td>
</tr>
<tr>
<td>Gambling Winnings</td>
<td>15</td>
</tr>
<tr>
<td>Unemployment Compensation</td>
<td>15</td>
</tr>
<tr>
<td>Federal Payments</td>
<td>16</td>
</tr>
<tr>
<td>Backup Withholding</td>
<td>16</td>
</tr>
<tr>
<td>2. Estimated Tax for 2010</td>
<td>17</td>
</tr>
<tr>
<td>Who Does Not Have To Pay Estimated Tax</td>
<td>17</td>
</tr>
<tr>
<td>Who Must Pay Estimated Tax</td>
<td>17</td>
</tr>
<tr>
<td>How To Figure Estimated Tax</td>
<td>19</td>
</tr>
<tr>
<td>When To Pay Estimated Tax</td>
<td>22</td>
</tr>
<tr>
<td>How To Figure Each Payment</td>
<td>22</td>
</tr>
<tr>
<td>How To Pay Estimated Tax</td>
<td>26</td>
</tr>
<tr>
<td>Illustrated Examples</td>
<td>27</td>
</tr>
<tr>
<td>Worksheets for Chapter 2</td>
<td>32</td>
</tr>
<tr>
<td>2010 Tax Rate Schedules</td>
<td>34</td>
</tr>
<tr>
<td>3. Credit for Withholding and Estimated Tax for 2009</td>
<td>44</td>
</tr>
<tr>
<td>What’s New</td>
<td>44</td>
</tr>
<tr>
<td>Withholding</td>
<td>44</td>
</tr>
<tr>
<td>Estimated Tax</td>
<td>45</td>
</tr>
<tr>
<td>Excess Social Security or Railroad Retirement Tax Withholding</td>
<td>46</td>
</tr>
<tr>
<td>4. Underpayment Penalty for 2009</td>
<td>48</td>
</tr>
<tr>
<td>What’s New</td>
<td>48</td>
</tr>
<tr>
<td>General Rule</td>
<td>48</td>
</tr>
<tr>
<td>Exceptions</td>
<td>49</td>
</tr>
<tr>
<td>Figuring Your Required Annual Payment (Part I)</td>
<td>50</td>
</tr>
<tr>
<td>Short Method for Figuring the Penalty (Part III)</td>
<td>50</td>
</tr>
<tr>
<td>Regular Method for Figuring the Penalty (Part IV)</td>
<td>50</td>
</tr>
<tr>
<td>Farmers and Fishermen</td>
<td>54</td>
</tr>
<tr>
<td>Waiver of Penalty</td>
<td>54</td>
</tr>
<tr>
<td>Worksheets for Chapter 4</td>
<td>61</td>
</tr>
<tr>
<td>5. How To Get Tax Help</td>
<td>63</td>
</tr>
<tr>
<td>Index</td>
<td>65</td>
</tr>
</tbody>
</table>

### Introduction

The federal income tax is a pay-as-you-go tax. You must pay the tax as you earn or receive income during the year. There are two ways to pay as you go.

- **Withholding**: If you are an employee, your employer probably withholds income tax from your pay. In addition, tax may be withheld from certain other income, such as pensions, bonuses, commissions, and gambling winnings. The amount withheld is paid to the Internal Revenue Service (IRS) in your name.
What's New for 2010

Use your 2009 tax return as a guide in figuring your 2010 estimated tax, but be sure to consider the following. Only some of the amounts in the following paragraphs have changed from 2009, but some unchanged amounts are provided here for your convenience.

Limit on deductible farming losses. Beginning in 2010, the farming loss of a taxpayer (other than a C corporation) who receives certain government subsidies will be limited to the greater of $300,000 ($150,000 if married filing separately) or the taxpayer's total net farm income for the prior 5 tax years. Farming losses caused by casualty, disease, or drought are disregarded in calculating the limitation. Disallowed amounts can be carried forward indefinitely.

Roth IRAs. Half of any income that results from a rollover or conversion to a Roth IRA from another retirement plan in 2010 is included in income in 2011, and the other half in 2012. (The rule for use of your vehicle is unchanged. You can choose to claim the credit on your 2010 return for a home you bought in 2010 that qualifies for the credit.)

• Estimated tax. If you do not pay your tax through withholding, or do not pay enough tax that way, you might have to pay estimated tax. People who are in business for themselves generally will have to pay their tax this way. You may have to pay estimated tax if you receive income such as dividends, interest, capital gains, rents, and royalties. Estimated tax is used to pay not only income tax, but self-employment tax and alternative minimum tax as well.

This publication explains both of these methods. It also explains how to take credit on your return for the tax that was withheld and for your estimated tax payments.

If you did not pay enough tax during the year, either through withholding or by making estimated tax payments, you may have to pay a penalty. Generally, the IRS can figure this penalty for you. This underpayment penalty, and the exceptions to it, are discussed in chapter 4.

Nonresident aliens. If you are a nonresident alien, see chapter 8 in Publication 519, U.S. Tax Guide for Aliens, for a discussion of Form 1040-ES (NR) and withholding.


Comments and suggestions. We welcome your comments about this publication and your suggestions for future editions.

You can write to us at the following address:
Internal Revenue Service
Individual Forms and Publications Branch
SE.WCAR-MP-T1
1111 Constitution Ave. NW, IR-6526
Washington, DC 20224

We respond to many letters by telephone. Therefore, it would be helpful if you would include your daytime phone number, including the area code, in your correspondence.

You can email us at taxforms@irs.gov. (The asterisk must be included in the address.) Please put "Publications Comment" on the subject line. Although we cannot respond individually to each email, we do appreciate your feedback and will consider your comments as we revise our tax products.

Ordering forms and publications. Visit www.irs.gov/formspubs to download forms and publications, call 1-800-829-3676, or write to the address below and receive a response within 10 days after your request is received.

Internal Revenue Service
1201 N. Mitsubishi Motorway
Bloomington, IL 61705-6613

Tax questions. If you have a tax question, check the information available on www.irs.gov or call 1-800-829-1040. We cannot answer tax questions sent to either of the above addresses.
relief of Haiti earthquake victims. The contributions must have been made after January 11, 2010 and before March 1, 2010. If you took a deduction for these contributions on your 2009 return, do not claim the same deduction when estimating your 2010 taxable income for withholding or estimated tax purposes.

Expensing Tax Benefits

The following benefits are scheduled to expire and will not be available for 2010. At the time these instructions went to print, Congress was considering legislation that would extend some of these benefits. To find out if legislation was enacted, and for details, go to www.irs.gov.

- Waiver of minimum required distribution (MRD) rules for IRAs and defined contribution plans. However, the waiver for 2009 MRDs applies through April 1, 2010.
- The exclusion from income of up to $2,400 in unemployment compensation.
- Tax-free distributions from certain individual retirement plans for charitable purposes.
- Deduction for educator expenses in figuring AGI.
- Tuition and fees deduction in figuring AGI.
- Extra $3,000 IRA deduction for employees of bankrupt companies.
- Increased standard deduction for real estate taxes or net disaster loss.
- Itemized deduction or increased standard deduction for state or local sales or excise taxes on the purchase of a new motor vehicle.
- Itemized deduction for state and local general sales taxes.
- District of Columbia first-time homebuyer credit (for homes purchased after 2009).
- Credit to holders of clean renewable energy bonds issued after 2009.
- Alternative motor vehicle credit for all qualified hybrid motor vehicles placed in service after December 31, 2009, except for passenger automobiles and light trucks with a gross vehicle weight rating of 8,500 pounds or less.
- Government retiree credit.
- Decreased estimated tax payments for certain small businesses.
- Certain tax benefits for Midwestern disaster areas, including the following.
  - Additional exemption amount if you provided housing for a person displaced by the Midwestern storms, tornadoes, or flooding.
  - Increased Hope and lifetime learning credits.
  - Special rules for distributions from eligible retirement plans.
  - Exclusion from income for certain discharges of nonbusiness debts.
  - Credit to holders of Midwestern tax credit bonds for bonds issued after 2009.

Reminders

Social security (FICA) tax. Generally, each employer for whom you work during the tax year must withhold social security tax up to the annual limit. The annual limit is $106,800 in 2010.

Photographs of missing children. The Internal Revenue Service is a proud partner with the National Center for Missing and Exploited Children. Photographs of missing children selected by the Center may appear in this publication on pages that otherwise would be blank. You can help bring these children home by looking at the photographs and calling 1-800-THE-LOST (1-800-843-5678) if you recognize a child.

1. Tax Withholding for 2010

Introduction

This chapter discusses income tax withholding on:

- Salaries and wages,
- Tips,
- Taxable fringe benefits,
- Sick pay,
- Pensions and annuities,
- Gambling winnings,
- Unemployment compensation, and
- Certain federal payments.

This chapter explains in detail the rules for withholding tax from each of these types of income. The discussion of salaries and wages includes an explanation of how to complete Form W-4.

This chapter also covers backup withholding on interest, dividends, and other payments.

Useful Items

You may want to see:

Publication

- 919 How Do I Adjust My Tax Withholding?

Form (and Instructions)

- W-4 Employee’s Withholding Allowance Certificate

- W-4P Withholding Certificate for Pension or Annuity Payments

- W-4S Request for Federal Income Tax Withholding From Sick Pay

- W-4V Voluntary Withholding Request

See chapter 5 of this publication for information about getting these publications and forms.

Salaries and Wages

Income tax is withheld from the pay of most employees. Your pay includes your regular pay, bonuses, commissions, and vacation allowances. It also includes reimbursements and other expense allowances paid under a nonaccountable plan. See Supplemental Wages on page 13, for definitions of accountable and nonaccountable plans.

If your income is low enough that you will not have to pay income tax for the year, you may be exempt from withholding. This is explained under Exemption From Withholding beginning on page 11.

You can ask your employer to withheld income tax from noncash wages and other wages not subject to withholding. If your employer does not agree to withhold tax, or if not enough is withheld, you may have to pay estimated tax, as discussed in chapter 2.

Military retirees. Military retirement pay is treated in the same manner as regular pay for income tax withholding purposes, even though it is treated as a pension or annuity for other tax purposes.

Household workers. If you are a household worker, you can ask your employer to withhold income tax from your pay. A household worker is an employee who performs household work in a private home, local college club, or local fraternity or sorority chapter.

Tax is withheld only if you want it withheld and your employer agrees to withhold it. If you do not have enough income to withhold, you may have to pay estimated tax, as discussed in chapter 2.

Farmworkers. Generally, income tax is withheld from your cash wages for work on a farm unless your employer both:

- Pays you cash wages of less than $150 during the year, and
- Has expenditures for agricultural labor totaling less than $2,500 during the year.

Differential wage payments. When employers are on leave from employment for military duty, some employers make up the difference between the military pay and civilian pay. Payments made after December 31, 2009, to an employee who is on active duty for a period of more than 30 days, will be subject to income tax withholding, but not subject to social security or Medicare taxes. The wages and withholding will be reported on Form W-2, Wage and Tax Statement.
Determining Amount of Tax Withheld Using Form W-4

The amount of income tax your employer withholds from your regular pay depends on two things.

- The amount you earn in each payroll period.
- The information you give your employer on Form W-4.

Form W-4 includes four types of information that your employer will use to figure your withholding:

- Whether to withhold at the single rate or at the lower married rate.
- How many withholding allowances you claim (each allowance reduces the amount withheld).
- Whether you want an additional amount withheld.
- Whether you are claiming an exemption from withholding in 2010. See Exemption From Withholding on page 11.

New Job

When you start a new job, you must fill out a Form W-4 and give it to your employer. Your employer should have copies of the form. If you need to change the information later, you must fill out a new form.

If you work only part of the year (for example, you start working after the beginning of the year), too much tax may be withheld. You may be able to avoid overwithholding if your employer agrees to use the part-year method. See Part-Year Method on page 8 for more information.

Employee also receiving pension income

If you receive pension or annuity income and begin a new job, you will need to file Form W-4 with your new employer. However, you can choose to split your withholding allowances between your pension and job in any manner. See Publication 919 for more information.

Changing Your Withholding

During the year changes may occur to your marital status, exemptions, adjustments, deductions, or credits you expect to claim on your tax return. When this happens, you may need to give your employer a new Form W-4 to change your withholding status or number of allowances.

If the changes reduce the number of allowances you are allowed to claim or changes your marital status from married to single, you must give your employer a new Form W-4 within 10 days. See Marital Status (Line 3 of Form W-4) on this page and Withholding Allowances (Line 5 of Form W-4) on page 5.

Generally, you can submit a new Form W-4 whenever you wish to change your withholding allowances for any other reason. See Table 1-1 for examples of personal and financial changes you should consider.

Table 1-1. Personal and Financial Changes

<table>
<thead>
<tr>
<th>Factor</th>
<th>Examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lifestyle change</td>
<td>Marriage Divorce Birth or adoption of child Loss of an exemption Purchase of a new home Retirement Filing chapter 11 bankruptcy</td>
</tr>
<tr>
<td>Wage income</td>
<td>You or your spouse start or stop working, or start or stop a second job</td>
</tr>
<tr>
<td>Change in the amount of taxable income not subject to withholding</td>
<td>Interest income Dividends Capital gains Self-employment income IRA (including certain Roth IRA) distributions</td>
</tr>
<tr>
<td>Change in the amount of adjustments to income</td>
<td>IRA deduction Student loan interest deduction Alimony expense</td>
</tr>
<tr>
<td>Change in the amount of itemized deductions or tax credits</td>
<td>Medical expenses Taxes Interest expense Gifts to charity Job expenses Dependent care expenses Education credit Child tax credit Earned income credit</td>
</tr>
</tbody>
</table>

If you change the number of your withholding allowances, you can request that your employer withhold using the cumulative wage method, explained on page 8.

Changing your withholding for 2011. If changes occur in 2010 that will decrease the number of your withholding allowances for 2011, you must give your employer a new Form W-4 by December 1, 2010. If such a change occurs in December 2010, submit a new Form W-4 within 10 days. See Table 1-1 above for examples of items that may decrease the number of your withholding allowances.

Death of spouse. If your spouse died in 2010, you can file a joint return for 2010. Your spouse’s death will not affect the number of your withholding allowances until 2011. You will have to change from married to single status for 2011, unless you can file as a qualifying widow or widower because you have a dependent child, or you remarried. For more information, see Marital Status (Line 3 of Form W-4).

Checking Your Withholding

After you have given your employer a Form W-4, you can check to see whether the amount of tax withheld from your pay is too little or too much. See Publication 919 on page 8, for more information. If too much or too little tax is being withheld, you should give your employer a new Form W-4 to change your withholding.

Note. You cannot give your employer a payment to cover federal income tax withholding on salaries and wages for past pay periods or a payment for estimated tax.

Completing Form W-4 and Worksheets

When reading the following discussion, you may find it helpful to refer to the filled-in Form W-4 on pages 9 and 10.

Marital Status

There is a lowering withholding rate for people who qualify to check the “Married” box on line 3 of Form W-4. Everyone else must have tax withheld at the higher single rate.

Single. You must check the “Single” box if any of the following applies.

- You are single. If you are divorced, or separated from your spouse under a court decree of separate maintenance, you are considered single.
- You are married, but neither you nor your spouse is a citizen or resident of the United States.
- You are married, either you or your spouse is a nonresident alien, and you have not chosen to have that person treated as a resident alien for tax purposes. For more information, see Nonresident Spouse Treated as a Resident in chapter 1 of Publication 519.

Married. You qualify to check the “Married” box if any of the following applies.

- You are married and neither you nor your spouse is a nonresident alien. You are considered married for the whole year even if your spouse died during the year.
- You are married and either you or your spouse is a nonresident alien who has chosen to be treated as a resident alien for tax purposes. For more information, see Nonresident Spouse Treated as a Resident in chapter 1 of Publication 519.
- You expect to be able to file your return as a qualifying widow or widower. You usually can use this filing status if your spouse died within the previous 2 years and you provide more than half the cost of keeping up a home for the entire year that was the main home for you and your child whom you claim as a dependent. However, you must file a new Form W-4 showing your filing status as single by December 1 of the last year you are eligible to file as a qualifying widow or widower. For more information on this filing status, see Qualifying Widow(er) With Dependent Child under Filing Status in Publication 501, Exemptions, Standard Deduction, and Filing Information.
Married, but withhold at higher single rate. Some married people find that they do not have enough tax withheld at the married rate. This can happen, for example, when both spouses work. To avoid this, you can check the "Married, but withhold at higher Single rate" box (even if you qualify for the married rate). Also, you may find that more tax is withheld if you fill out the Two-Earners/Multiple Jobs Worksheet, explained on page 7.

Withholding Allowances (Line 5 of Form W-4)
The more allowances you claim on Form W-4, the less income tax your employer will withhold. You will have the most tax withheld if you claim "0" allowances. The number of allowances you can claim depends on the following factors:
- How many exemptions you can take on your tax return.
- Whether you have income from more than one job.
- What deductions, adjustments to income, and credits you expect to have for the year.
- Whether you will file as head of household.
If you are married, it also depends on whether your spouse also works and claims any allowances on his or her own Form W-4.

Form W-4 worksheets. Form W-4 has worksheets to help you figure how many withholding allowances you can claim. The worksheets are for your own records. Do not give them to your employer.
Complete only one set of Form W-4 worksheets, no matter how many jobs you have. If you are married and will file a joint return, complete only one set of worksheets for you and your spouse, even if you both earn wages and each must give Form W-4 to your employer.
Complete separate sets of worksheets only if you and your spouse will file separate returns.

Personal Allowances Worksheet
Use the Personal Allowances Worksheet on page 1 of the form. Also, use the worksheets on page 2 of the form to adjust the number of your withholding allowances for itemized deductions and adjustments to income, and for two-earner or multiple-job situations. If you want to adjust the number of your withholding allowances for certain tax credits, use the Deductions and Adjustments Worksheet on page 2 of Form W-4, even if you do not have any deductions or adjustments.
Complete all worksheets that apply to your situation. The worksheets will help you figure the maximum number of withholding allowances you are entitled to claim so that the amount of income tax withheld from your wages will match, as closely as possible, the amount of income tax you will owe at the end of the year.

Multiple jobs. If you have income from more than one job at the same time, complete only one set of Form W-4 worksheets. Then split your allowances between the Forms W-4 for each job. You cannot claim the same allowances with more than one employer at the same time. You can claim all your allowances with one employer and none with the other(s), or divide them any other way.

Married individuals. If both you and your spouse are employed and expect to file a joint return, figure your withholding allowances using your combined income, adjustments, deductions, exemptions, and credits. Use only one set of worksheets. You can divide your total allowances any way, but you cannot claim an allowance that your spouse also claims.
If you and your spouse expect to file separate returns, figure your allowances using separate worksheets based on your own individual income, adjustments, deductions, exemptions, and credits.

Alternative method of figuring withholding allowances. You do not have to use the Form W-4 worksheets if you use a more accurate method of figuring the number of withholding allowances.

The method you use must be based on withholding schedules, the tax rate schedules, and the 2010 Estimated Tax Worksheet in chapter 2. It must take into account only the items of income, adjustments to income, deductions, and tax credits that are taken into account on Form W-4.

You can use the number of withholding allowances determined under an alternative method rather than the number determined using the Form W-4 worksheets. You still must give your employer a Form W-4 claiming your withholding allowances.

Employees who are not citizens or residents. If you are neither a citizen nor a resident of the United States, you usually can claim only one withholding allowance. However, this rule does not apply if you are a resident of Canada or Mexico, or if you are a U.S. national. It also does not apply if your spouse is a U.S. citizen or resident and you have chosen to be treated as a resident of the United States for tax purposes. Special rules apply to residents of South Korea and India. For more information, see Withholding From Compensation in chapter 8 of Publication 519.

Personal Allowances Worksheet
Use the Personal Allowances Worksheet on page 1 of Form W-4 to figure your withholding allowances based on all of the following that apply.
- Exemptions.
- Only one job.
- Head of household filing status.
- Child and dependent care credit.
- Child tax credit.

Exemptions (worksheet lines A, C, and D). You can claim one withholding allowance for each exemption you expect to claim on your tax return.

Self. You can claim an allowance for your exemption on line C unless another person can claim an exemption for you on his or her tax return. If another person is entitled to claim an exemption for you, you cannot claim an allowance for your exemption even if the other person will not claim your exemption.

Spouse. You can claim an allowance for your spouse's exemption on line C unless your spouse is claiming his or her own exemption or another person can claim an exemption for your spouse. Do not claim this allowance if you and your spouse expect to file separate returns.

Dependents. If you claim one allowance on line D for each exemption you will claim for a dependent on your tax return.

- You are single and you have only one job at a time.
- You are married, you have only one job at a time, and your spouse does not work.
- Your wages from a second job or your spouse's wages (or the total of both) are $1,500 or less.

If you qualify for this allowance, enter "1" on line B of the worksheet.

Head of household filing status (worksheet line E). Generally, you can file as head of household if you are unmarried and pay more than half the cost of keeping up a home that:
- Was the main home for all of 2010 of your parent whom you can claim as a dependent, or
- You lived in for more than half the year with your qualifying child or any other person you can claim as a dependent.

For more information, see Publication 501.

If you expect to file as head of household on your 2010 tax return, enter "1" on line E of the worksheet.

Child and dependent care credit (worksheet line F). Enter "1" on line F if you expect to claim a credit for at least $1,800 of qualifying child or dependent care expenses on your 2010 return. Generally, qualifying expenses are those you pay for the care of your dependent who is:
- Your qualifying child under age 13 or for your spouse or dependent who is not able to care for himself or herself so that you can work or look for work. For more information, see Publication 503, Child and Dependent Care Expenses.

Instead of using line F, you can choose to take the credit into account on line 5 of the Deductions and Adjustments Worksheet, as explained under Tax credits beginning on page 6.

Child tax credit (worksheet line G). If your total income will be less than $61,000 ($90,000 if married), enter "2" on line G for each eligible child. Subtract "1" from that amount if you have three or more eligible children.

If your total income will be between $61,000 and $84,000 ($90,000 and $119,000 if married), enter "1" on line G for each eligible child plus "1" additional if you have six or more eligible children.

An eligible child is any child:
- Who is your son, daughter, stepchild, foster child, brother, sister, stepbrother, stepsister, or a descendant of any of them (for example, your grandson, niece, or nephew),
- Who will be under age 17 at the end of 2010,

Chapter 1 Tax Withholding for 2010 Page 5
• Who is younger than you (or your spouse if filing jointly) or permanently and totally disabled,
• Who will not provide over half of his or her own support for 2010,
• Who will not file a joint return, unless the return is filed only as a claim for refund,
• Who will live with you for more than half of 2010,
• Who is a U.S. citizen, U.S. national, or U.S. resident alien,
• Who will be claimed as a dependent on your return.
If you are a U.S. citizen or U.S. national and your adopted child lived with you all year as a member of your household, that child meets the citizenship test.

Also, if any other person can claim the child as an eligible child, see Qualifying child of more than one person in the 2009 instructions for Form 1040 or 1040A, line 6c.

For more information about the child tax credit, see the instructions in your Form 1040 or 1040A tax package.

Instead of using line G, you can choose to take the credit into account on line 5 of the Deductions and Adjustments Worksheet, as explained under Tax credits beginning on this page.

Total personal allowances (worksheet line J). Add lines A through G and enter the total on line H. If you do not use either of the worksheets on the back of Form W-4, enter the number from line H on line 5 of Form W-4.

Deductions and Adjustments Worksheet

Use the Deductions and Adjustments Worksheet on page 2 of Form W-4 in the following situations.

• You plan to itemize your deductions, claim certain credits, or claim adjustments to the income on your 2010 tax return and you want to reduce your withholding.

• You are increasing your standard deduction by certain items allowed for 2010 (see Adjustments to income on this page).

• You have changes to any of the above items: assessed to see if you should change your withholding.

Use the amount of each item you reasonably can expect to show on your return. However, do not use more than:

• The amount shown for that item on your 2009 return (or your 2008 return if you have not yet filed your 2009 return), plus

• Any additional amount related to a transaction or occurrence (such as payments already made, the signing of an agreement, or the sale of property) that you can prove has happened or will happen during 2009 or 2010.

Do not include any amount shown on your last tax return that has been disallowed by the IRS.

Example. On June 30, 2009, you bought your first home. On your 2009 tax return, you claimed itemized deductions of $6,600, the total

mortgage interest and real estate tax you paid during the 6 months you owned your home. Based on your mortgage payment schedule and your real estate tax assessment, you reasonably can expect to claim deductions of $13,200 for those items on your 2010 return. You can use $13,200 to reduce the number of your withholding allowances for itemized deductions.

Not itemizing deductions. If you expect to claim the standard deduction on your tax return, skip lines 1 and 2, and enter “0” on line 3 of the worksheet.

Itemized deductions (worksheet line 1). Enter your estimated total itemized deductions on line 1 of the worksheet.

Listed below are some of the deductions you can take into account when figuring additional withholding allowances for 2010. You normally claim these deductions on Schedule A of Form 1040.

1. Medical and dental expenses that are more than 7.5% of your 2010 AGI (defined under AGI on this page).

2. State and local income or property taxes.

3. Deductible home mortgage interest.

4. Investment interest up to net investment income.

5. Charitable contributions.

6. Casualty and theft losses that are more than $100 and 10% of your AGI.

7. Fully deductible miscellaneous itemized deductions, including:

a. Impairment-related work expenses of persons with disabilities,

b. Federal estate tax on income in respect of a decedent,

c. Repayment of more than $3,000 of income held under a claim of right that you included in income in an earlier year because at the time you thought you had an unrestricted right to it,

d. Unrecovered investments in an annuity contract under which payments have ceased because of the annuitant’s death,

e. Gambling losses up to the amount of gambling winnings reported on your return, and

f. Casualty and theft losses from income-producing property.

8. Other miscellaneous itemized deductions that are more than 2% of your AGI, including:

a. Unreimbursed employee business expenses, such as education expenses, work clothes and uniforms, union dues and fees, and the cost of work-related small tools and supplies,

b. Safe deposit box rental,

c. Tax counsel and assistance, and
d. Certain fees paid to an IRA trustee or custodian.

AGI. For the purpose of estimating your itemized deductions, your AGI is your estimated total income for 2010 minus any estimated adjustments to income (discussed below) that you include on line 4 of the Deductions and Adjustments Worksheet.

Adjustments to income (worksheet line 4). Enter your estimated total adjustments to income on line 4 of the Deductions and Adjustments Worksheet.

You can take the following adjustments to income into account when figuring additional withholding allowances for 2010. These adjustments appear on page 1 of your Form 1040 or 1040A.

• Net losses from Schedules C, D, E, and F of Form 1040 and from Part II of Form 4797, line 18b.

• Net operating loss carryovers.

• Certain business expenses of reservists, performing artists, and fee-based government officials.

• Health savings account or medical savings account deduction.

• Certain moving expenses.

• Deduction for one-half of self-employment tax.

• Deduction for contributions to self-employed SEP, and qualified SIMPLE plans.

• Self-employed health insurance deduction.

• Penalty on early withdrawal of savings.

• Alimony paid.

• IRA deduction.

• Student loan interest deduction.

• Jury duty pay given to your employer.

• Reforestation amortization and expenses.

• Deductible expenses related to income reported on line 21 from the rental of personal property engaged in for profit.

• Repayment of certain supplemental unemployment benefits.

• Contributions to IRC 501(c)(18)(D) pension plans.

• Attorney fees and court costs for certain unlawful discrimination claims.

• Attorney fees and court costs for certain whistleblower awards.

• Estimated amount of decrease in tax attributable to income averaging using Schedule J (Form 1040).

Tax credits (worksheet line 5). Although you can take most tax credits into account when figuring withholding allowances, the Personal Allowances Worksheet uses only the child and dependent care credit (line F) and the child tax credit (line G). But you can take these credits and others into account by adding an extra amount on line 5 of the Deductions and Adjustments Worksheet.
If you take the child and dependent care credit into account on line 5, do not use line F. If you take the child tax credit into account on line 5, do not use line G.

In addition to the child and dependent care credit and the child tax credit, you can take into account the following credits.

- Foreign tax credit, except any credit that applies to wages not subject to U.S. income tax withholding because they are subject to income tax withholding by a foreign country. See Publication 514, Foreign Tax Credit for Individuals.
- Credit for the elderly or the disabled. See Publication 501, Credit for the Elderly or Disabled.
- Education credits. See Publication 970, Tax Benefits for Education.
- Retirement savings contributions credit (saver’s credit). See Publication 590.
- Mortgage interest credit. See Publication 536, Tax Information for Homeowners.
- Adoption credit. See the Instructions for Form 8839.
- Credit for prior year minimum tax (both refundable and nonrefundable) if you paid alternative minimum tax in an earlier year. See the Instructions for Form 8801.
- General business credit. See the Instructions for Form 3800.
- Earned income credit, unless you requested advance payment of the credit. See Publication 506.
- Alternative motor vehicle credit (including the plug-in conversion credit). See Form 8911, Part III, and the instructions.
- Alternative fuel vehicle refueling property credit. See Form 8911, Part III, and the instructions.
- Plug-in electric motor vehicle credit. See Form 8834.
- Credit to holders of tax credit bonds. See Form 8912 and instructions.
- Health coverage tax credit. See Form 8885 and instructions.
- Residential energy credits. See Form 5695 and instructions.
- Making work pay credit. See Worksheet 2-6 on page 39.
- Carryforward from prior years of a qualified electric vehicle passive activity credit. See Form 8834 and instructions.

**Figuring line 5 entry.** To figure the amount to add on line 5 for tax credits, multiply your estimated total credits by the appropriate number from **Table 1-2** on this page.

**Example.** You are married and expect to file a joint return for 2010. Your combined estimated wages are $68,000. Your estimated tax credits include a child and dependent care credit of $960 and a mortgage interest credit of $1,700 (total credits = $2,660).

| a. Married Filing Jointly or Qualifying Widow(er) | If combined income from all sources is: Multiply credits by: Case you enter: |
|-------|-------------------------------------------------|------------------|
| $0 ± 38,000 | 10.0 |
| $38,001 ± 90,000 | 6.7 |
| $90,001 ± 160,000 | 6.5 |
| $160,001 ± 250,000 | 3.6 |
| $250,001 ± 410,000 | 3.0 |
| $410,001 and over | 2.8 |

<table>
<thead>
<tr>
<th>b. Single</th>
<th>If combined income from all sources is: Multiply credits by:</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 ± 18,000</td>
<td>10.0</td>
</tr>
<tr>
<td>$18,001 ± 43,000</td>
<td>6.7</td>
</tr>
<tr>
<td>$43,001 ± 95,000</td>
<td>4.0</td>
</tr>
<tr>
<td>$95,001 ± 190,000</td>
<td>3.0</td>
</tr>
<tr>
<td>$190,001 ± 410,000</td>
<td>3.0</td>
</tr>
<tr>
<td>$410,001 and over</td>
<td>2.8</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>c. Head of Household</th>
<th>If combined income from all sources is: Multiply credits by:</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 ± 27,000</td>
<td>10.0</td>
</tr>
<tr>
<td>$27,001 ± 61,000</td>
<td>6.7</td>
</tr>
<tr>
<td>$61,001 ± 135,000</td>
<td>4.0</td>
</tr>
<tr>
<td>$135,001 ± 220,000</td>
<td>3.6</td>
</tr>
<tr>
<td>$220,001 ± 410,000</td>
<td>3.0</td>
</tr>
<tr>
<td>$410,001 and over</td>
<td>2.8</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>d. Married Filing Separately</th>
<th>If combined income from all sources is: Multiply credits by:</th>
</tr>
</thead>
<tbody>
<tr>
<td>$0 ± 19,000</td>
<td>10.0</td>
</tr>
<tr>
<td>$19,001 ± 45,000</td>
<td>6.7</td>
</tr>
<tr>
<td>$45,001 ± 80,000</td>
<td>4.0</td>
</tr>
<tr>
<td>$80,001 ± 125,000</td>
<td>3.6</td>
</tr>
<tr>
<td>$125,001 ± 205,000</td>
<td>3.0</td>
</tr>
<tr>
<td>$205,001 and over</td>
<td>2.8</td>
</tr>
</tbody>
</table>

**Illustrated Example—Form W-4**
Joyce Green works in a bookstore and expects to earn about $13,300. Her husband, John, works full time at the Acme Corporation, where his expected pay is $48,500. They file a joint income tax return and claim exemptions for their two children. Because they file jointly, they use only one set of Form W-4 worksheets to figure the number of withholding allowances. The Greens’ worksheets and John’s Form W-4 are shown in **Figure 1-A**, beginning on page 9.

**Personal Allowances Worksheet.** On this worksheet, John and Joyce claim allowances for themselves and their children by entering “1” on line A, “2” on line C, and “2” on line D. Because both John and Joyce will receive wages of more than $1,500, they are not entitled to the additional withholding allowance on line B. The Greens expect to have child and dependent care expenses of $2,400. They enter “1” on line F of the worksheet, and their combined income tax withholding will be less than $90,000, and they have two eligible children, they enter “4” on line G. They enter their total personal allowances, “9,” on line H.

**Deductions and Adjustments Worksheet.** Because they plan to itemize deductions and claim adjustments to income, the Greens use this worksheet to see whether they are entitled to additional allowances.

| Chapter 1 Tax Withholding for 2010 | Page 7 |
The Greens’ estimated itemized deductions total $11,800, which they enter on line 1 of the worksheet. Because they will file a joint return, they enter $11,400 on line 2. They subtract $11,400 from $11,800 and enter the result, $400, on line 3.

The Greens expect to have an adjustment to income of $4,000 for their deductible IRA contributions. They do not expect to have any other adjustments to income. They enter $4,000 on line 4.

They add line 3 and line 4 and enter the total, $4,400, on line 5. Joyce and John expect to receive $600 in interest and dividend income during the year.

They enter $600 on line 6 and subtract line 6 from line 5. They enter the result, $3,800, on line 7. They divide line 7 by $3,650, and drop the fraction to determine one additional allowance. They enter “1” on line 8.

The Greens enter “9” (the number from line H of the Personal Allowances Worksheet) on line 9 and add it to line 8. They enter “10” on line 10.

Two-Earners/Multiple Jobs Worksheet. The Greens use this worksheet because they both work and together earn over $25,000. They enter “10” (the number from line 10 of the Deductions and Adjustments Worksheet) on line 1. Next, they use Table 1 of the worksheet to find the number to enter on line 2. Because they will file a joint return and their expected wages from their lowest paying job are $13,300, they enter “2” on line 2. They subtract line 2 from line 1 and enter “8” on line 5 of the worksheet and on Form W-4, line 5.

John and Joyce Green can take a total of 8 withholding allowances between them. They decide that John will take all 8 allowances on his Form W-4. Joyce, therefore, cannot claim any allowances on her. She will enter “0” on line 5 of the Form W-4 she gives to her employer.

Getting the Right Amount of Tax Withheld

In most situations, the tax withheld from your pay will be close to the tax you figure on your return if you follow these two rules.

• You accurately complete all the Form W-4 worksheets that apply to you.
• You give your employer a new Form W-4 when changes occur.

But because the worksheets and withholding methods do not account for all possible situations, your employer may get the amount withheld. This is most likely to happen in the following situations.

• You are married and both you and your spouse work.
• You have more than one job at a time.
• You have nonwage income, such as interest, dividends, alimony, unemployment compensation, or self-employment income.
• You owe additional amounts with your return, such as self-employment tax.
• Your withholding is based on obsolete Form W-4 information for a substantial part of the year.

• Your earnings are more than $130,000 if you are single or $180,000 if you are married.
• You work only part of the year.
• You change the number of your withholding allowances during the year.

Part-Year Method

If you work only part of the year and your employer agrees to use the part-year withholding method, less tax will be withheld from each payroll period than would be withheld if you worked all year. To be eligible for the part-year method, you must meet both of the following requirements.

• You must use the calendar year (the 12 months from January 1 through December 31) as your tax year. You cannot use a fiscal year.
• You must not expect to be employed for more than 245 days during the year. To figure this limit, count all calendar days that you are employed (including weekends, vacations, and sick days) beginning with the first day you are on the job for pay and ending with your last day of work. If you are temporarily laid off for 30 days or less, count those days. If you are laid off for more than 30 days, do not count those days. You will not meet this requirement if you begin working before May 1 and expect to work for the rest of the year.

How to apply for the part-year method. You must ask your employer in writing to use this method. The request must state all three of the following.

• The date of your last day of work for any prior employer during the current calendar year.
• That you do not expect to be employed more than 245 days during the current calendar year.
• That you use the calendar year as your tax year.

Cumulative Wage Method

If you change the number of your withholding allowances during the year, too much or too little tax may have been withheld for the period before you made the change. You may be able to compensate for this if your employer agrees to use the cumulative wage withholding method for the rest of the year. You must ask your employer in writing to use this method.

To be eligible, you must have been paid for the same kind of payroll period (weekly, biweekly, etc.) since the beginning of the year.

Aids for Figuring Your Withholding

Publication 919. To make sure you are getting the right amount of tax withheld, get Publication 919. It will help you compare the total tax to be withheld during the year with the tax you can expect to figure on your return. It will also help you determine how much, if any, additional withholding is needed each payday to avoid owing tax when you file your return. If you do not have enough tax withheld, you may have to pay estimated tax. See chapter 2 for information about estimated tax.

IRS Withholding Calculator. If you had too much or too little income tax withheld from your pay, the IRS provides a withholding calculator on its website. Go to www.irs.gov and click on “Withholding Calculator” under “Online Services.” It can help you determine the correct amount to be withheld any time during the year.

Rules Your Employer Must Follow

It may be helpful for you to know some of the withholding rules your employer must follow. These rules can affect how you file your Form W-4 and how to handle problems that may arise.

New Form W-4. When you start a new job, your employer should give you a Form W-4 to fill out. Beginning with your first payday, your employer will use the information you give on the form to figure your withholding.

If you later fill out a new Form W-4, your employer can put it into effect as soon as possible. The deadline for putting it into effect is the start of the first payroll period ending 30 or more days after you file it in.

No Form W-4. If you do not give your employer a completed Form W-4, your employer must withhold at the highest rate, as if you were single and claimed no withholding allowances.

Repaying withheld tax. If you find you are having too much tax withheld because you did not claim all the withholding allowances you are entitled to, you should give your employer a new Form W-4. Your employer cannot repay any of the tax previously withheld. Instead, claim the full amount withheld when you file your tax return.

However, if your employer has withheld more than the correct amount of tax for the Form W-4 that you have filed, your employer may give you a new Form W-4 to have your withholding lowered to the correct amount. Your employer can repay the amount that was withheld incorrectly. If you are not repaid, your Form W-2 will reflect the full amount actually withheld, which you would claim when you file your tax return.

IRS review of your withholding. Whether you are entitled to claim a certain number of allowances or a complete exemption from withholding is subject to review by the IRS. Your employer may be required to send a copy of the Form W-4 to the IRS. There is a penalty for supplying false information on Form W-4. See Penalties on page 13.

If the IRS determines that you cannot claim more than a specified number of withholding allowances or claim a complete exemption from withholding, the IRS will issue a notice of the maximum number of withholding allowances permitted (commonly referred to as a “lock-in letter”) to both you and your employer.

The IRS will provide a period of time during which you can dispute the determination before your employer adjusts your withholding. If you believe that you are entitled to claim complete exemption from withholding or claim more withholding allowances than the maximum number specified by the IRS in the lock-in letter, you must submit a new Form W-4 and a written
Figure 1-A. Form W-4—Illustrated (John and Joyce Green)

Form W-4 (2010)

Purpose. Complete Form W-4 so that your employer can withhold the correct federal income tax from your pay. Consider completing a new Form W-4 each year and when your personal or financial situation changes.

Exemption from withholding. If you are exempt, complete only lines 1, 2, 3, 4, and 7 and sign the form to validate it. Your exemption for 2010 expires February 16, 2011. See Pub. 505, Tax Withholding and Estimated Tax.

Note. You cannot claim exemption from withholding if (a) your income exceeds $600 and includes more than $300 of unreimbursed (for example, interest and dividends) and (b) another person can claim you as a dependent on his or her tax return.

Basic instructions. If you are not exempt, complete the Personal Allowances Worksheet below. The worksheets on page 2 further adjust your withholding allowances based on itemized deductions, certain credits, adjustments to income, or two-earners/multi-job situations.

Complete all worksheets that apply. However, you may claim fewer (or zero) allowances. For regular wages, withholding must be based on allowances you claimed and may not be a flat amount or percentage of wages.

Head of household. Generally, you may claim head of household filing status on your tax return only if you are unmarried and pay more than 50% of the costs of keeping up a home for yourself and your dependent(s) or other qualifying individuals. See Pub. 901, Exemptions, Standard Deduction, and Filing Information, for information.

Tax credits. You can take projected tax credits into account in figuring your allowable number of withholding allowances. Credits for child or dependent care expenses and the child tax credit may be claimed using the Personal Allowances Worksheet below. See Pub. 919, How Do I Adjust My Tax Withholding, for information on converting your other credits into withholding allowances.

Nonwage income. If you have a large amount of nonwage income, such as interest or dividends, consider making estimated tax payments using Form 1040-EI, Estimated Tax for Individuals. Otherwise, you may owe additional tax. If you have pension or annuity income, see Pub. 919 to find out if you should adjust your withholding on Form W-4 or W-4P.

Two earners or multiple jobs. If you have a working spouse or more than one job, figure the total number of allowances you are entitled to claim on all jobs using worksheets from only one Form W-4. Your withholding usually will be most accurate when all allowances are claimed on the Form W-4 for the highest paying job and zero allowances are claimed on the others. See Pub. 919 for details.

Nonresident alien. If you are a nonresident alien, see Notice 1392, Supplemental Form W-4 Instructions for Nonresident Aliens, before completing this form.

Check your withholding. After your Form W-4 takes effect, use Pub. 919 to see how much the amount you are having withheld compares to your projected total tax for 2010. See Pub. 919, especially if your earnings exceed $130,000 (Single) or $180,000 (Married).

---

Personal Allowances Worksheet (Keep for your records.)

| A | Enter “1” for yourself if no one else can claim you as a dependent. |
| B | Enter “1” if: |
| C | Enter “1” for your spouse. But, you may choose to enter “0-0” if you are married and have either a working spouse or more than one job. (Entering “0-0” may help you avoid having too little tax withheld.) |
| D | Enter number of dependents (other than your spouse or yourself) you will claim on your tax return. |
| E | Enter “1” if you will file as head of household on your tax return (see conditions under Head of household above) |
| F | Enter “1” if you have at least $1,800 of child or dependent care expenses for which you plan to claim a credit (Note. Do not include child support payments. See Pub. 503, Child and Dependent Care Expenses, for details.) |
| G | Child Tax Credit (including additional child tax credit). See Pub. 972, Child Tax Credit, for more information. |
| H | Add lines A through G and enter total here. (Note. This may be different from the number of exemptions you claim on your tax return.) |

---

Employee’s Withholding Allowance Certificate

Cut here and give Form W-4 to your employer. Keep the top part for your records.

---

Employee’s signature __________________________ Date __________

---

Chapter 1 Tax Withholding for 2010 Page 9
Figure 1-A. Form W-4—Illustrated (John and Joyce Green) (Continued)

Deductions and Adjustments Worksheet

Note. Use this worksheet only if you plan to itemize deductions or claim certain credits or adjustments to income.

1. Enter an estimate of your 2010 itemized deductions. These include qualifying home mortgage interest, charitable contributions, state and local taxes, medical expenses in excess of 7.5% of your income, and miscellaneous deductions.

<table>
<thead>
<tr>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 $11,800</td>
</tr>
</tbody>
</table>

2. Enter:

   $11,400 if married filing jointly or qualifying widow(er)

   $7,400 if head of household

   $5,700 if single or married filing separately

   $400

3. Subtract line 2 from line 1. If zero or less, enter "0."

4. Enter an estimate of your 2010 adjustments to income and any additional standard deduction. (Pub. 919)

   $4,000

5. Add lines 3 and 4 and enter the total. (Include any amount for credits from Worksheet 6 in Pub. 919)

   $5,400

6. Enter an estimate of your 2010 nonwage income (such as dividends or interest)

   $6,600

7. Subtract line 6 from line 5. If zero or less, enter "0."

   $5,800

8. Divide the amount on line 7 by $3,650 and enter the result here. Drop any fraction.

   1

9. Enter the number from the Personal Allowances Worksheet, line H, page 1

   3

10. Add lines 8 and 9 and enter the total here. If you plan to use the Two-Earners/Multiple Jobs Worksheet, also enter this total on line 1 below. Otherwise, stop here and enter this total on Form W-4, line 5, page 1

Two-Earners/Multiple Jobs Worksheet (See Two earners or multiple jobs on page 1.)

Note. Use this worksheet only if you need the instructions under H on page 1 direct you here.

1. Enter the number from line H, page 1 (or line 10 above if you used the Deductions and Adjustments Worksheet)

   10

2. Find the number in Table 1 below that applies to the LOWEST paying job and enter it here.

   However, if you are married filing jointly and wages from the highest paying job are $65,000 or less, do not enter more than "13.5."

   2

3. If line 1 is more than or equal to line 2, subtract line 2 from line 1. Enter the result here (if zero, enter "0") and on Form W-4, line 5, page 1. Do not use the rest of this worksheet.

   3

4. Enter the number from line 2 of this worksheet.

   4

5. Enter the number from line 1 of this worksheet.

   5

6. Subtract line 5 from line 4.

   6

7. Find the amount in Table 2 below that applies to the HIGHEST paying job and enter it here.

   7

8. Multiply line 7 by line 6 and enter the result here. This is the additional annual withholding needed.

   8

9. Divide line 8 by the number of pay periods remaining in 2010. For example, divide by 26 if you are paid every two weeks and you complete this form in December 2009. Enter the result here and on Form W-4, line 6, page 1.

   9

The type and rule above prints on all proofs including departmental reproduction proofs. MUST be removed before printing.
The type and rule above prints on all proofs including departmental reproduction proofs. MUST be removed before printing.

Contact information (a toll-free number and an IRS office address) will be provided in the lock-in letter. At the end of this period, if you have not responded or if your response is not adequate, your employer will be required to withhold based on the original lock-in letter.

After the lock-in letter takes effect, your employer must withhold tax on the basis of the withholding rate (marital status) and maximum number of withholding allowances specified in that letter.

If you later believe that you are entitled to claim exemption from withholding or more allowances than the IRS determined, you can complete a new Form W-4 and a written statement to support the claims made on the Form W-4 and send them directly to the IRS address shown in the lock-in letter. Your employer must then withhold tax based on this new Form W-4.


### Exemption From Withholding

If you claim exemption from withholding, your employer will not withhold federal income tax from your wages. The exemption applies only to income tax, not to social security or Medicare tax.

You can claim exemption from withholding for 2010 only if both of the following situations apply:

- For 2009 you had a right to a refund of all federal income tax withheld because you had no tax liability.
- For 2010 you expect a refund of all federal income tax withheld because you expect to have no tax liability.

Use Figure 1-B below to help you decide whether you can claim exemption from withholding. Do not use Figure 1-B if you:

- Are 65 or older,
- Are 65 or older, or blind, or if you will itemize your deductions, claim exemptions for dependents, or claim tax credits.

#### Figure 1-B. Exemption From Withholding on Form W-4

**Note.** Do not use this chart if you are 65 or older or blind, or if you will itemize your deductions, claim exemptions for dependents, or claim tax credits. Instead, see the discussions in this chapter under Exemption From Withholding.

<table>
<thead>
<tr>
<th>Question</th>
<th>Response</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>For 2009, did you have a right to a refund of all federal income tax withheld because you had NO tax liability?</td>
<td>Yes</td>
<td>You CANNOT claim exemption from withholding.</td>
</tr>
<tr>
<td>For 2010, will someone (such as your parent) be able to claim you as a dependent?</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Will your 2010 total income be more than the amount shown below for your filing status?</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Single</td>
<td>$9,350</td>
<td></td>
</tr>
<tr>
<td>Head of household</td>
<td>12,050</td>
<td></td>
</tr>
<tr>
<td>Married filing separately for BOTH 2009 and 2010</td>
<td>9,350</td>
<td></td>
</tr>
<tr>
<td>Other married status (include BOTH spouses' income whether filing separately or jointly)</td>
<td>18,700</td>
<td></td>
</tr>
<tr>
<td>Qualifying widow(er)</td>
<td>15,050</td>
<td></td>
</tr>
<tr>
<td>Will your 2010 income be more than $950?</td>
<td>Yes</td>
<td>You CANNOT claim exemption from withholding.</td>
</tr>
<tr>
<td>Will your 2010 income include more than $300 of unearned income (interest, dividends, etc.)?</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Will your 2010 total income be $5,700 or less?</td>
<td>Yes</td>
<td>You CAN claim exemption from withholding.</td>
</tr>
</tbody>
</table>
• Are blind,
• Will itemize deductions on your 2010 return,
• Will claim an exemption for a dependent on your 2010 return, or
• Will claim any tax credits on your 2010 return.

These situations are discussed later.

Students. If you are a student, you are not automatically exempt. If you work only part time or during the summer, you may qualify for ex-

emption from withholding.

Example 1. You are a high school student and expect to earn $2,500 from a summer job. You do not expect to have any other income
during the year, and your parents will be able to claim an exemption for you on their tax return. You worked last summer and had $375 federal
income tax withheld from your pay. The entire $375 was refunded when you filed your 2009 return. Using Figure 1-B, you find that you can
claim exemption from withholding.

Example 2. The facts are the same as in Example 1, except that you also have a savings
account and expect to have $350 interest in-
come during the year. Using Figure 1-B, you find that you cannot claim exemption from withhold-
ing because your unearned income will be more than $300 and your total income will be more than $950.

You may have to file a tax return, even if you are exempt from withholding. See Publication 501 to see whether you must file a return.

Worksheet 1-1. Exemption From Withholding for Persons Age 65 or Older or Blind

Use this worksheet only if, for 2009 you had a right to a refund of all federal income tax withheld because you had no tax liability.

Caution. This worksheet does not apply if you can be claimed as a dependent. See Worksheet 1-2 instead.

1. Check the boxes below that apply to you.
   65 or older □ Blind □
2. Check the boxes below that apply to your spouse if you will claim your spouse’s exemption on your 2010 return.
   65 or older □ Blind □
3. Add the number of boxes you checked in
   1 and 2 above. Enter the result ...........

You can claim exemption from withholding if:

Your filing status is: and the number on line 3 above is: and your 2010 total income will be no more than:

Single 1 $10,750
2 12,150
Head of household 1 $13,450
2 14,850
Married filing 1 $10,450
separately for both 2009 and 2010 2 11,550
3 12,650
4 13,750
Other married status 1 $19,800*
2 20,900*
3 22,000*
4 23,100*

* Include both spouses’ income whether you will file separately or jointly.

You cannot claim exemption from withholding if your total income will be more than the amount shown for your filing status.

Worksheet 1-2. Exemption From Withholding for Dependents Age 65 or Older or Blind

Use this worksheet only if, for 2010, you are a dependent and if, for 2009, you had a right to a refund of all federal income tax withheld because you had no tax liability.

1. Enter your expected earned income plus $300 1.
2. Minimum amount .......................... 2. $ 950
3. Compare lines 1 and 2. Enter the larger amount .......................... 3.
4. Limit........................................ 4. $ 5,700
5. Compare lines 3 and 4. Enter the smaller amount .......................... 5.
6. Enter the appropriate amount from the following table ........................................ 6.

Single
   Either 65 or older or blind $1,400
   Both 65 or older and blind 2,800
Married filing separately
   Either 65 or older or blind 1,100
   Both 65 or older and blind 2,200

7. Add lines 5 and 6. Enter the result ...........
8. Enter your total expected income ...........

You can claim exemption from withholding if line 7 is equal to or more than line 8. You cannot claim exemption from withholding if line 8 is more than line 7.
Supplemental Wages

Supplemental wages include bonuses, commissions, overtime pay, vacation allowances, certain sick pay, and expense allowances under certain plans. The payer can figure withholding on supplemental wages using the same method used for your regular wages. However, if these payments are identified separately from regular wages, your employer or other payer of supplemental wages can withhold income tax from these wages at a flat rate.

Expense allowances. Reimbursements or other expense allowances paid by your employer under a nonaccountable plan are treated as supplemental wages. A nonaccountable plan is a reimbursement arrangement that does not require you to account for, or prove, your business expenses to your employer or does not require you to return your employer’s payments that are more than your proven expenses.

Reimbursements or other expense allowances paid under an accountable plan that are more than your proven expenses are treated as paid under a nonaccountable plan if you do not return the excess payments within a reasonable period of time.

Accountable plan. To be an accountable plan, your employer’s reimbursement or allowance arrangement must include all three of the following rules.

- Your expenses must have a business connection. That is, you must have paid or incurred deductible expenses while performing services as an employee of your employer.
- You must accurately account to your employer for these expenses within a reasonable period of time.
- You must return any excess reimbursement or allowance within a reasonable period of time.

An excess reimbursement or allowance is any amount you are paid that is more than the business-related expenses that you adequately accounted for to your employer.

The definition of reasonable period of time depends on the facts and circumstances of your situation. However, regardless of those facts and circumstances, actions that take place within the times specified in the following list will be treated as taking place within a reasonable period of time.

- You receive an advance within 30 days of the time you have an expense.
- You adequately account for your expenses within 60 days after they were paid or incurred.
- You return any excess reimbursement within 120 days after the expense was paid or incurred.
- You are given a periodic statement (at least quarterly) that asks you to either return or adequately account for outstanding advances and you comply within 120 days of the statement.

Nonaccountable plan. Any plan that does not meet the definition of an accountable plan is considered a nonaccountable plan.

For more information about accountable and nonaccountable plans, see chapter 6 of Publication 524, Travel, Entertainment, Gift, and Car Expenses.

Penalties

You may have to pay a penalty of $500 if both of the following apply.

- You make statements or claim withholding allowances on your Form W-4 that reduce the amount of tax withheld.
- You have no reasonable basis for those statements or allowances at the time you prepare your Form W-4.

There is also a criminal penalty for willfully supplying false or fraudulent information on your Form W-4 or for willfully failing to supply information that would increase the amount withheld. The penalty upon conviction can be either a fine of up to $1,000 or imprisonment for up to 1 year, whichever is less.

These penalties will apply if you deliberately and knowingly falsify your Form W-4 in an attempt to reduce or eliminate the proper withholding of taxes. A simple error or an honest mistake will not result in one of these penalties. For example, a person who has tried to figure the number of withholding allowances correctly, but claims seven when the proper number is six, will not be charged a Form W-4 penalty. However, see chapter 4 for information on the penalty for underpaying your tax.

Tips

The tips you receive while working on your job are considered part of your pay. Your employer must notify you if this rule is used.

To be an accountable employer, your employer may have to report an advance or reimbursement on your Form W-4.

Tips not reported to your employer. On your tax return, you must report all the tips you receive during the year. Even tips you do not report to your employer. Make sure you are having enough tax withheld, or are paying enough estimated tax (see chapter 2), to cover all your tips.

Allocated tips. If you work in a large establishment that serves food or beverages to customers, your employer may have to report an allocated amount of tips on your Form W-2.

Your employer should not withhold income tax, Medicare tax, and social security or railroad retirement tax on the allocated amount. Withholding is based only on your pay plus your reported tips. Your employer should refund to you any incorrectly withheld tax.

More information. For more information on the reporting and withholding rules for tips income and on tip allocation, get Publication 531, Reporting Tip Income.

Taxable Fringe Benefits

The value of certain noncash fringe benefits you receive from your employer is considered part of your pay. Your employer generally must withhold income tax on these benefits from your regular pay.

Although the value of your personal use of an employer-provided car, truck, or other high-way vehicle motor is taxable, your employer can choose not to withhold income tax on that amount. Your employer must notify you if this choice is made.

When benefits are considered paid. Your employer can choose to treat a fringe benefit as paid by the pay period, by the quarter, or on some other basis as long as the benefit is considered paid at least once a year. Your employer can treat the benefit as being paid on one or more dates during the year, even if you get the entire benefit at one time.

Special rule. Your employer can choose to treat a benefit provided during November or December as paid in the next year. Your employer must notify you if this rule is used.

Example. Your employer considers the value of benefits paid from November 1, 2008, through October 31, 2009, as paid to you in

Chapter 1 Tax Withholding for 2010 Page 13
2009. To determine the total value of benefits paid to you in 2010, your employer will add the value of any benefits paid in November and December of 2009 to the value of any benefits paid in January through October of 2010.

**Exceptions.** Your employer cannot choose when to withhold tax on the transfer of either property or personal property of a kind normally held for investment (such as stock). Your employer must withhold tax on these benefits at the time of the transfer.

**How withholding is figured.** Your employer can either add the value of a fringe benefit to your regular pay and figure income tax withholding on the total or withhold a flat percentage of the benefit's value.

If the benefit's actual value cannot be determined when it is paid or treated as paid, your employer can use a reasonable estimate. Your employer must determine the actual value of the benefit by January 31 of the next year. If the actual value is more than the estimate, your employer must pay the IRS any additional withholding tax required. Your employer has until April 1 of that next year to recover from you the additional income tax paid to the IRS for you.

**How your employer reports your benefits.** Your employer must report on Form W-2 the total of the taxable fringe benefits paid or treated as paid to you during the year and the tax withheld for the benefits. These amounts can be shown either on the Form W-2 for your regular pay or on a separate Form W-2. If your employer provided you with a car, truck, or other motor vehicle and chose to treat all of your use of it as personal, its value must be either separately shown on Form W-2 or reported to you on a separate statement.

**More information.** For information on fringe benefits, see Fringe Benefits under Employee Compensation in Publication 525, Taxable and Nontaxable Income.

**Sick Pay**

Sick pay is a payment to you to replace your regular wages while you are temporarily absent from work due to sickness or personal injury. To qualify as sick pay, it must be paid under a plan to which your employer is a party.

If you receive sick pay from your employer or an agent of your employer, income tax must be withheld. An agent who does not pay regular wages to you may choose to withhold income tax at a flat rate.

However, if you receive sick pay from a third party who is not acting as an agent of your employer, income tax will be withheld only if you choose to have it withheld. See Form W-4S on this page.

If you receive payments under a plan in which your employer does not participate (such as an accident or health plan where you paid all the premiums), the payments are not sick pay and usually are not taxable.

**Union agreements.** If you receive sick pay under a collective bargaining agreement between your union and your employer, the agreement may determine the amount of income tax withholding. See your union representative or your employer for more information.

**Form W-4S.** If you choose to have income tax withheld from sick pay paid by a third party, such as an insurance company, you must fill out Form W-4S. Its instructions contain a worksheet you can use to figure the amount you want withheld. They also explain restrictions that may apply.

**Estimated tax.** If you do not request withholding on Form W-4S, or if you do not have enough tax withheld, you may have to pay estimated tax. You can change your withholding by giving a new Form W-4S or a written notice to the payer of your sick pay.

The amount withheld depends on whether you receive payments spread out more than 1 year (periodic payments), within 1 year (nonperiodic payments), or as an eligible rollover distribution (ERD). Income tax withholding from an ERD is mandatory. EDRs are discussed on page 15 under Eligible Rollover Distributions.

**Nontaxable part.** The part of your pension or annuity that is a return of your investment in your retirement plan (the amount you paid into the plan or its cost to you) is not taxable. Income tax will not be withheld from the part of your pension or annuity that is not taxable. The tax withheld will be figured on, and cannot be more than, the taxable part.

For information about figuring the part of your pension or annuity that is not taxable, see Publication 575.

**Periodic Payments**

Withholding from periodic payments of a pension or annuity is figured in the same way as withholding from salaries and wages. To tell the payer of your pension or annuity how much you want withheld, fill out Form W-4P or a similar form provided by the payer. Follow the rules discussed under Salaries and Wages, on page 3, to fill out your Form W-4P.

**Note.** Use Form W-4, not Form W-4P, if you receive any of the following.

- Military retirement pay.
- Payments from certain nonqualified deferred compensation plans. These are employer plans that pay part of your compensation at a later time, but are not tax-qualified deferred compensation plans. See Nonqualified Deferred Compensation and Section 457 Plans in Publication 957, Reporting Back Pay and Special Wage Payments to the Social Security Administration.
- Payments from a state or local deferred compensation plan (section 457 plan).

**Withholding rules.** The withholding rules for pensions and annuities differ from those for salaries and wages in the following ways.

- If you do not fill out a withholding certificate, tax will be withheld as if you were married and claiming three withholding allowances.
- You can choose not to have tax withheld, regardless of how much tax you owed last year or expect to owe this year. You do not have to qualify for exemption. See Choosing Not To Have Income Tax Withheld on page 15.
- If you do not give the payer your social security number in the required manner or the IRS notifies the payer before any payment or distribution is made that you gave an incorrect social security number, tax will be withheld as if you were single and were claiming no withholding allowances.

**Effective date of withholding certificate.** If you give your withholding certificate (Form W-4P or a similar form) to the payer on or before the date your payments start, it will be put into effect by the first payment made more than 30 days after you submit the certificate.

- If you give the payer your certificate after your payments start, it will be put into effect with the first payment which is at least 30 days after you submit it. However, the payer can elect to put it into effect earlier.

**Nonperiodic Payments**

Tax will be withheld at a flat 10% rate on any nonperiodic payments you receive, unless you tell the payer not to withhold. Use Form W-4P, line 3, to specify that an additional dollar amount be withheld. You also can use Form W-4P, line 1, to choose not to have tax withheld. If you want to revoke a choice not to have tax withheld, see Choosing Not To Have Income Tax Withheld on page 15.

You may need to use Form W-4P to ask for additional withholding. If you do not have enough tax withheld, you may need to pay estimated tax, as explained in chapter 2.
Eligible Rollover Distributions

A distribution you receive that is eligible to be rolled over tax free into a qualified retirement or annuity plan is called an eligible rollover distribution (ERD). This is the taxable part of any distribu-
tion from a qualified pension plan or tax-sheltered annuity that is not any of the fol-
lowing:

1. A required minimum distribution.
2. One of a series of substantially equal peri-
odic pension or annuity payments made over:
   a. Your life (or your life expectancy) or the joint lives of you and your beneficiary (or your life expectancies), or
   b. A specified period of 10 or more years.
3. A hardship distribution.

The payer of a distribution must withhold at a flat 20% rate on any part of an ERD that is distributable in cash. The payer may elect not to withhold with respect to any other qualified plan. Withholding on these distri-
butions is mandatory. However, no withholding is required on any part rolled over directly to another plan.

Choosing Not To Have Income Tax Withheld

For payments other than ERDs, you can choose not to have income tax withheld. The payer will tell you how to make this choice. If you use Form W-4P, check the box on line 1 to choose not to have withholding. This choice will remain in ef-
fact until you decide you want withholding and inform the payer. See the following:

The payer must withhold if either of the fol-
lowing applies:

- You do not give the payer your social se-
curity number in the required manner, or
- The IRS notifies the payer, before any payment or distribution is made, that you gave it an incorrect social security num-
ber.

If you do not have any income tax withheld from your pension or annuity, or if you do not have enough withholding, you may have to pay estimated tax. See chapter 4.

If you do not pay enough tax, either through withholding or estimated tax, or a combination of both, you may have to pay a penalty. See chapter 4.

Payments delivered outside the United States.

You generally must have tax withheld from pension or annuity benefits delivered outside the United States. However, if you are a U.S. citizen or resident alien, you can choose not to have tax withheld if you give the payer of the benefits a home address in the United States or in a U.S. possession. The payer must with-
hold tax if you provide a U.S. address for a nominee, trustee, or agent to whom the benefits are to be delivered, but do not provide your own home address in the United States or in a U.S. possession.

Notice required of payer.

The payer of your pension or annuity must send you a notice telling you about your right to choose not to have tax withheld.

Generally, the payer will not send a notice to you if it is reasonable to believe that the entire amount you will be paid is not taxable.

Revolving a choice not to have tax withheld.

The payer of your pension or annuity will tell you how to revoke your choice not to have income tax withheld from periodic or nonperiodic pay-
ments. If you use Form W-4P to revoke the choice, enter “Revolked” by the checkbox on line 1 of the form. This will instruct the payer to withhold as if you were married and claiming three allowances. However, you can tell the payer exactly how much to withhold by complet-
ing line 2 of the form for periodic payments or line 3 for nonperiodic payments.

Gambling Winnings

Income tax is withheld at a flat 25% rate from certain kinds of gambling winnings.

Gambling winnings of more than $5,000 from the following sources are subject to income tax withholding:

- Any sweepstakes; wagering pool, includ-
ing payments made to winners of poker tournaments; or lottery;
- Any other wager if the proceeds are at least 300 times the amount of the bet.

It does not matter whether your winnings are paid in cash, in property, or as an annuity. Win-
nings not paid in cash are taken into account at their fair market value.

Exception. Gambling winnings from bingo, keno, and slot machines generally are not sub-
ject to income tax withholding. However, you may elect to provide the payer with a social security number to avoid withholding. See Backup withholding on gambling winnings on this page. If you receive gambling winnings not subject to withholding, you may need to pay estimated tax. See chapter 2.

If you do not pay enough tax, either through withholding or estimated tax, or a combination of both, you may have to pay a penalty. See chapter 4.

Form W-2G.

If a payer withholds income tax from your gambling winnings, you should re-
ceive a Form W-2G. Certain Gambling Winn-
ings, showing the amount you won and the amount withheld.

Report the tax withheld on your 2010 Form 1040, along with all other federal income tax withheld, as shown on Forms W-2 and 1099.

Information to give payer. If you pay the taxes, you must give the payer all the following infor-

- Your name, address, and social security number.
- Whether you made identical wagers (ex-
  plained below).
- Whether someone else is entitled to any part of the winnings subject to withholding. If so, you must complete Form 5754, Statement by Person(s) Receiving Gam-
bling Winnings, and return it to the payer. The payer will use it to prepare a Form W-2G for each of the winners.

Identical wagers.

You may have to give the payer a statement of the amount of your win-
nings, if any, from identical wagers. If this state-
ment is required, the payer will ask you for it. You provide this statement by signing Form W-2G or, if required, Form 5754.

Identical wagers include two bets placed in a pari-mutuel pool on one horse to win a particular race. However, the bets are not identical if one bet is “to win” and one bet is “to place.” In addition, they are not identical if the bets were placed in different pari-mutuel pools. For exam-
ple, a bet in a pool conducted by the racetrack and a bet in a separate pool conducted by an offtrack betting establishment in which the bets are not pooled with those placed at the track are not identical wagers.

Backup withholding on gambling winnings.

If you have any kind of gambling winnings and do not give the payer your social security num-
ber, the payer may have to withhold income tax at a flat 28% rate. This rule also applies to winnings of at least $1,200 from bingo or slot machines or $1,500 from keno, and to certain other gambling winnings of at least $600.

Unemployment Compensation

You can choose to have income tax withheld from unemployment compensation. To make this choice, fill out Form W-4V (or a similar form provided by the payer) and give it to the payer. All unemployment compensation is taxable.

If you do not use enough tax, either through withholding or estimated tax, or a combination of both, you may have to pay a penalty. See chapter 4.

Form 1099-G.

If you receive $10 or more in unemployment compensation, you will receive a Form 1099-G. Certain Government Payments. Box 1 will show the amount of unemployment compensation you got for the year. Box 4 will show the amount of federal income tax withheld, if any.

Federal Payments

You can choose to have income tax withheld from certain federal payments you receive. These payments are:

1. Social security benefits,
2. Tier 1 railroad retirement benefits,
3. Commodity credit corporation loans you choose to include in your gross income, and
4. Payments under the Agricultural Act of 1949 (7 U.S.C. 1421 et seq.), as amended, or title II of the Disaster Assistance Act of...
1988 that are treated as insurance proceeds and that you received because:
a. Your crops were destroyed or damaged by drought, flood, or any other natural disaster, or
b. You were unable to plant crops because of a natural disaster described in (a).

To make this choice, fill out Form W-4V (or a similar form provided by the payer) and give it to the payer. If you do not choose to have income tax withheld, you may have to pay estimated tax. See chapter 2.

If you do not pay enough tax, either through withholding or estimated tax, or a combination of both, you may have to pay a penalty. See chapter 4.


Backup Withholding

Payments subject to backup withholding. Backup withholding does not apply to payments reported on Form 1099-MISC (other than payments by fishing boat operators and royalty payments) unless at least one of the following three situations applies.

• The amount you receive from any one payer is $600 or more.
• The payer had to give you a Form 1099 last year.
• The payer made payments to you last year that were subject to backup withholding.

Form 1099 and backup withholding are generally not required for a payment of less than $10.

Withholding rules. When you open a new account, make an investment, or begin to receive payments reported on Form 1099, the bank or other business will give you Form W-9, Request for Taxpayer Identification Number and Certification, or a similar form. You must enter your TIN on the form and, if your account or investment will earn interest or dividends, you must request and receive a determination from the IRS to prevent backup withholding.

You are required, but fail, to certify that you will underreport interest and dividends in the future. These include:

• Interest payments (Form 1099-INT),
• Dividends (Form 1099-DIV),
• Rent, profits, or other gains (Form 1099-MISC),
• Commissions, fees, or other payments for work you do as an independent contractor (Form 1099-MISC),
• Payments by brokers (Form 1099-B),
• Payments by fishing boat operators, but only the part that is in money and that represents a share of the proceeds of the catch (Form 1099-MISC), and
• Royalty payments (Form 1099-MISC).

Backup withholding also may apply to gambling winnings. See Backup Withholding on Gambling Winnings under Gambling Winnings on page 15.

Payments not subject to backup withholding. Backup withholding does not apply to payments reported on Form 1099-MISC (other than payments by fishing boat operators and royalty payments) unless at least one of the following three situations applies.

• The amount you receive from any one payer is $600 or more.
• The payer had to give you a Form 1099 last year.
• The payer made payments to you last year that were subject to backup withholding.

An ITIN is for tax use only. It does not entitle you to social security benefits or change your employment or immigration status under U.S. law. For more information on ITINs, get Publication 1915, Understanding Your IRS Individual Taxpayer Identification Number.

How to prevent or stop backup withholding.

If you have been notified by a payer that the TIN you gave is incorrect, you usually can prevent backup withholding from starting or to stop backup withholding once it has begun by giving the payer your correct name and TIN. You must certify that the TIN you give is correct.

However, the payer will provide additional instructions if the TIN you gave needs to be validated by the Social Security Administration or by the IRS. This may happen if both the following conditions exist.

1. The IRS notifies the payer twice within 3 calendar years that a TIN you gave for the same account is incorrect.
2. The incorrect TIN is still being used on the account when the payer receives the second notice.

Underreported interest or dividends. If you have been notified that you underreported interest or dividends, you must request and receive a determination from the IRS to prevent backup withholding from starting or to stop backup withholding once it has begun. Your request must show that at least one of the following situations applies.

• You have a bona fide dispute with the IRS about whether an underreporting occurred.
• Backup withholding will cause or is causing an undue hardship and it is unlikely that you will underreport interest and dividends in the future.
• You have corrected the underreporting by filing an original return if you did not previously file one, or by filing an amended return, and by paying all taxes, penalties, and interest due for any underreported interest or dividend payments.

If the IRS determines that backup withholding should stop, it will provide you with certification and will notify the payers who were sent notices earlier.

Penalties. There are civil and criminal penalties for giving false information to avoid backup withholding. The civil penalty is $500. The criminal penalty, upon conviction, is a fine of up to $1,000 or imprisonment of up to 1 year, or both.
2. Estimated Tax for 2010

Introduction
Estimated tax is the method used to pay tax on income that is not subject to withholding. This includes income from self-employment, interest, dividends, alimony, rent, gains from the sale of assets, prizes, and awards. You also may have to pay estimated tax if the amount of income tax being withheld from your salary, pension, or other income is not enough.

Estimated tax is used to pay both income tax and self-employment tax, as well as other taxes and amounts reported on your tax return. If you do not pay enough tax, either through withholding or estimated tax, or a combination of both, you may have to pay a penalty. If you do not pay enough by the due date of each payment period (see When To Pay Estimated Tax on page 22), you may be charged a penalty even if you are due a refund when you file your tax return. For information on when the penalty applies, see chapter 4.

It would be helpful for you to have a copy of your 2009 tax return and an estimate of your 2010 income nearby while reading this chapter.

Topics
This chapter discusses:
- Who must pay estimated tax,
- How to figure estimated tax (including illustrated examples),
- When to pay estimated tax,
- How to figure each payment, and
- How to pay estimated tax.

Useful Items
You may want to see:
- Form (and Instructions)
- 1040-ES Estimated Tax for Individuals

See chapter 5 for information about how to get this publication and form.

Worksheets. You may need to use several of the blank worksheets included in this chapter. See Table 2-2 on page 32 to locate what you need.

Who Does Not Have To Pay Estimated Tax
If you receive salaries and wages, you can avoid having to pay estimated tax by asking your employer to take more tax out of your earnings. To do this, file a new Form W-4 with your employer. See chapter 1.

Estimated tax not required. You do not have to pay estimated tax for 2010 if you meet all three of the following conditions.
- You had no tax liability for 2009.
- You were a U.S. citizen or resident alien for the whole year.
- Your 2009 tax year covered a 12-month period.

You had no tax liability for 2009 if your total tax (defined on page 21 under Total tax for 2009—line 14b) was zero or you did not have to file an income tax return.

Who Must Pay Estimated Tax
If you owed additional tax for 2009, you may have to pay estimated tax for 2010.

You can use the following general rule as a guide during the year to see if you will have enough withholding, or should increase your withholding or make estimated tax payments.

General Rule
In most cases, you must pay estimated tax for 2010 if both of the following apply.
1. You expect to owe at least $1,000 in tax for 2010, after subtracting your withholding and refundable credits.
2. You expect your withholding and refundable credits to be less than the smaller of:
   a. 90% of the tax to be shown on your 2010 tax return, or
   b. 100% of the tax shown on your 2009 tax return. Your 2009 tax return must cover all 12 months.

Note. These percentages may be different if you are a farmer, fisherman, or higher income taxpayer. See Special Rules beginning on page 18.

If the result from using the general rule above suggests that you will not have enough withholding, complete the 2010 Estimated Tax Worksheet on page 20 for a more accurate calculation.

Figure 2-A (see page 18) takes you through the general rule. You may find this helpful in determining if you must pay estimated tax.

If all your income will be subject to income tax withholding, you probably do not need to pay estimated tax.

Example 1. To figure whether she should pay estimated tax for 2010, Jane uses Figure 2-A and the following information. She files as head of household and expects no refundable credits in 2010.

Expected adjusted gross income (AGI) for 2010 .................................................. $ 82,800
AGI for 2009 .......................................................... $73,700

Total tax on 2009 return (Form 1040, line 60) .................................................. $ 9,371
2010 estimated tax (line 13c of the 2010 Estimated Tax Worksheet) ............ $11,622
Tax expected to be withheld in 2010 ........................................... $10,500

Jane’s answer to Figure 2-A, box 1, is YES; she expects to owe at least $1,000 for 2010 after subtracting her withholding from her expected total tax ($11,622 – $10,500 = $1,122). Her answer to box 2a is YES; she expects her income tax withholding ($10,500) to be at least 90% of the tax to be shown on her 2010 return ($11,622 × 90% = $10,460). Jane does not need to pay estimated tax.

Example 2. The facts are the same as in Example 1, except that Jane expects only $9,200 tax to be withheld in 2010. Because that is less than $10,500, her answer to box 2a is NO.

Jane’s answer to box 2b is also NO; she does not expect her income tax withholding ($9,200) to be at least 100% of the total tax shown on her 2009 return ($9,371). Jane must increase her withholding or pay estimated tax for 2010.

Example 3. The facts are the same as in Example 2, except that the total tax shown on Jane’s 2009 return was $9,000. Because she expects to have more than $9,000 withheld in 2010 ($9,200), her answer to box 2b is YES. Jane does not need to pay estimated tax for 2010.

Married Taxpayers
If you qualify to make joint estimated tax payments, apply the rules discussed here to your joint estimated income.

You and your spouse can qualify to make joint estimated tax payments even if you are not living together.

However, you and your spouse cannot make joint estimated tax payments if:
- You are legally separated under a decree of divorce or separate maintenance,
- You and your spouse have different tax years, or
- Either spouse is a nonresident alien (unless that spouse elected to be treated as a resident alien for tax purposes). See Choosing Resident Alien Status in Publication 519.

If you do not qualify to make joint estimated tax payments, apply these rules to your separate estimated income.

Making joint or separate estimated tax payments will not affect your choice of filing a joint tax return or separate returns for 2010.

2009 separate returns and 2010 joint return.
If you plan to file a joint return with your spouse for 2010, but you filed separate returns for 2009, your 2009 tax is the total of the tax shown on your separate returns. You filed a separate return if you filed as single, head of household, or married filing separately.

2009 joint return and 2010 separate returns.
If you plan to file a separate return for 2010, but you filed a joint return for 2009, your 2009 tax is your share of the tax on the joint return. You file
Farmers and Fishermen

If at least two-thirds of your gross income for 2009 or 2010 is from farming or fishing, substitute 66 2/3% for 90% in (2a) under General Rule on the previous page.

Gross income. Your gross income is all income you receive in the form of money, goods, property, and services that is not exempt from tax. To determine whether two-thirds of your gross income for 2009 was from farming or fishing, use as your gross income the total of the income (not loss) amounts.

Joint returns. On a joint return, you must add your spouse’s gross income to your gross income to determine if at least two-thirds of your total gross income is from farming or fishing.

Gross income from farming. This is income from cultivating the soil or raising agricultural commodities. It includes the following amounts.

- Income from operating a stock, dairy, poultry, bee, fruit, or truck farm.
- Income from a plantation, ranch, nursery, range, orchard, or oyster bed.
- Crop shares for the use of your land.
- Gains from sales of draft, breeding, dairy, or sporting livestock.

For 2009, gross income from farming is the total of the following amounts.

- Schedule F (Form 1040), Profit or Loss From Farming, line 11.
- Form 4835, Farm Rental Income and Expenses, line 7.

Special Rules

There are special rules for farmers, fishermen, and certain higher income taxpayers.

Figure 2-A. Do You Have To Pay Estimated Tax?

Start Here

1. Will you owe $1,000 or more for 2010 after subtracting income tax withholding and refundable credits* from your total tax? (Do not subtract any estimated tax payments.)

Yes

2a. Will your income tax withholding and refundable credits* be at least 90% (66 2/3% for farmers and fishermen) of the tax shown on your 2010 tax return?

Yes

You are NOT required to pay estimated tax.

No

2b. Will your income tax withholding and refundable credits* be at least 100%** of the tax shown on your 2009 tax return?

Note: Your 2009 return must have covered a 12-month period.

Yes

You MUST make estimated tax payment(s) by the required due date(s).

See When To Pay Estimated Tax.

No

* Use the refundable credits shown on the 2010 Estimated Tax Worksheet, line 13b.

** 110% if less than two-thirds of your gross income for 2009 and 2010 is from farming or fishing and your 2009 adjusted gross income was more than $150,000 ($75,000 if your filing status for 2010 is married filing a separate return).
• Income for services normally performed in connection with fishing.
• Services normally performed in connection with fishing include:
  • Shore service as an officer or crew member of a vessel engaged in fishing, and
  • Services that are necessary for the immediate preservation of the catch, such as cleaning, icing, and Packing the catch.

Higher Income Taxpayers
If your AGI for 2009 was more than $150,000 ($75,000 if your filing status for 2010 is married filing a separate return), substitute 110% for 100% in (2b) under General Rule on page 17.

For 2009 AGI is the amount shown on Form 1040, line 37; Form 1040A, line 21; and Form 1040EZ, line 4.

Note. This rule does not apply to farmers and fishermen.

Aliens
Resident and nonresident aliens also may have to pay estimated tax. Resident aliens should follow the rules in this publication, unless noted otherwise. Nonresident aliens should get Form 1040-ES (NR), U.S. Estimated Tax for Nonresident Alien Individuals.

You are an alien if you are not a citizen or national of the United States. You are a resident alien if you either have a green card or meet the substantial presence test. See Publication 519 for more information about Form 1040-ES (NR) and withholding (chapter 8) and the substantial presence test (chapter 1).

Estates and Trusts
Estates and trusts also must pay estimated tax. However, estates (and certain grantor trusts) that receive the residue of the decedent’s estate under the decedent’s will are exempt from paying estimated tax for the first two years after the decedent’s death.

Estate and trusts must use Form 1041-ES, Estimated Income Tax for Estates and Trusts, to figure and pay estimated tax.

How To Figure Estimated Tax
To figure your estimated tax, you must figure your expected AGI, taxable income, taxes, deductions, and credits for the year.

When figuring your 2010 estimated tax, it may be helpful to use your income, deductions, and credits for 2009 as a starting point. Use your 2009 federal tax return as a guide. You can use Form 1040-ES to figure your estimated tax.

You must make adjustments both for changes in your own situation and for recent changes in the tax law. For 2010, there are several changes in the law. Some of these changes are discussed under What’s New for 2010 beginning on page 2. For information about these and other changes in the law, visit the IRS website at www.irs.gov.

The instructions for Form 1040-ES include a worksheet to help you figure your estimated tax. Keep the worksheet for your records.

2010 Estimated Tax Worksheet
Use the worksheet Figure 2-8 on page 20 to help guide you through the information about completing the 2010 Estimated Tax Worksheet. You also will find a blank worksheet on page 33.

Expected AGI—Line 1
Your expected AGI for 2010 (line 1) is your expected total income minus your expected adjustments to income.

Total income. Include in your total income all the income you expect to receive during the year, even income that is subject to withholding. However, do not include income that is tax exempt.

Total income includes all income and loss for 2010 that, if you had received it in 2009, would have been included on your 2009 tax return in the total on line 22 of Form 1040, line 15 of Form 1040A, or line 4 of Form 1040EZ.

Social security and railroad retirement benefit. If you expect to receive social security or tier 1 railroad retirement benefit during 2010, use Worksheet 2-2 on page 35 to figure the amount of expected social security benefits you should include on line 1.

Adjustments to income. Be sure to subtract from your expected total income all of the adjustments you expect to take on your 2010 tax return. If you are using your 2009 return as a guide and filed Form 1040, your adjustments for 2009 were on lines 23 through 35, plus any write-in adjustments on line 36. If you filed Form 1040A, your 2009 adjustments were on lines 16 through 19.

Self-employed. If you expect to have income from self-employment, use Worksheet 2-2 on page 35 to figure your expected self-employment tax and your deduction for one-half of your self-employment tax. Include the amount from line 11 of Worksheet 2-2 in your expected adjustments to income. If you file a joint return and both you and your spouse have net earnings from self-employment, each of you must complete a separate worksheet.

Expected Taxable Income—Lines 2–5
Reduce your expected AGI for 2010 (line 1) by either your expected itemized deductions or your standard deduction and by your exemptions (lines 2 through 5).

Itemized deductions—line 2. If you expect to claim itemized deductions on your 2010 tax return, enter the estimated amount on line 2.

Itemized deductions are the deductions that can be claimed on Schedule A (Form 1040).

Standard deduction—line 2. If you expect to claim the standard deduction on your 2010 tax return, enter the amount on line 2. Use Worksheet 2-3 on page 36 to figure your standard deduction.

No standard deduction. The standard deduction for some individuals is zero. Your standard deduction will be zero if you:
• File a separate return and your spouse itemizes deductions,
• Are a dual-status alien, or
• File a return for a period of less than 12 months because you change your accounting period.

Exemptions—line 4. After you have subtracted either your expected itemized deductions or your standard deduction from your expected AGI, reduce the amount remaining by $3,650 for each exemption you expect to take on your 2010 tax return. If another person (such as your parent) can claim an exemption for you on his or her tax return, you cannot claim your own personal exemption. This is true even if the other person will not claim your exemption.

Expected Taxes and Credits—Lines 6–13c
After you have figured your expected taxable income (line 5), follow the steps below to figure your expected taxes, credits, and total tax for 2010. Most people will have entries for only a few of these steps. However, you should check every step to be sure you do not overlook anything.

Step 1. Figure your expected income tax (line 6). Generally, you will use the 2010 Tax Rate Schedules, found on page 34 or in the instructions to Form 1040-ES, to figure your expected income tax.

Example. If line 5 is $35,000 and your filing status is single, you would use Schedule X of the 2010 Tax Rate Schedules. Your income is over $34,000 but less than $38,400. Subtract $34,000 from $35,000. Multiply $1,000 ($35,000 – $34,000) by 25% (1 × .25 = $250). Add $250 to $4,681.25. Enter $4,931 on line 6.

However, see below for situations where you must use a different method to compute your estimated tax.

Tax on child’s investment income. You must use a special method to figure tax on the income of the following children who have more than $1,900 of investment income:

2. The following children if their earned income is not more than half their support.
   b. Children who are full-time students over age 18 and under age 24 at the end of 2010.

See Publication 929, Tax Rules for Children and Dependents. Although the ages and dollar amounts in the publication may be different in the 2010 revision, this reference will give you basic information for figuring the tax.
## 2010 Estimated Tax Worksheet

**Keep for Your Records**

<table>
<thead>
<tr>
<th>Step</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Adjusted gross income you expect in 2010 (see instructions on page 6)</td>
</tr>
</tbody>
</table>
| 2    | ● If you plan to itemize deductions, enter the estimated total of your itemized deductions.  
      ● If you do not plan to itemize deductions, enter your standard deduction from page 2. |
| 3    | Exemptions. Multiply $3,650 by the number of personal exemptions |
| 4    | Subtract line 2 from line 1 |
| 5    | Subtract line 4 from line 3 |
| 6    | **Tax.** Figure your tax on the amount on line 5 by using the **2010 Tax Rate Schedules** on page 8. |
| 7    | Alternative minimum tax from **Form 6251** or the **Alternative Minimum Tax Worksheet** in the Form 1040A instructions |
| 8    | Add lines 6 and 7. Add to this amount any other taxes you expect to include in the total on Form 1040, line 44, or Form 1040A, line 28 |
| 9    | Credits (see instructions on page 6). **Do not** include any income tax withholding on this line |
| 10   | Subtract line 9 from line 8. If zero or less, enter -0- |
| 11   | Self-employment tax (see instructions on page 6). Estimate of 2010 net earnings from self-employment $ .................; if $106,800 or less, multiply the amount by 15.3%; if more than $106,800, multiply the amount by 2.9%; add $13,243.20 to the result, and enter the total. |
| 12   | Other taxes (see instructions on page 6) |
| 13a  | Add lines 10 through 12 |
| 13b  | **Total estimated tax.** Subtract line 13b from line 13a. If zero or less, enter -0- |
| 14a  | Multiply line 13c by 90% (66 2/3 % for farmers and fishermen) |
| 14b  | Enter the tax shown on your 2009 tax return (see instructions on page 6). Enter 110% of that amount if you are not a farmer or fisherman and the adjusted gross income shown on that return is more than $150,000 or, if married filing separately for 2010, more than $75,000 |
| 14c  | **Required annual payment to avoid a penalty.** Enter the smaller of line 14a or 14b |
| 15   | Income tax withheld and estimated to be withheld during 2010 (including income tax withholding on pensions, annuities, certain deferred income, etc.) |
| 16a  | Subtract line 15 from line 14c |
| 16b  | Is the result zero or less?  
      □ Yes. Stop here. You are not required to make estimated tax payments.  
      □ No. Go to line 16b |
| 16c  | Is the result less than $1,000?  
      □ Yes. Stop here. You are not required to make estimated tax payments.  
      □ No. Go to line 17 to figure your required payment |
| 17   | If the first payment you are required to make is due April 15, 2010, enter 1/4 of line 16a (minus any 2009 overpayment that you are applying to this installment) here, and on your estimated tax payment voucher(s) if you are paying by check or money order. **(Note:** Household employers, see instructions on page 6) |
Chapter 2  Estimated Tax for 2010  Page 21

Tax on net capital gain. The regular income tax rates for individuals do not apply to a net capital gain. Instead, your net capital gain is taxed at a lower maximum rate. The term “net capital gain” means the amount by which your net long-term capital gain for the year is more than your net short-term capital loss.

Tax on qualified dividends. Generally, the maximum tax rate for qualified dividends is 15% (0% for people whose other income is taxed at the 10% or 15% rate).

Tax on capital gain and qualified dividends. If the amount on line 1 includes a net capital gain or qualified dividends, use Worksheet 2-4 on page 37 to figure your tax.

Tax if excluding foreign earned income or excluding or deducting foreign housing. If you expect to claim the foreign earned income exclusion or the housing exclusion or deduction on Form 2555 or Form 2555-EZ, use Worksheet 2-5 on page 36 to figure your estimated tax.

Step 2. Total your expected taxes (line 8). Include on line 8 the sum of the following.
1. Your tax on line 6.
2. Your expected alternative minimum tax (AMT) on line 7 from Form 6251, line 36, or included on Form 1040A, line 28.
3. Your expected additional taxes from Form 8814, Parents’ Election To Report Child’s Interest and Dividends, and Form 4972, Tax on Lump-Sum Distributions.
4. Any recapture of education credits.

Step 3. Subtract your expected credits (line 9).
If you are using your 2009 return as a guide and filed Form 1040, your total credits for 2009 were shown on line 67. If you filed Form 1040A, your total credits for 2009 were on line 34.
If your credits on line 9 are more than your taxes on line 8, enter “0” on line 10 and go to Step 4.

Step 4. Add your expected self-employment tax (line 11). You already should have figured your self-employment tax (see Self-employed under Expected AGI—Line 1 on page 18).

Step 5. Add your expected other taxes (line 12).
Other taxes include the following.
1. Additional tax on early distributions from:
   a. An IRA or other qualified retirement plan.
   b. A tax-sheltered annuity, or
2. Advance earned income credit (EIC) payments.
3. Household employment taxes (before subtracting advance EIC payments made to your employee(s)) if:
   a. You will have federal income tax withheld from wages, pensions, annuities, gambling winnings, or other income, or
   b. You would be required to make estimated tax payments even if you did not include household employment taxes when figuring your estimated tax.
4. Amounts written in on Form 1040 on the line for “total tax” (line 60 on the 2009 Form 1040). But, do not include recapture of a federal mortgage subsidy; tax on excess golden parachute payments; look-back interest due under section 167(g) or 460(b) of the Internal Revenue Code; excise tax on insider stock compensation from an expatriated corporation; uncollected social security and Medicare tax or RRTA tax on tips or group-term life insurance; or recapture of COBRA health insurance premium assistance.
5. Repayment of the first-time homebuyer credit if the home will cease to be your main home in 2010. See Form 5405 for exceptions.
   If you filed a 2009 Form 1040A, your only other tax was any advance earned income credit payments on line 36.

Step 6. Subtract your refundable credits (line 13b). These include your expected making work pay credit (see Worksheet 2-6 on page 39), earned income credit, Form 8812 additional child tax credit, Form 4136 fuel tax credit, Form 5405 first-time homebuyer credit, Form 8801 refundable credit for prior year minimum tax, and Form 8885 health coverage tax credit. These are shown on the 2009 Form 1040, lines 63 (making work pay credit only), 64a, 65, 66, 67, and 70.
To figure your expected fuel tax credit, do not include fuel tax for the first three quarters of the year that you expect to have refunded to you.
If you filed Form 1040A in 2009, the refundable credits (making work pay credit, earned income credit, additional child tax credit and refundable education credit) were shown on lines 40 (making work pay credit only), 41a, 42, and 43.
The result of steps 1 through 6 is your total estimated tax for 2010 (line 13c).

Required Annual Payment—Line 14c
On lines 14a through 14c, figure the total amount you must pay for 2010, through withholding and estimated tax payments, to avoid paying a penalty.

General rule. The total amount you must pay is the smaller of:
1. 90% of your total expected tax for 2010, or
2. 100% of the total tax shown on your 2009 return. Your 2009 tax return must cover all 12 months.

Special rules. There are special rules for higher income taxpayers and for farmers and fishermen.

Higher income taxpayers. If your AGI for 2009 was more than $150,000 ($75,000 if your filing status for 2010 is married filing separately), substitute 110% for 100% in (2) above. This rule does not apply to farmers and fishermen.

For 2009, AGI is the amount shown on Form 1040, line 37; Form 1040A, line 21; and Form 1040EZ, line 4.

Example. Jeremy Martin’s total tax on his 2009 return was $42,581, and his expected tax for 2010 is $71,253. His 2009 AGI was $180,000. Because Jeremy had more than $150,000 of AGI in 2009, he figures his required annual payment as follows. He determines that 80% of his expected tax for 2010 is $64,128 (.80 x $180,000). Finally, he determines that his required annual payment is $46,839, the smaller of the two.

Farmers and fishermen. If at least two-thirds of your gross income for 2009 or 2010 is from farming or fishing, your required annual payment is the smaller of:
1. 66⅔% (.6667) of your total tax for 2010, or
2. 100% of the total tax shown on your 2009 return. (Your 2009 tax return must cover all 12 months.)

For definitions of “gross income from farming” and “gross income from fishing,” see Farmers and Fishermen, under Special Rules discussed on page 18.

Total tax for 2009—line 14b. Your 2009 total tax, if you filed Form 1040, is the amount on line 60 reduced by the following.
1. Unreported social security and Medicare tax or RRTA tax from Forms 4137 or 8919 (line 57).
2. The following amounts from Form 5329 included on line 58.
   a. Any tax on excess contributions to IRAs, Archer MSAs, Coverdell education savings accounts, and health savings accounts.
   b. Any tax on excess accumulations in qualified retirement plans.
3. The following write-ins on line 60.
   a. Excise tax on excess golden parachute payments (identified as “EPP”).
   b. Excise tax on insider stock compensation from an expatriated corporation (identified as “ISC”).
   c. Look-back interest due under section 167(g) (identified as “Form 8866”).
   d. Look-back interest due under section 460(b) (identified as “Form 8697”).
   e. Recapture of federal mortgage subsidy (identified as “FMSR”).
   f. Recapture of COBRA health insurance premium assistance (identified as “COBRA”).
   g. Uncollected social security and Medicare tax or RRTA tax on group-term life insurance (identified as “UT”).
4. Any refundable credit amounts listed on lines 63, 64a, 65, 66, and 67, and refundable credits from Forms 4136, 8810, and 8886 listed on line 70. If you filed Form 1040A, your 2009 total tax is the amount on line 37 reduced by any refundable credits on lines 40, 41a, 42, and 43. If you filed Form 1040EZ, your 2009 total tax is the amount on line 11 reduced by the amount on lines 8 and 9a.

Total Estimated Tax Payments Needed—Line 16a
Use lines 15 and 16a to figure the total estimated tax you may be required to pay for 2010. Subtract your expected withholding from your required annual payment (line 14c). You usually must pay this difference in four equal installments. See When To Pay Estimated Tax and How To Figure Each Payment on this page.

You do not have to pay estimated tax if:
• Line 14c minus line 15 is zero or less, or
• Line 13c minus line 15 is less than $1,000.

Withholding—line 15. Your expected withholding for 2010 (line 15) includes the income tax you expect to be withheld from all sources (wages, pensions and annuities, etc.). It also includes excess social security and railroad retirement tax you expect to be withheld from your wages.

For this purpose, you will have excess social security or tier 1 railroad retirement tax withholding for 2010 only if your wages from two or more employers are more than $106,800. See Excess Social Security or Railroad Retirement Tax Withholding in chapter 3.

When To Pay Estimated Tax
For estimated tax purposes, the year is divided into four payment periods. Each period has a specific payment due date. If you do not pay enough tax by the due date of each of the payment periods, you may be charged a penalty even if you are due a refund when you file your income tax return.

If a payment is mailed, the date of the U.S. postmark is considered the date of payment. The payment periods and due dates for estimated tax payments are shown next.

For the period:  
Jan. 1 – March 31  
April 1 – May 31  
June 1 – August 31  
Sept. 1 – Dec. 31  
January 15  
next year

If your tax year does not begin on January 1, see Fiscal year taxpayers on this page.

If your tax year does not begin on January 1, see Fiscal year taxpayers on this page.

Saturday, Sunday, holiday rule. If the due date for an estimated tax payment falls on a Saturday, Sunday, or legal holiday, the payment will be on time if you make it on the next day that is not Saturday, Sunday, or a holiday.

In 2011, January 15 is a Saturday and Monday, January 17 is a holiday. The due date for the January 15, 2011, payment will be January 18.

Example. Janet Adams does not pay any estimated tax for 2010. She files her 2010 income tax return on January 26, 2011. Janet’s estimated tax for the fourth payment period is considered to have been paid on time. However, she may owe a penalty for not making the first three estimated tax payments, if required. Any penalty for not making these payments will be figured up to January 26, 2011.

Fiscal year taxpayers. If your tax year does not start on January 1, your payment due dates are:

1. The 15th day of the 4th month of your fiscal year,
2. The 15th day of the 6th month of your fiscal year,
3. The 15th day of the 9th month of your fiscal year, and
4. The 15th day of the 1st month after the end of your fiscal year.

You do not have to make the last payment listed above if you file your income tax return by the last day of the first month after the end of your fiscal year and pay all the tax you owe with your return.

When To Start
You do not have to make estimated tax payments until you have income on which you will owe income tax. If you have income subject to estimated tax during the first payment period, you must make your first payment by the due date for the first payment period. You can pay all your estimated tax at that time, or you can pay it in installments. If you choose to pay in installments, make your first payment by the due date for the first payment period. Make your remaining installment payments by the due dates for the later periods.

No income subject to estimated tax during first period. If you do not have income subject to estimated tax until a later payment period, you must make your first payment by the due date for that period. You can pay your entire estimated tax by the due date for that period or you can pay it in installments by the due date for that period and the due dates for the remaining periods. Table 2-1 shows the dates for making installment payments.

Table 2-1. Due Dates for Estimated Tax Installment Payments

<table>
<thead>
<tr>
<th>Period</th>
<th>Due Dates for Estimated Tax Installment Payments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Before April 1</td>
<td>April 15</td>
</tr>
<tr>
<td>April 1 – May 31</td>
<td>June 15</td>
</tr>
<tr>
<td>June 1 – Aug. 31</td>
<td>Sept. 15</td>
</tr>
<tr>
<td>After Aug. 31</td>
<td>Jan. 15 next year (None)</td>
</tr>
</tbody>
</table>

See January payment and Saturday, Sunday, holiday rule on this page.

How much to pay to avoid penalty. To determine how much you should pay by each payment due date, see How To Figure Each Payment on this page.

Farmers and Fishermen
If at least two-thirds of your gross income for 2009 or 2010 is from farming or fishing, you have only one payment due date for your 2010 estimated tax, January 15, 2011. The due dates for the first three payment periods, discussed under When To Pay Estimated Tax on this page, do not apply to you.

If you file your 2010 Form 1040 by March 1, 2011, and pay all the tax you owe at that time, you do not need to make an estimated tax payment.

Fiscal year farmers and fishermen. If you are a farmer or fisherman, but your tax year does not start on January 1, you can either:
• Pay all your estimated tax by the 15th day after the end of your tax year or
• File your return and pay all the tax you owe by the 1st day of the 3rd month after the end of your tax year.

How To Figure Each Payment
After you have figured your total estimated tax, figure how much you must pay by the due date of each payment period. You should pay enough by each due date to avoid a penalty for that period. If you do not pay enough during any payment period, you may be charged a penalty even if you are due a refund when you file your tax return. The penalty is discussed in chapter 4.

Regular Installment Method
If your first estimated tax payment is due April 15, 2010, you can figure your required payment for each period by dividing your annual estimated tax due (line 16b of the 2010 Estimated Tax Worksheet) by 4. Enter this amount on line 17. However, use this method only if your income is basically the same throughout the year.
Household employers. Reduce your required payment for each period by the amount of advance EIC payments you paid during the period.

Change in estimated tax. After you make an estimated tax payment, changes in your income, adjustments, deductions, credits, or exemptions may make it necessary for you to refigure your estimated tax. Pay the unpaid balance of your amended estimated tax by the next payment due date after the change or in installments by that date and the due dates for the remaining payment periods.

If you do not receive your income evenly throughout the year, your required estimated tax payments may not be the same for each period. See Annualized Income Instalment Method on this page.

Amended estimated tax. If you refigure your estimated tax during the year, or if your first estimated tax payment is due after April 15, 2010, figure your required payment for each remaining payment period using Worksheet 2-10 on page 43.

Example. Early in 2010, Mira Roberts figures that her estimated tax due is $1,800. She makes estimated tax payments on April 15 and June 15 of $450 each ($1,800 - $450). On July 10, she sells investment property at a gain. Her refigured estimated tax is $4,100. Her required estimated tax payment for the third payment period is $2,175, as shown in her filled-in Worksheet 2-10 below. If Mira’s estimated tax does not change again, her required estimated tax payment for the fourth payment period will be $1,025.

Underpayment penalty. If your estimated tax payment for a previous period is less than one-fourth of your amended estimated tax, you may be charged a penalty for underpayment of estimated tax for that period when you file your tax return. See chapter 4 for more information.

Annualized Income Instalment Method

If you do not receive your income evenly throughout the year (for example, your income from a repair shop you operate is much larger in the summer than it is during the rest of the year), your required estimated tax payment for one or more periods may be less than the amount figured using the regular instalment method.

The annualized income instalment method annualizes your tax at the end of each period based on a reasonable estimate of your income, deductions, and other items relating to events that occurred from the beginning of the tax year through the end of the period. To see whether you can pay less for any period, complete the 2010 Annualized Estimated Tax Worksheet (Worksheet 2-7) beginning on page 40.

You first must complete the 2010 Estimated Tax Worksheet through line 16b. (See page 33 for a blank worksheet.)

Use the result you figure on line 28 of the 2010 Annualized Estimated Tax Worksheet to make your estimated tax payments and complete your payment vouchers. See Example 2, beginning on page 28 to see how the worksheet is completed.

Note. If you use the annualized income instalment method to figure your estimated tax payments, you must file Form 2210 with your 2010 tax return. See Annualized Income Instalment Method (Schedule AI) in chapter 4 for more information.

Worksheet 2-10. Amended Estimated Tax Worksheet—Illustrated

<table>
<thead>
<tr>
<th>1. Amended total estimated tax due</th>
<th>2. Multiply line 1 by:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>50% (.50) if next payment is due June 15, 2010</td>
</tr>
<tr>
<td></td>
<td>75% (.75) if next payment is due September 15, 2010</td>
</tr>
<tr>
<td>100% (1.00) if next payment is due January 15, 2011</td>
<td>2. 3,075</td>
</tr>
<tr>
<td>3. Estimated tax payments for all previous periods</td>
<td>3. 900</td>
</tr>
<tr>
<td>4. Next required payment: Subtract line 3 from line 2 and enter the result (but not less than zero) here and on your payment voucher for your next required payment</td>
<td>4. $2,175</td>
</tr>
</tbody>
</table>

Note. If the payment on line 4 is due January 15, 2011, stop here. Otherwise, go to line 5.

5. Add lines 3 and 4 | 5. 3,075 |

6. Subtract line 5 from line 1 and enter the result (but not less than zero) | 6. 1,025 |

7. Each following required payment: If the payment on line 4 is due June 15, 2010, enter one-half of the amount on line 6 here and on the payment vouchers for your payments due September 15, 2010, and January 15, 2011. If the amount on line 4 is due September 15, 2010, enter the full amount on line 6 here and on the payment voucher for your payment due January 15, 2011 | 7. $1,025 |

Instructions for the 2010 Annualized Estimated Tax Worksheet (Worksheet 2-7)

Use Figure 2-C, beginning on page 25, to help you follow these instructions. Another worksheet is available for your use on pages 40 and 41.

The purpose of this worksheet is to determine your estimated tax liability as your income accumulates throughout the year, rather than dividing your entire year’s estimated tax liability by four as if your income was earned equally throughout the year. The top of the worksheet (see page 25) shows the dates for each payment period. The periods build; that is, each period includes all previous periods. After the end of each payment period, complete the corresponding worksheet column to figure the payment due for that period.

Line 1. Enter your AGI for the period. This is your gross income for the period, including your share of partnership or S corporation income or loss, minus your adjustments for income for that period. See Expected AGI—Line 1 on page 19.

Self-employment income. If you had self-employment income, first complete Section B of this worksheet. Use the amounts on line 43 when figuring your expected AGI to enter in each column of Schedule A, line 1.

Line 4. Be sure to consider all deduction limits figured on Schedule A (Form 1040), such as reducing your medical expenses by 7.5% of your AGI, or reducing certain miscellaneous deductions by 2% of your AGI. Figure your deduction limits using your expected AGI in the corresponding column of line 1 (2010 Annualized Estimated Tax Worksheet).

Line 6. Multiply line 4 by line 5 and enter the result on line 6.

Line 7. If you will not itemize your deductions, use Worksheet 2-3 (see page 36) to figure your standard deduction.

Line 10. Multiply $3,650 by your total expected exemptions and enter the result on line 10.

Line 12. Generally, you will use the 2010 Tax Rate Schedules on page 34 or in the instructions to Form 1040-ES to figure the tax on your annualized income. However, see below for situations where you must use a different method to compute your estimated tax.

Tax on child’s investment income. You must use a special method to figure tax on the income of the following children who have more than $1,900 of investment income.

2. The following children if their earned income is not more than half their support.
   b. Children who are full-time students over age 18 and under age 24 at the end of 2010.

See Publication 929.

Tax on net capital gain. The regular income tax rates for individuals do not apply to a
net capital gain. Instead, your net capital gain is taxed at a lower maximum rate. A "capital gain" means the amount by which your net long-term capital gain for the year is more than your net short-term capital loss.

**Tax on qualified dividends.** Generally, the maximum tax rate for qualified dividends is 15% (0% for people whose other income is taxed at the 10% or 15% rate).

**Tax on capital gain and qualified dividends.** If the amount on line 1 includes a net capital gain or qualified dividends, use Worksheet 2-9 on page 42 to figure the amount to enter on line 12.

**Tax if excluding foreign earned income or excluding or deducting foreign housing.** If you expect to claim the foreign earned income exclusion or the housing exclusion or deduction on Form 2555 or Form 2555-EZ, use Worksheet 2-9 on page 43 to figure the amount to enter on line 12.

**Line 13.** If you file Form 1040, add the tax from Forms 8814, 4972, and 6251 for the period. If you file Form 1040A, add the amount from the Alternative Minimum Tax Worksheet found in the instructions. Also include any recapture of an education credit for each period. You may owe this tax if you claimed an education credit in an earlier year and you received either tax-free educational assistance or a refund of qualifying expenses for the same student after filing your 2009 return.

Use the 2009 forms or worksheets to see if you will owe any of the taxes discussed above. Figure the tax based on your income and deductions during the period shown in the column headings. Multiply this amount by the annualization amount shown for each column on line 2 of the 2010 Annualized Estimated Tax Worksheet (Worksheet 2-7). Enter the result on line 13 of this worksheet.

**Line 15.** Include all the nonrefundable credits you expect to claim because of events that will occur during the period. If you are using your 2009 return as a guide and filed Form 1040, your 2009 refundable credits include lines 63 (making work pay credit only), 64a, 65, 66, 67, and 70 (boxes b, c, and d). If you filed Form 1040A, include the credits on lines 40 (making work pay credit only), 41a, 42, and 43. If you filed Form 1040EZ, include lines 8 and 9a.

**Note.** When figuring your refundable credits for each period, annualize any item of income or deduction used to figure each credit.

**Line 20.** Include all the refundable credits (other than withholding credits) you can claim because of events that occurred during the period. If you are using your 2009 return as a guide and filed Form 1040, your 2009 refundable credits include lines 63 (making work pay credit only), 64a, 65, 66, 67, and 70 (boxes b, c, and d). If you filed Form 1040A, include the credits on lines 40 (making work pay credit only), 41a, 42, and 43. If you filed Form 1040EZ, include lines 8 and 9a.

**Note.** When figuring your refundable credits for each period, annualize any item of income or deduction used to figure each credit.

**Line 25.** If line 28 is smaller than line 25 and you are not certain of the estimate of your 2010 tax, you can avoid a penalty by entering the amount from line 25 on line 29.

**Line 31.** For each period, include estimated tax payments made and any excess social security and railroad retirement tax.

Also include estimated federal income tax withholding. One-fourth of your estimated withholding is considered withheld on the due date of each payment period. To figure the amount to include on line 31 for each period, multiply your total expected withholding for 2010 by:

- 25% (.25) for the first period,
- 50% (.50) for the second period,
- 75% (.75) for the third period, and
- 100% (.00) for the fourth period.

However, you may choose to include your withholding according to the actual dates on which the amounts will be withheld. For each period, include withholding made from the beginning of the period up to and including the payment due date. You can make this choice separately for the taxes withheld from your wages and all other withholding. For an explanation of what to include in withholding, see Total Estimated Tax Payments Needed—Line 16a beginning on page 22.

**Nonresident aliens.** If you will file Form 1040NR and you do not receive wages as an employee subject to U.S. income tax withholding, the instructions for the worksheet are modified as follows.

1. Skip column (a).
2. On line 1, enter your income for the period that is effectively connected with a U.S. trade or business.
3. On line 21, increase your entry 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:
   - a. 72% for column (b).
   - b. 45% for column (c).
   - c. 30% for column (d).

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. On line 26, enter one-half of the amount from line 16c of the Form 1040-ES (NR) 2010 Estimated Tax Worksheet in column (b), and one-fourth in columns (c) and (d).
5. On lines 24 and 27, skip column (b).
6. On line 31, if you do not use the actual withholding method, include one-half of your total expected withholding in column (b) and one-fourth in columns (c) and (d).

See Publication 519 for more information.

**Estimated Tax Payments Not Required**

You do not have to pay estimated tax if your withholding in each payment period is at least as much as:

- One-fourth of your required annual payment, or
- Your required annualized income installment for that period.

You also do not have to pay estimated tax if you will pay enough through withholding to keep the amount you will owe with your return under $1,000.
### Note
For instructions, see *Annualized Income Installment Method* beginning on page 23.

### Section A (For Figuring Your Annualized Estimated Tax Worksheet)
Complete each column after end of period shown.

<table>
<thead>
<tr>
<th>Estates and trusts:</th>
<th>(a)</th>
<th>(b)</th>
<th>(c)</th>
<th>(d)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjusted gross income (AGI) for each period (see instructions). Estates and trusts, enter your taxable income without your exemption for each period. Self-employed: Complete Section B first.</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Annualization amounts. (Estates and trusts, see instructions)</td>
<td>2</td>
<td>4</td>
<td>2.4</td>
<td>1.5</td>
</tr>
<tr>
<td>Annualized income. Multiply line 1 by line 2</td>
<td>3</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>If you itemize, enter itemized deductions for period shown in the column headings (see instructions). All others, enter -0- and skip to line 7. Exception: Estates and trusts, skip to line 9 and enter amount from line 3.</td>
<td>4</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Annualization amounts</td>
<td>5</td>
<td>4</td>
<td>2.4</td>
<td>1.5</td>
</tr>
<tr>
<td>Multiply line 4 by line 5 (see instructions)</td>
<td>6</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Standard deduction from Worksheet 2-3</td>
<td>7</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Enter the larger of line 6 or line 7</td>
<td>8</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subtract line 8 from line 3</td>
<td>9</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>In each column, multiply $3,650 by your total expected number of exemptions (see instructions). (Estates and trusts, see instructions)</td>
<td>10</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subtract line 10 from line 9. If zero or less, enter -0-</td>
<td>11</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Figure your tax on the amount on line 11 (see instructions)</td>
<td>12</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>For each period, enter any tax from Forms 8814, 4972, and 6251 (or the Alternative Minimum Tax Worksheet in the Form 1040A instructions). Also include any recapture of education credits (see instructions)</td>
<td>13</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Add lines 12 and 13</td>
<td>14</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Enter nonrefundable credits for each period (see instructions)</td>
<td>15</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subtract line 15 from line 14</td>
<td>16</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Self-employment tax from line 41 of Section B</td>
<td>17</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Enter other taxes for each period (see instructions)</td>
<td>18</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total tax. Add lines 16, 17, and 18</td>
<td>19</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Enter refundable credits for each period (see instructions for type of credits allowed). Do not include any income tax withholding on this line</td>
<td>20</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subtract line 20 from line 19. If zero or less, enter -0-</td>
<td>21</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Applicable percentage</td>
<td>22</td>
<td>22.5%</td>
<td>45%</td>
<td>67.5%</td>
</tr>
<tr>
<td>Multiply line 21 by line 22</td>
<td>23</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Complete lines 24 through 29 of one column before going to line 24 of the next column.</td>
<td>24</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Enter the total of the amounts in all previous columns of line 29</td>
<td>25</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Annualized income installment. Subtract line 24 from line 23. If zero or less, enter -0-</td>
<td>26</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Enter 25% (.25) of the Form 1040-ES Estimated Tax Worksheet in each column</td>
<td>27</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subtract line 29 of the previous column from line 28 of that column</td>
<td>28</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Add lines 26 and 27</td>
<td>29</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Enter the smaller of line 25 or line 28 (see instructions)</td>
<td>30</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total required payments for the period. Add lines 24 and 29</td>
<td>31</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Estimated tax payments made (line 32 of all previous columns) plus tax withholding through the due date for the period (see instructions)</td>
<td>32</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Estimated tax payment required by the next due date. Subtract line 31 from line 30 and enter the result (but not less than zero) here and on your payment voucher</td>
<td>33</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
How To Pay Estimated Tax

There are five ways to pay estimated tax.

- **Credit an overpayment on your 2009 return** to your 2010 estimated tax.
- **Send in your payment (check or money order)** with a payment voucher from Form 1040-ES.
- **Pay electronically using the Electronic Federal Tax Payment System (EFTPS).**
- **Pay by electronic funds withdrawal (EFW)** if you are filing Form 1040 or Form 1040A electronically.
- **Pay by credit or debit card using a pay-by-phone system or the Internet.**

Credit an Overpayment

If you show an overpayment of tax after completing your Form 1040 or Form 1040A for 2009, you can apply part or all of it to your estimated tax for 2010. On line 74 of Form 1040, or line 47 of Form 1040A, enter the amount you want credited to your estimated tax rather than refunded. Take the amount you have credited into account when figuring your estimated tax payments. If you timely file your 2009 return, treat the credit as a payment made on April 15, 2010. If you are a beneficiary of an estate or trust, and the trustee elects to credit 2010 trust payments of estimated tax to you, you can treat the amount credited as paid by you on January 15, 2011.

If you choose to have an overpayment of tax credited to your estimated tax, you cannot have any of that amount refunded to you until you file your tax return for the following year. You also cannot use that overpayment in any other way.

**Example.** When Kathleen finished filling out her 2009 tax return, she saw that she had overpaid her taxes by $750. Kathleen knew she would owe additional tax in 2010. She credited $600 of the overpayment to her 2010 estimated tax and had the remaining $150 refunded to her.

In September, she amended her 2009 return by filing Form 1040X, Amended U.S. Individual Income Tax Return. It turned out that she owed $250 more in tax than she had thought. This reduced her 2009 overpayment from $750 to $500. Because the $750 had already been applied to her 2010 estimated tax or refunded to her, the IRS billed her for the additional $250 she owed, plus penalties and interest. Kathleen could not use any of the $600 she had credited to her 2010 estimated tax to pay this bill.

Pay by Check or Money Order Using the Estimated Tax Payment Voucher

Each payment of estimated tax by check or money order must be accompanied by a payment voucher from Form 1040-ES. If you made estimated tax payments last year and did not use a paid preparer to file your return, you should receive a copy of the 2010 Form 1040-ES in the mail. It will have payment vouchers preprinted with your name, address, and social security number. Using the preprinted vouchers will speed processing, reduce the chance of error, and help save processing costs.

Use the window envelopes that came with your Form 1040-ES package. If you use your own envelopes, make sure you mail your payment vouchers to the address shown in the Form 1040-ES instructions for the place where you live.

Do not use the address shown in the Form 1040 or Form 1040A instructions.

If you did not pay estimated tax last year, get a copy of Form 1040-ES from the IRS (see chapter 5). Follow the instructions in the package to make sure you use the vouchers correctly.

Joint estimated tax payments. If you file a joint return and are making joint estimated tax payments, enter the names and social security numbers on the payment voucher in the same order as they will appear on the joint return.

Change of address. You must notify the IRS if you are making estimated tax payments and you changed your address during the year. Send a clear and concise written statement to the Internal Revenue Service Center where you filed your last return and provide all of the following information.

- **Your full name** (and your spouse’s full name).
- **Your signature** (and spouse’s signature).
- **Your old address** (and spouse’s old address if different).
- **Your new address**.
- **Your social security number** (and spouse’s social security number).

You can use Form 8822, Change of Address, for this purpose.
Illustrated Examples

The following examples show how to figure estimated tax payments under the regular installment method and under the annualized income installment method.

Example 1—Regular Installment Method

Early in 2010, Anne and Larry Jones figure their estimated tax payments for the year. They expect to receive the following income during 2010.

- Larry’s salary: $39,900
- State tax refund (they itemized deductions in 2009): $600
- Anne’s net profit from self-employment: $40,100
- Net rental income: $6,205
- Making work pay credit: $800
- Withholding: $2,568

Total: $89,589

They also use the following expected items to figure their 2010 estimated tax.

Adjustment to income for IRA contributions: $1,000
Itemized deductions: $17,825
Deduction for exemptions ($3,650 x 2): $7,300
Making work pay credit: $800
Withholding: $2,568

Worksheet 2-2. 2010 Estimated Tax Worksheet—Lines 1 and 11

<table>
<thead>
<tr>
<th>Line</th>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1a.</td>
<td>Enter your expected income and profits subject to self-employment tax*</td>
<td>$40,100</td>
</tr>
<tr>
<td>1b.</td>
<td>If you will have farm income and also receive social security retirement or disability benefits, enter your expected Conservation Reserve Program payments that will be included on Schedule F (Form 1040) or listed on Schedule K-1 (Form 1066)</td>
<td></td>
</tr>
<tr>
<td>2.</td>
<td>Subtract line 1b from line 1a</td>
<td>$40,100</td>
</tr>
<tr>
<td>3.</td>
<td>Multiply line 2 by 92.35%</td>
<td>$3,702</td>
</tr>
<tr>
<td>4.</td>
<td>Multiply line 3 by 2.9% (.029)</td>
<td>$1,074</td>
</tr>
<tr>
<td>5.</td>
<td>Social security tax maximum income</td>
<td>$106,800</td>
</tr>
<tr>
<td>6.</td>
<td>Enter your expected wages (if subject to social security tax or the 6.2% portion of tier 1 railroad retirement tax)</td>
<td>$0</td>
</tr>
<tr>
<td>7.</td>
<td>Subtract line 6 from line 5</td>
<td>$106,800</td>
</tr>
<tr>
<td>8.</td>
<td>Note. If line 7 is zero or less, enter -0- on line 9 and skip to line 10. Enter the smaller of line 3 or line 7</td>
<td>$3,702</td>
</tr>
<tr>
<td>9.</td>
<td>Multiply line 8 by 12.4% (.124)</td>
<td>$4,592</td>
</tr>
<tr>
<td>10.</td>
<td>Add line 4 and line 9. Enter the result here and on line 11 of your 2010 Estimated Tax Worksheet (or line 16 of the Annualized ES Worksheet)</td>
<td>$5,686</td>
</tr>
<tr>
<td>11.</td>
<td>Multiply line 10 by 50% (.50). This is your expected deduction for one-half of your self-employment tax. Subtract this amount when figuring your expected AGI on line 1 of your 2010 Estimated Tax Worksheet (or Annualized Tax Worksheet 2-7)</td>
<td>$2,833</td>
</tr>
</tbody>
</table>

*Your net profit from self-employment is found on Schedule C, line 31; Schedule C-EZ, line 3; Schedule F, line 36, Schedule K-1 (Form 1065), box 14, code A; and Schedule K-1 (Form 1065-B), box 9, code J1.

Chapter 2  Estimated Tax for 2010  Page 27
The type and rule above prints on all proofs including departmental reproduction proofs. MUST be removed before printing.

First Period

On April 1, 2010, the Joneses complete the first column of the worksheet for the period January 1 through March 31. They had the following income for the period.

<table>
<thead>
<tr>
<th>Larry’s salary</th>
<th>$9,375</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anne’s net profit from self-employment</td>
<td>$3,000</td>
</tr>
<tr>
<td>Interest income</td>
<td>$1,695</td>
</tr>
<tr>
<td>Total</td>
<td>$14,271</td>
</tr>
</tbody>
</table>

They also take into account the following items for the period.

| Adjustment to income for IRA contributions | $150 |
| Itemized deductions | 2,375 |
| Making work pay credit | 800 |
| Withholding | 642 |

Annualized AGI. Before the Joneses figure their AGI for the period, they first figure Anne’s one-half of self-employment tax in Section B, and then adjust their income for self-employment tax.

| On line 33 of Section B, they enter $2,771, which is Anne’s net profit from self-employment for the period ($3,000 x .9235). The prorated social security tax limit is prepined on line 34. She has no social security wages, so they enter zero on line 35, and $26,700 on line 36. Anne’s annualized social security tax on line 38 is $1,374 ($2,771 x .496). Her annualized Medicare tax on line 40 is $321 ($2,771 x .116). Her annualized self-employment tax on line 41 is $1,695. They enter that amount on line 17 of Section A. They adjust their income by $4 and enter their annualized AGI, $55,636 on line 3. |

Annualized taxable income. The Joneses figure their annualized itemized deductions ($2,375 x 4) on lines 4 through 6 of Section A. Because the result is smaller than their standard deduction, they enter their $11,400 standard deduction on line 8. After subtracting that amount and their $7,300 deduction for exemptions, the Joneses’ annualized taxable income on line 11 is $36,936.

Annualized taxes and credits. The Joneses use the 2010 Tax Rate Schedule Y-1 on page 34 to figure their annualized income tax, $4,703, which they enter on line 12 of Section A.

They use their 2009 tax return to see what credits may be included on line 15. These are nonrefundable credits on lines 47 through 53 of Form 1040 or lines 29 through 33 if you file Form 1040A. They have no credits listed in this section of their tax return and do not think they will have any in 2010, so they leave line 15 blank.

They have no other taxes for the period that would be entered on line 18, so they enter blank. They receive $6,398 ($4,703 + $1,695) on line 19.

The Joneses figure their annualized refundable credits on line 20. Refundable credits are found on Form 1040, lines 63 (making work pay credit only), 64a, 65, 66, 67, and on Forms 4136, 8801, and 8885. They have $800 on line 63 and they anticipate no other credits. They enter $800 on line 20. After subtracting their making work pay credit from their total tax, the Joneses’ 2010 estimated tax for the period is $5,598 ($6,398 – $800). They enter $5,598 on line 21.

Required estimated tax payment. The Joneses’ annualized income installment on lines 23 and 25 of Section A is $618 ($5,598 x .225%). On lines 26 and 27 they enter $2,953, one-fourth of their $11,811 required annual payment (line 14c of their 2010 Estimated Tax Worksheet). Because their annualized income installment ($1,260) is smaller, they enter that amount on lines 29 and 30.

Larry’s total expected withholding for the year is $2,568. The Joneses complete the column for that period (from the beginning of the year through the end of that payment period) in the same way they did for the first period. They had the following income for each period.

<table>
<thead>
<tr>
<th>Second Period</th>
<th>Third Period</th>
<th>Fourth Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan. 1- May 31</td>
<td>May 31- Aug. 31</td>
<td>Aug. 31- Dec. 31</td>
</tr>
<tr>
<td>Larry’s salary</td>
<td>$16,625</td>
<td>$26,600</td>
</tr>
<tr>
<td>State tax refund</td>
<td>600</td>
<td>600</td>
</tr>
<tr>
<td>Anne’s net profit from self-employment</td>
<td>6,000</td>
<td>16,000</td>
</tr>
<tr>
<td>Net rental income</td>
<td>365</td>
<td>4,745</td>
</tr>
<tr>
<td>Interest income</td>
<td>1,163</td>
<td>1,856</td>
</tr>
<tr>
<td>Total</td>
<td><strong>$24,750</strong></td>
<td><strong>$60,401</strong></td>
</tr>
</tbody>
</table>

They also take into account the following items for each period.

| Adjustment to income for IRA contributions | $250 |
| Itemized deductions | 4,750 |
| Making work pay credit | 800 |
| Withholding | 1,070 |

For the second period, as for the first, the annualized income installment method allows the Joneses to pay less than their required payment under the regular installment method. They make up the difference in the third and fourth periods when their income is higher.

Because the Joneses are using the annualized income installment method, they must file Form 2210 with their tax return for 2010.
Figure 2-D. Regular Installment Method—Illustrated Example 1

(Anne and Larry Jones)

<table>
<thead>
<tr>
<th>2010 Estimated Tax Worksheet</th>
<th>Keep for Your Records</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Adjusted gross income you expect in 2010 (see instructions on page 6)</td>
<td>1 85,765</td>
</tr>
</tbody>
</table>
| 2 ● If you plan to itemize deductions, enter the estimated total of your itemized deductions.  
   ● If you do not plan to itemize deductions, enter your standard deduction from page 2. | 2 17,825 |
| 3 Subtract line 2 from line 1 | 3 67,931 |
| 4 Exemptions. Multiply $3,650 by the number of personal exemptions | 4 7,300 |
| 5 Subtract line 4 from line 3 | 5 60,631 |
| 6 Tax. Figure your tax on the amount on line 5 by using the 2010 Tax Rate Schedules on page 8.  
  Caution: If you will have qualified dividends or a net capital gain, or expect to exclude or deduct  
  foreign earned income or housing, see chapter 2 of Pub. 505 to figure the tax | 6 8,257 |
| 7 Alternative minimum tax from Form 6251 or the Alternative Minimum Tax Worksheet in the Form  
  1040A instructions | 7 |
| 8 Add lines 6 and 7. Add to this amount any other taxes you expect to include in the total on Form  
  1040, line 44, or Form 1040A, line 28 | 8 8,257 |
| 9 Credits (see instructions on page 6). Do not include any income tax withholding on this line | 9 |
| 10 Subtract line 9 from line 8. If zero or less, enter -0- | 10 8,257 |
| 11 Self-employment tax (see instructions on page 6). Estimate of 2010 net earnings from self-employment 5 110% | 11 5,686 |
| 12 Other taxes (see instructions on page 6) | 12 |
| 13a Add lines 10 through 12 | 13a 13,923 |
| b Earned income credit, additional child tax credit, making work pay credit, refundable education  
  credit, and refundable credits from Forms 4136, 5405, 8801, and 8885 | b 800 |
| c Total 2010 estimated tax. Subtract line 13b from line 13a. If zero or less, enter -0-. | c 13,123 |
| 14a Multiply line 13b by 90% (66 2/3% for farmers and fishermen) | 14a 11,681 |
| b Enter the tax shown on your 2009 tax return (see instructions on page 6). Enter 110% of that amount if you are not a farmer or fisherman and the adjusted gross income shown on that return is more than $50,000  
  or, if married filing separately for 2010, more than $75,000  
  or, if married filing jointly or as a surviving spouse for 2010, more than $100,000 | b 14b 14,347 |
| c Required annual payment to avoid a penalty. Enter the smaller of line 14a or 14b | c 14c 11,681 |
| Caution: Generally, if you do not pay at least the amount shown on line 14c, you owe a penalty for not paying enough estimated tax. To avoid a penalty, make sure your estimate on line 13c is as accurate as possible. Even if you pay the required annual payment, you may still owe tax when you file your return. If you prefer, you can pay the amount shown on line 13c. For details, see chapter 2 of Pub. 505. | Caution: Generally, if you do not pay at least the amount shown on line 14c, you owe a penalty for not paying enough estimated tax. To avoid a penalty, make sure your estimate on line 13c is as accurate as possible. Even if you pay the required annual payment, you may still owe tax when you file your return. If you prefer, you can pay the amount shown on line 13c. For details, see chapter 2 of Pub. 505. |
| 15 Income tax withheld and estimated to be withheld during 2010 (including income tax withholding on pensions, annuities, certain deferred income, etc.) | 15 2,568 |
| 16a Subtract line 15 from line 14c | 16a 9,243 |
| Is the result zero or less? | Is the result zero or less? |
| Yes. Stop here. You are not required to make estimated tax payments. | Yes. Stop here. You are not required to make estimated tax payments. |
| No. Go to line 16b. | No. Go to line 16b. |
| b Subtract line 15 from line 13c | b 16b 10,555 |
| Is the result less than $1,000? | Is the result less than $1,000? |
| Yes. Stop here. You are not required to make estimated tax payments. | Yes. Stop here. You are not required to make estimated tax payments. |
| No. Go to line 17 to figure your required payment. | No. Go to line 17 to figure your required payment. |
| 17 If the first payment you are required to make is due April 15, 2010, enter 1/4 of line 16a (minus any 2009 overpayment that you are applying to this installment) here, and on your estimated tax payment voucher(s) if you are paying by check or money order. (Note: Household employers, see instructions on page 6.) | 17 2,511 |
**Worksheet 2-7. 2010 Annualized Estimated Tax Worksheet**

**Note:** For instructions, see **Annualized Income Installment Method** beginning on page 23.

### Section A (For Figuring Your Annualized Estimated Tax Payments) — Complete each column after end of period shown.

<table>
<thead>
<tr>
<th>Estates and trusts: Use the following ending dates in columns (a) through (d): 2/28/2010, 4/30/2010, 7/31/2010, 11/30/2010.</th>
<th>1/1/10-3/31/10</th>
<th>1/1/10-5/31/10</th>
<th>1/1/10-8/31/10</th>
<th>1/1/10-12/31/10</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1</strong> Adjusted gross income (AGI) for each period (see instructions). Estates and trusts, enter your taxable income without your exemption for each period. Self-employed: Complete Section B first.</td>
<td>1</td>
<td>13,909</td>
<td>24,076</td>
<td>48,271</td>
</tr>
<tr>
<td><strong>2</strong> Annualization amounts. (Estates and trusts, see instructions).</td>
<td>2</td>
<td>4</td>
<td>2.4</td>
<td>1.5</td>
</tr>
<tr>
<td><strong>3</strong> Annualized income. Multiply line 1 by line 2</td>
<td>3</td>
<td>55,636</td>
<td>57.782</td>
<td>72,407</td>
</tr>
<tr>
<td><strong>4</strong> If you itemize, enter itemized deductions for period shown in the column headings (see instructions). All others, enter 0- and skip to line 7.</td>
<td>4</td>
<td>2,375</td>
<td>4,750</td>
<td>9,250</td>
</tr>
<tr>
<td><strong>5</strong> Annualization amounts.</td>
<td>5</td>
<td>4</td>
<td>2.4</td>
<td>1.5</td>
</tr>
<tr>
<td><strong>6</strong> Multiply line 4 by line 5 (see instructions)</td>
<td>6</td>
<td>9,500</td>
<td>11,400</td>
<td>13,875</td>
</tr>
<tr>
<td><strong>7</strong> Standard deduction from Worksheet 2-3</td>
<td>7</td>
<td>11,400</td>
<td>11,400</td>
<td>11,400</td>
</tr>
<tr>
<td><strong>8</strong> Enter the larger of line 6 or line 7</td>
<td>8</td>
<td>11,400</td>
<td>11,400</td>
<td>13,875</td>
</tr>
<tr>
<td><strong>9</strong> Subtract line 8 from line 3</td>
<td>9</td>
<td>44,236</td>
<td>46,382</td>
<td>58,532</td>
</tr>
<tr>
<td><strong>10</strong> In each column, multiply $3,650 by your total expected number of exemptions (see instructions). (Estates and trusts, see instructions)</td>
<td>10</td>
<td>7,300</td>
<td>7,300</td>
<td>7,300</td>
</tr>
<tr>
<td><strong>11</strong> Subtract line 10 from line 9. If zero or less, enter 0-</td>
<td>11</td>
<td>36,936</td>
<td>39,082</td>
<td>51,232</td>
</tr>
<tr>
<td><strong>12</strong> Figure your tax on the amount on line 11 (see instructions)</td>
<td>12</td>
<td>4,703</td>
<td>5,025</td>
<td>6,847</td>
</tr>
<tr>
<td><strong>13</strong> For each period, enter any tax from Forms 8814, 4972, and 6251 (or the Alternative Minimum Tax Worksheet in the Form 1040A instructions). Also include any recapture of education credits (see instructions).</td>
<td>13</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>14</strong> Add lines 12 and 13</td>
<td>14</td>
<td>4,703</td>
<td>5,025</td>
<td>6,847</td>
</tr>
<tr>
<td><strong>15</strong> Enter nonrefundable credits for each period (see instructions)</td>
<td>15</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td><strong>16</strong> Subtract line 15 from line 14</td>
<td>16</td>
<td>4,703</td>
<td>5,025</td>
<td>6,847</td>
</tr>
<tr>
<td><strong>17</strong> Self-employment tax from line 41 of Section B</td>
<td>17</td>
<td>1,695</td>
<td>2,035</td>
<td>3,391</td>
</tr>
<tr>
<td><strong>18</strong> Enter other taxes for each period (see instructions)</td>
<td>18</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>19</strong> Total tax. Add lines 16, 17, and 18</td>
<td>19</td>
<td>6,398</td>
<td>7,060</td>
<td>10,238</td>
</tr>
<tr>
<td><strong>20</strong> Enter refundable credits for each period (see instructions for type of credits allowed). Do not include any income tax withholding on this line</td>
<td>20</td>
<td>800</td>
<td>800</td>
<td>800</td>
</tr>
<tr>
<td><strong>21</strong> Subtract line 20 from line 19. If zero or less, enter 0-</td>
<td>21</td>
<td>5,598</td>
<td>6,260</td>
<td>9,438</td>
</tr>
<tr>
<td><strong>22</strong> Applicable percentage</td>
<td>22</td>
<td>22.5%</td>
<td>45%</td>
<td>67.5%</td>
</tr>
<tr>
<td><strong>23</strong> Multiply line 21 by line 22</td>
<td>23</td>
<td>1,260</td>
<td>2,817</td>
<td>6,371</td>
</tr>
<tr>
<td><strong>24</strong> Enter the total of the amounts in all previous columns of line 29</td>
<td>24</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>25</strong> Annualized income installment. Subtract line 24 from line 23. If zero or less, enter 0-</td>
<td>25</td>
<td>1,260</td>
<td>1,557</td>
<td>3,554</td>
</tr>
<tr>
<td><strong>26</strong> Enter 25% (.25) of line 14c of the Form 1040-ES Estimated Tax Worksheet in each column</td>
<td>26</td>
<td>2,953</td>
<td>2,953</td>
<td>2,953</td>
</tr>
<tr>
<td><strong>27</strong> Subtract line 26 of the previous column from line 28 of that column</td>
<td>27</td>
<td>1,693</td>
<td>3,089</td>
<td>2,488</td>
</tr>
<tr>
<td><strong>28</strong> Add lines 26 and 27</td>
<td>28</td>
<td>2,953</td>
<td>4,646</td>
<td>6,042</td>
</tr>
<tr>
<td><strong>29</strong> Enter the smaller of line 25 or line 28 (see instructions).</td>
<td>29</td>
<td>1,260</td>
<td>1,557</td>
<td>3,554</td>
</tr>
<tr>
<td><strong>30</strong> Total required payments for the period. Add lines 24 and 29</td>
<td>30</td>
<td>1,260</td>
<td>2,817</td>
<td>6,371</td>
</tr>
<tr>
<td><strong>31</strong> Estimated tax payments made (line 32 of all previous columns) plus tax withholding through the due date for the period (see instructions)</td>
<td>31</td>
<td>642</td>
<td>1,688</td>
<td>4,369</td>
</tr>
<tr>
<td><strong>32</strong> Estimated tax payment required by the next due date. Subtract line 31 from line 30 and enter the result (but not less than zero) here and on your payment voucher</td>
<td>32</td>
<td>618</td>
<td>1,129</td>
<td>2,912</td>
</tr>
</tbody>
</table>
Figure 2-E.  Annualized Income Installment Method—Illustrated Example 2 (Anne and Larry Jones)  (Continued)

Worksheet 2-7.  2010 Annualized Estimated Tax Worksheet  (Continued)

<table>
<thead>
<tr>
<th>Section B (For Figuring Your Annualized Estimated Self-Employment Tax)</th>
<th>(Form 1040 filers only)</th>
<th>(a) 1/1/10-3/31/10</th>
<th>(b) 1/1/10-5/31/10</th>
<th>(c) 1/1/10-8/31/10</th>
<th>(d) 1/1/10-12/31/10</th>
</tr>
</thead>
<tbody>
<tr>
<td>33 Net earnings from self-employment for the period (see instructions)</td>
<td>33</td>
<td>2,771</td>
<td>5,541</td>
<td>14,776</td>
<td>37,032</td>
</tr>
<tr>
<td>34 Prorated social security tax limit</td>
<td>34</td>
<td>$26,700</td>
<td>$44,500</td>
<td>$71,200</td>
<td>$106,800</td>
</tr>
<tr>
<td>35 Enter actual wages for the period subject to social security tax or the 6.2% portion of the 7.65% railroad retirement (tier 1) tax. Exception: If you file Form 4137 or Form 8919, see instructions</td>
<td>35</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>36 Subtract line 35 from line 34. If zero or less, enter -0-</td>
<td>36</td>
<td>26,700</td>
<td>44,500</td>
<td>71,200</td>
<td>106,800</td>
</tr>
<tr>
<td>37 Annualization amounts</td>
<td>37</td>
<td>0.490</td>
<td>0.2976</td>
<td>0.186</td>
<td>0.124</td>
</tr>
<tr>
<td>38 Multiply line 37 by the smaller of line 33 or line 36</td>
<td>38</td>
<td>1,374</td>
<td>1,649</td>
<td>2,748</td>
<td>4,592</td>
</tr>
<tr>
<td>39 Annualization amounts</td>
<td>39</td>
<td>0.116</td>
<td>0.0696</td>
<td>0.0435</td>
<td>0.029</td>
</tr>
<tr>
<td>40 Multiply line 33 by line 39</td>
<td>40</td>
<td>321</td>
<td>386</td>
<td>643</td>
<td>1,074</td>
</tr>
<tr>
<td>41 Add lines 38 and 40. Enter the result here and on line 17 of Section A</td>
<td>41</td>
<td>1,695</td>
<td>2,035</td>
<td>3,391</td>
<td>5,666</td>
</tr>
<tr>
<td>42 Annualization amounts</td>
<td>42</td>
<td>8</td>
<td>4.8</td>
<td>3</td>
<td>2</td>
</tr>
<tr>
<td>43 Deduction for one-half of self-employment tax. Divide line 41 by line 42. Enter the result here. Use this result to figure your AGI on line 1</td>
<td>43</td>
<td>212</td>
<td>424</td>
<td>1,130</td>
<td>2,833</td>
</tr>
</tbody>
</table>
Worksheets for Chapter 2

Table 2-2. Where To Find Worksheets

Use the following worksheets and tables to figure your correct estimated tax.

<table>
<thead>
<tr>
<th>IF you need...</th>
<th>THEN use...</th>
<th>ON page...</th>
</tr>
</thead>
<tbody>
<tr>
<td>the 2010 Estimated Tax Worksheet (ES Worksheet)</td>
<td>20, 33</td>
<td></td>
</tr>
<tr>
<td>2010 Tax Rate Schedules</td>
<td></td>
<td>34</td>
</tr>
<tr>
<td>to estimate your taxable social security and railroad retirement benefits—line 1 of ES Worksheet (or Annualized ES Worksheet (Worksheet 2-7))</td>
<td>Worksheet 2-1</td>
<td>35</td>
</tr>
<tr>
<td>to estimate your self-employment (SE) tax and your deduction for one-half of your SE tax—lines 1 and 11 of ES Worksheet (lines 1 and 17 of Annualized ES Worksheet (Worksheet 2-7))</td>
<td>Worksheet 2-2</td>
<td>36</td>
</tr>
<tr>
<td>to determine your standard deduction—line 2 of ES Worksheet (line 7 of Annualized ES Worksheet (Worksheet 2-7))</td>
<td>Worksheet 2-3</td>
<td>36</td>
</tr>
<tr>
<td>to estimate your income tax if line 1 of your ES Worksheet includes a net capital gain or qualified dividends—line 6 of ES Worksheet</td>
<td>Worksheet 2-4</td>
<td>37</td>
</tr>
<tr>
<td>to estimate your income tax if you expect to claim a foreign earned income exclusion or foreign housing exclusion or deduction on Form 2555 or Form 2555-EZ—line 6 of ES Worksheet</td>
<td>Worksheet 2-5</td>
<td>38</td>
</tr>
<tr>
<td>to estimate your making work pay credit—line 13b of ES Worksheet (line 20 of Annualized ES Worksheet (Worksheet 2-7))</td>
<td>Worksheet 2-6</td>
<td>39</td>
</tr>
<tr>
<td>the 2010 Annualized Estimated Tax Worksheet (Annualized ES Worksheet)</td>
<td>Worksheet 2-7</td>
<td>40–41</td>
</tr>
<tr>
<td>to estimate your income tax if line 1 of your Annualized ES Worksheet includes a net capital gain or qualified dividends—line 12 of Annualized ES Worksheet</td>
<td>Worksheet 2-8</td>
<td>42</td>
</tr>
<tr>
<td>to estimate your income tax if you expect to claim a foreign earned income exclusion or foreign housing exclusion or deduction on Form 2555 or Form 2555-EZ—line 12 of Annualized ES Worksheet</td>
<td>Worksheet 2-9</td>
<td>43</td>
</tr>
<tr>
<td>to refigure (amend) your estimated tax during the year</td>
<td>Worksheet 2-10</td>
<td>43</td>
</tr>
</tbody>
</table>
### 2010 ES Worksheet from the Instructions for 2010 Form 1040-ES

#### 2010 Estimated Tax Worksheet

*Keep for Your Records*

<table>
<thead>
<tr>
<th></th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td><strong>Adjusted gross income you expect in 2010</strong> (see instructions on page 6)</td>
</tr>
<tr>
<td>2</td>
<td>• If you plan to itemize deductions, enter the estimated total of your itemized deductions.</td>
</tr>
<tr>
<td>3</td>
<td>• If you do not plan to itemize deductions, enter your standard deduction from page 2.</td>
</tr>
<tr>
<td>4</td>
<td><strong>Exemptions. Multiply $3,650 by the number of personal exemptions</strong></td>
</tr>
<tr>
<td>5</td>
<td><strong>Subtract line 4 from line 3.</strong></td>
</tr>
<tr>
<td>6</td>
<td><strong>Tax. Figure your tax on the amount on line 5 by using the 2010 Tax Rate Schedules on page 8.</strong></td>
</tr>
<tr>
<td>7</td>
<td><strong>Caution:</strong> If you will have qualified dividends or a net capital gain, or expect to exclude or deduct foreign earned income or housing, see chapter 2 of Pub. 505 to figure the tax.</td>
</tr>
<tr>
<td>8</td>
<td><strong>Add lines 6 and 7. Add to this amount any other taxes you expect to include in the total on Form 1040, line 44, or Form 1040A, line 28.</strong></td>
</tr>
<tr>
<td>9</td>
<td><strong>Credits (see instructions on page 6). Do not include any income tax withholding on this line.</strong></td>
</tr>
<tr>
<td>10</td>
<td><strong>Subtract line 9 from line 8. If zero or less, enter -0-</strong></td>
</tr>
<tr>
<td>11</td>
<td><strong>Self-employment tax (see instructions on page 6). Estimate of 2010 net earnings from self-employment $ if $106,800 or less, multiply the amount by 15.3%; if more than $106,800, multiply the amount by 2.9%, add $13,243.20 to the result, and enter the total. Caution:</strong> If you also have wages subject to social security tax or the 6.2% portion of tier 1 Railroad Retirement tax, see chapter 2 of Pub. 505 to figure the amount to enter.</td>
</tr>
<tr>
<td>12</td>
<td><strong>Other taxes (see instructions on page 6).</strong></td>
</tr>
<tr>
<td>13</td>
<td><strong>b Earned income credit, additional child tax credit, making work pay credit, refundable education credit, and refundable credits from Forms 4136, 5405, 8801, and 8885.</strong></td>
</tr>
<tr>
<td>14</td>
<td><strong>Multiply line 13c by 90% (66 2/3 % for farmers and fishermen)</strong></td>
</tr>
<tr>
<td>15</td>
<td><strong>Income tax withheld and estimated to be withheld during 2010 (including income tax withholding on pensions, annuities, certain deferred income, etc.).</strong></td>
</tr>
<tr>
<td>16</td>
<td><strong>Subtract line 15 from line 14c.</strong></td>
</tr>
<tr>
<td>17</td>
<td><strong>16a Subtract line 15 from line 14c. Is the result zero or less?</strong></td>
</tr>
<tr>
<td></td>
<td>Yes. Stop here. You are not required to make estimated tax payments.</td>
</tr>
<tr>
<td></td>
<td>No. Go to line 16b.</td>
</tr>
<tr>
<td>18</td>
<td><strong>Subtract line 15 from line 13c.</strong></td>
</tr>
<tr>
<td>19</td>
<td><strong>Is the result less than $1,000?</strong></td>
</tr>
<tr>
<td></td>
<td>Yes. Stop here. You are not required to make estimated tax payments.</td>
</tr>
<tr>
<td></td>
<td>No. Go to line 17 to figure your required payment.</td>
</tr>
</tbody>
</table>

**If the first payment you are required to make is due April 15, 2010, enter ¼ of line 16a (minus any 2009 overpayment that you are applying to this installment) here, and on your estimated tax payment voucher(s) if you are paying by check or money order. (Note: Household employers, see instructions on page 6.)**
2010 Tax Rate Schedules

Caution. Do not use these Tax Rate Schedules to figure your 2009 taxes. Use them only to figure your 2010 estimated taxes.

<table>
<thead>
<tr>
<th>Schedule X—Use if your 2010 filing status is Single</th>
<th>Schedule Z—Use if your 2010 filing status is Head of household</th>
</tr>
</thead>
<tbody>
<tr>
<td>If line 5 is:</td>
<td>If line 5 is:</td>
</tr>
<tr>
<td>Over—</td>
<td>Over—</td>
</tr>
<tr>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>8,375</td>
<td>$11,950</td>
</tr>
<tr>
<td>34,000</td>
<td>45,550</td>
</tr>
<tr>
<td>82,400</td>
<td>117,650</td>
</tr>
<tr>
<td>171,850</td>
<td>190,550</td>
</tr>
<tr>
<td>373,650</td>
<td>373,650</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>The tax is: of the amount over—</th>
<th>The tax is: of the amount over—</th>
</tr>
</thead>
<tbody>
<tr>
<td>$8,375</td>
<td>$1,675.00 + 10%</td>
</tr>
<tr>
<td>$34,000</td>
<td>$8,375 + 15%</td>
</tr>
<tr>
<td>$82,400</td>
<td>$16,750 + 25%</td>
</tr>
<tr>
<td>$171,850</td>
<td>$34,000 + 25%</td>
</tr>
<tr>
<td>$373,650</td>
<td>$68,650 + 28%</td>
</tr>
</tbody>
</table>


<table>
<thead>
<tr>
<th>Schedule Y-1—Use if your 2010 filing status is Married filing jointly or Qualifying widow(er)</th>
<th>Schedule Y-2—Use if your 2010 filing status is Married filing separately</th>
</tr>
</thead>
<tbody>
<tr>
<td>If line 5 is:</td>
<td>If line 5 is:</td>
</tr>
<tr>
<td>Over—</td>
<td>Over—</td>
</tr>
<tr>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>16,750</td>
<td>8,375</td>
</tr>
<tr>
<td>68,000</td>
<td>34,000</td>
</tr>
<tr>
<td>137,300</td>
<td>68,650</td>
</tr>
<tr>
<td>209,250</td>
<td>104,625</td>
</tr>
<tr>
<td>373,650</td>
<td>186,825</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>The tax is: of the amount over—</th>
<th>The tax is: of the amount over—</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1,675.00 + 10%</td>
<td>$8,375 + 15%</td>
</tr>
<tr>
<td>$8,375 + 15%</td>
<td>$16,750</td>
</tr>
<tr>
<td>$34,000 + 25%</td>
<td>$68,650</td>
</tr>
<tr>
<td>$68,650 + 28%</td>
<td>$104,625</td>
</tr>
<tr>
<td>$104,625</td>
<td>$186,825</td>
</tr>
<tr>
<td>$104,625</td>
<td>$50,542.75 + 35%</td>
</tr>
<tr>
<td>$186,825</td>
<td>$137,300</td>
</tr>
<tr>
<td>$186,825</td>
<td>$373,650</td>
</tr>
</tbody>
</table>
Worksheet 2-1. 2010 Estimated Tax Worksheet—Line 1
Estimated Taxable Social Security and Railroad Retirement Benefits

Note. If you are using this worksheet to estimate your taxable social security or railroad retirement benefits for Worksheet 2-7, 2010 Annualized Estimated Tax Worksheet, multiply the expected amount of benefits for each period by the annualization amount on line 2 for the same period.

1. Enter your expected social security and railroad retirement benefits  
2. Enter one-half of line 1 ....................................................  
3. Enter your expected total income. Do not include any social security and railroad retirement benefits, nontaxable interest income, nontaxable IRA distributions, or nontaxable pension distributions ....................................................  
4. Enter your expected nontaxable interest income ...................................  
5. Enter the total of any exclusions or adjustments for:  
   • Qualified U.S. savings bond interest  
   • Adoption benefits  
   • Foreign earned income or housing  
   • Income by bona fide residents of American Samoa or Puerto Rico  
6. Add lines 2, 3, 4, and 5 ....................................................  
7. Enter your expected adjustments to income. Do not include any student loan interest deduction, tuition and fees deduction, or domestic production activities deduction ....................................................  
8. Subtract line 7 from line 6. If zero or less, stop here. Do not include any social security or railroad retirement benefits in the amount on line 1 of your 2010 Estimated Tax Worksheet (or Annualized ES Worksheet (Worksheet 2-7)) ....................................................  
9. Enter $9,000 ($12,000 if you expect to file married filing jointly; $0 if you expect to file married filing separately and expect to live with your spouse at any time during the year) ....................................................  
10. Subtract line 9 from line 8. If zero or less, stop here. Do not include any social security or railroad retirement benefits in the amount on line 1 of your 2010 Estimated Tax Worksheet (or Annualized ES Worksheet (Worksheet 2-7)) ....................................................  
11. Enter $9,000 ($12,000 if you expect to file married filing jointly; $0 if you expect to file married filing separately and expect to live with your spouse at any time during the year) ....................................................  
12. Subtract line 11 from line 10. If zero or less, enter -0- ..................................  
13. Enter the smaller of line 10 or line 11 ..................................  
14. Enter one-half of line 13 .....................................................  
15. Enter the smaller of line 2 or line 14 .....................................................  
16. Multiply line 12 by 85% (.85). If line 12 is zero, enter -0-  
17. Add lines 15 and 16 .....................................................  
18. Multiply line 1 by 85% (.85) .....................................................  
19. Expected taxable social security and railroad retirement benefits. Enter the smaller of line 17 or line 18. Include this amount in the total on line 1 of your 2010 Estimated Tax Worksheet (or Annualized Estimated Tax Worksheet (Worksheet 2-7)) .....................................................
Worksheet 2-2.  

**2010 Estimated Tax Worksheet—Lines 1 and 11**  
Estimated Self-Employment Tax and Deduction

1. a. Enter your expected income and profits subject to self-employment tax*  
   b. If you will have farm income and also receive social security retirement or disability benefits, enter your expected Conservation Reserve Program payments that will be included on Schedule F (Form 1040) or listed on Schedule K-1 (Form 1065)  

2. Subtract line 1b from line 1a  

3. Multiply line 2 by 92.35% (.9235)  

4. Multiply line 3 by 2.9% (.029)  

5. Social security tax maximum income  

6. Enter your expected wages (if subject to social security tax or the 6.2% portion of tier 1 railroad retirement tax)  

7. Subtract line 6 from line 5  

8. Enter the smaller of line 3 or line 7  

9. Multiply line 8 by 12.4% (.124)  

10. Add line 4 and line 9. Enter the result here and on line 11 of your 2010 Estimated Tax Worksheet (or line 17 of the Annualized ES Worksheet (Worksheet 2-7))  

11. Multiply line 10 by 50% (.50). This is your expected deduction for one-half of your self-employment tax. Subtract this amount when figuring your expected AGI on line 1 of your 2010 Estimated Tax Worksheet (or Annualized Estimated Tax Worksheet (Worksheet 2-7)).  

*Your net profit from self-employment is found on Schedule C, line 31; Schedule C-EZ, line 3; Schedule F, line 36; Schedule K-1 (Form 1065), box 14, code A; and Schedule K-1 (Form 1065-B), box 9, code J1.

---

Worksheet 2-3.  

**2010 Estimated Tax Worksheet—Line 2**  
Standard Deduction Worksheet

Caution. Do not complete this worksheet if you expect your spouse to itemize on a separate return or you expect to be a dual-status alien.  

1. Enter the amount shown below for your filing status.  
   - Single or married filing separately—$5,700  
   - Married filing jointly or Qualifying widow(er)—$11,400  
   - Head of household—$8,400  

2. Can you (or your spouse if filing jointly) be claimed as a dependent on someone else’s return?  
   - No.   
   - Yes. Go to line 3.  

3. Is your earned income* more than $650?  
   - No. Enter $950.  
   - Yes. Add $300 to your earned income. Enter the total.  

4. Enter the smaller of line 1 or line 3  

5. Were you (or your spouse if filing jointly) born before January 2, 1946, or blind?  
   - No. Go to line 6.  
   - Yes. Check if:  
     - a. You were Born before January 2, 1946  
     - b. Your spouse was Born before January 2, 1946  
     - c. Total boxes checked in 5a and 5b  

6. Standard deduction. Add lines 4 and 5. Enter the result here and on line 2 of your 2010 Estimated Tax Worksheet (or line 7 of your 2010 Annualized Estimated Tax Worksheet (Worksheet 2-7)).

* Earned income includes wages, salaries, tips, professional fees, and other compensation received for personal services you performed. It also includes any amount received as a scholarship that you must include in your income. Reduce it by one-half of your self-employment tax.
Worksheet 2-4. 2010 Estimated Tax Worksheet—Line 6
Qualified Dividends and Capital Gain Tax Worksheet

1. Enter the amount from the appropriate worksheet.
   • Line 5 of your 2010 Estimated Tax Worksheet
   • Line 3 of Worksheet 2-5 (use if you will exclude or deduct foreign earned income or housing) ................................................................. 1. 

2. Enter your qualified dividends expected for 2010\(^1\) 2. 

3. Enter the net capital gain expected for 2010\(^1\) 3. 

4. Add lines 2 and 3 4. 

5. Enter your 28% rate gain or loss expected for 2010\(^2\) 5. 

6. Enter the unrecaptured section 1250 gain expected for 2010 6. 

7. Add lines 5 and 6 7. 

8. Enter the smaller of line 3 or line 7 8. 

9. Subtract line 8 from line 4 9. 

10. Subtract line 9 from line 1. If zero or less, enter -0- 10. 

11. Enter the smaller of line 1 or $68,000 ($34,000 if single or married filing separately, or $45,550 if head of household) 11. 

12. Enter the smaller of line 10 or line 11 12. 

13. Subtract line 4 from line 1. If zero or less, enter -0- 13. 

14. Enter the larger of line 12 or line 13 14. 

15. Subtract line 12 from line 11 15. 

Note. If line 11 and line 12 are the same, skip line 15 and go to line 16. 

16. Enter the smaller of line 1 or line 9 16. 

17. Enter the amount from line 15. If line 15 is blank, enter -0- 17. 

18. Subtract line 17 from line 16. If zero or less, enter -0- 18. 

19. Multiply line 18 by 15% (.15) 19. 

Note. If line 6 is zero or blank, skip lines 20 through 25 and go to line 26. 

20. Enter the smaller of line 3 or line 6 20. 


22. Enter the amount from line 1 above 22. 

23. Subtract line 22 from line 21. If zero or less, enter -0- 23. 

24. Subtract line 23 from line 20. If zero or less, enter -0- 24. 


Note. If line 5 is zero or blank, skip lines 26 through 28 and go to line 29. 


27. Subtract line 26 from line 1 27. 


29. Figure the tax on the amount on line 14 from the 2010 Tax Rate Schedules 29. 


31. Figure the tax on the amount on line 1 from the 2010 Tax Rate Schedules 31. 

32. Tax on all taxable income (including capital gains and qualified dividends). Enter the smaller of line 30 or line 31 here and on line 6 of the 2010 Estimated Tax Worksheet (or line 4 of Worksheet 2-5) 32. 

---

\(^1\) If you expect to deduct investment interest expense, do not include on this line any qualified dividends or net capital gain that you will elect to treat as investment income.

\(^2\) This includes a section 1202 exclusion from eligible gain on qualified small business stock and gain or loss from the sale or exchange of collectibles. See the instructions for Schedule D (Form 1040) for more information.
Worksheet 2-5. 2010 Estimated Tax Worksheet—Line 6
Foreign Earned Income Tax Worksheet

**Before you begin:** If line 5 of your 2010 Estimated Tax Worksheet is zero, do not complete this worksheet.

<table>
<thead>
<tr>
<th>Step</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Enter the amount from line 5 of your 2010 Estimated Tax Worksheet</td>
</tr>
<tr>
<td>2.</td>
<td>Enter the total foreign earned income and housing amount you (and your spouse if filing jointly) expect to exclude or deduct in 2010 on Form 2555 or Form 2555-EZ</td>
</tr>
<tr>
<td>3.</td>
<td>Add lines 1 and 2</td>
</tr>
<tr>
<td>4.</td>
<td>Tax on the amount on line 3. Use the 2010 Tax Rate Schedules or Worksheet 2-4,* as appropriate</td>
</tr>
<tr>
<td>5.</td>
<td>Tax on the amount on line 2. Use the 2010 Tax Rate Schedules</td>
</tr>
<tr>
<td>6.</td>
<td>Subtract line 5 from line 4. Enter the result here and on line 6 of your 2010 Estimated Tax Worksheet. If zero or less, enter -0-</td>
</tr>
</tbody>
</table>

*If using Worksheet 2-4 (Qualified Dividends and Capital Gain Tax Worksheet), enter the amount from line 3 above on line 1 of Worksheet 2-4. Complete Worksheet 2-4 through line 9. Next, determine if you have a capital gain excess.

**Figuring capital gain excess.** To find out if you have a capital gain excess, subtract line 5 of your 2010 Estimated Tax Worksheet from line 9 of Worksheet 2-4. If the result is more than zero, that amount is your capital gain excess.

**No capital gain excess.** If you do not have a capital gain excess, complete the rest of Worksheet 2-4 according to its instructions. Then complete lines 5 and 6 above.

**Capital gain excess.** If you have a capital gain excess, complete a second Worksheet 2-4 as instructed above but in its entirety and with the following additional modifications. Then complete lines 5 and 6 above.

Make these modifications only for purposes of filling out Worksheet 2-5 above.

a. Reduce (but not below zero) the amount you otherwise would enter on line 3 of Worksheet 2-4 by your capital gain excess.
b. Reduce (but not below zero) the amount you otherwise would enter on line 2 of Worksheet 2-4 by any of your capital gain excess not used in (a) above.
c. Reduce (but not below zero) the amount you otherwise would enter on line 5 of Worksheet 2-4 by your capital gain excess.
d. Reduce (but not below zero) the amount you otherwise would enter on line 6 of Worksheet 2-4 by your capital gain excess.
Worksheet 2-6.  

2010 Estimated Tax Worksheet—Line 13b
Making Work Pay Credit Worksheet

Caution. You do not qualify for this credit for 2010 if someone else will be able to claim you as a dependent or if you expect to file Form 1040NR.

Note. If you are using this worksheet to estimate your making work pay credit for Worksheet 2-7 (2010 Annualized Estimated Tax Worksheet), annualize your entries for lines 1 and 6 below by multiplying the amount for each period by the annualization amount on line 2 for the same period.

1a. Important: Check the “No” box below and see the 2009 Schedule M (Form 1040A or 1040) instructions if (a) you expect to have a net loss from a business, (b) you expect to receive a taxable scholarship or fellowship grant not reported on a Form W-2, (c) you expect your wages to include pay for work performed while an inmate in a penal institution, (d) you expect to receive a pension or annuity from a nonqualified deferred compensation plan or a nongovernmental section 457 plan, or (e) you expect to file Form 2555 or 2555-EZ.

Do you (and your spouse if filing jointly) expect to have 2010 wages of more than $6,451 ($12,903 if married filing jointly)?
☐ Yes, Skip lines 1a through 3. Enter $400 ($800 if married filing jointly) on line 4 and go to line 5.
☐ No. Enter your earned income* .............................................. .

1b. Nontaxable combat pay included on line 1a ........................ .

2. Multiply line 1a by 6.2% (.062) .................................................. .

3. Enter $400 ($800 if married filing jointly) .............................. .

4. Enter the smaller of line 2 or line 3 (unless you checked “Yes” on line 1a) ............. .

5. Enter the amount from line 1 of your 2010 Estimated Tax Worksheet ........ .

6. Enter $75,000 ($150,000 if married filing jointly) ..................... .

7. Is the amount on line 5 more than the amount on line 6?
☐ Yes. Subtract line 6 from line 5 .............................................. .
☐ No, Skip line 8. Enter the amount from line 4 on line 9 below.

8. Multiply line 7 by 2% (.02) ..................................................... .

9. Subtract line 8 from line 4. If zero or less, enter -0- .......................... .

10. Do you (or your spouse, if filing jointly) expect to receive an economic recovery payment in 2010? You may receive this payment in 2010 if you did not receive it in 2009, but you did receive social security benefits, supplemental social security income, railroad retirement benefits, or veteran’s disability compensation or pension benefits in November or December 2008 or January 2009?
☐ Yes. Enter the total of payments you (and your spouse, if filing jointly) expect to receive in 2010. Do not enter more than $250 ($500 if married filing jointly) .......................... .
☐ No, Enter -0- on line 10 and go to line 11.

11. Making work pay credit. Subtract line 10 from line 9. Enter the result here and include in the total on line 13b of your 2010 Estimated Tax Worksheet (or line 18 of your Annualized Estimated Tax Worksheet (Worksheet 2-7) .............................................. .

*Earned income includes wages, salaries, tips, professional fees, and other compensation received for personal services you performed. It also includes any amount received as a scholarship that you must include in your income and any nontaxable combat pay that you will include in your earned income for this purpose. If you will be self-employed, subtract the amount from Worksheet 2-2, line 11, to figure your earned income.
Worksheet 2-7.  2010 Annualized Estimated Tax Worksheet

Note. For instructions, see Annualized Income Installment Method beginning on page 23.

Section A (For Figuring Your Annualized Estimated Tax Payments) — Complete each column after end of period shown.

<table>
<thead>
<tr>
<th>Estates and trusts: Use the following ending dates in columns (a) through (d):</th>
<th>(a)</th>
<th>(b)</th>
<th>(c)</th>
<th>(d)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2/28/2010, 4/30/2010,</td>
<td>1/1/10-3/31/10</td>
<td>1/1/10-5/31/10</td>
<td>1/1/10-8/31/10</td>
<td>1/1/10-12/31/10</td>
</tr>
<tr>
<td>Adjusted gross income (AGI) for each period (see instructions). Estates and trusts, enter your taxable income without your exemption for each period. Self-employed: Complete Section B first.</td>
<td>1</td>
<td>4</td>
<td>2.4</td>
<td>1.5</td>
</tr>
<tr>
<td>2 Annualization amounts. (Estates and trusts, see instructions)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3 Annualized income. Multiply line 1 by line 2</td>
<td>3</td>
<td>4</td>
<td>2.4</td>
<td>1.5</td>
</tr>
<tr>
<td>4 If you itemize, enter itemized deductions for period shown in the column headings (see instructions). All others, enter -0- and skip to line 7. Exception: Estates and trusts, skip to line 9 and enter amount from line 3</td>
<td>4</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5 Annualization amounts</td>
<td>4</td>
<td>2.4</td>
<td>1.5</td>
<td>1</td>
</tr>
<tr>
<td>6 Multiply line 4 by line 5 (see instructions)</td>
<td>6</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7 Standard deduction from Worksheet 2-3</td>
<td>7</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8 Enter the larger of line 6 or line 7</td>
<td>8</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9 Subtract line 8 from line 3</td>
<td>9</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10 In each column, multiply $3,650 by your total expected number of exemptions (see instructions). Estates and trusts, see instructions)</td>
<td>10</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11 Subtract line 10 from line 9. If zero or less, enter -0-</td>
<td>11</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12 Figure your tax on the amount on line 11 (see instructions)</td>
<td>12</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>13 For each period, enter any tax from Forms 8814, 4972, and 6251 (or the Alternative Minimum Tax Worksheet in the Form 1040A instructions). Also include any recapture of education credits (see instructions)</td>
<td>13</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>14 Add lines 12 and 13</td>
<td>14</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>15 Enter nonrefundable credits for each period (see instructions)</td>
<td>15</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>16 Subtract line 15 from line 14</td>
<td>16</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>17 Self-employment tax from line 41 of Section B</td>
<td>17</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>18 Enter other taxes for each period (see instructions)</td>
<td>18</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>19 Total tax. Add lines 16, 17, and 18</td>
<td>18</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>20 Enter refundable credits for each period (see instructions for type of credits allowed). Do not include any income tax withholding on this line</td>
<td>20</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>21 Subtract line 20 from line 19. If zero or less, enter -0-</td>
<td>21</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>22 Applicable percentage</td>
<td>22</td>
<td>22.5%</td>
<td>45%</td>
<td>67.5%</td>
</tr>
<tr>
<td>23 Multiply line 21 by line 22</td>
<td>23</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Complete lines 24 through 29 of one column before going to line 24 of the next column.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>24 Enter the total of the amounts in all previous columns of line 29</td>
<td>24</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>25 Annualized income installment. Subtract line 24 from line 23. If zero or less, enter -0-</td>
<td>25</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>26 Enter 25% (.25) of line 14c of the Form 1040-ES Estimated Tax Worksheet in each column</td>
<td>26</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>27 Subtract line 29 of the previous column from line 28 of that column</td>
<td>27</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>28 Add lines 26 and 27</td>
<td>28</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>29 Enter the smaller of line 25 or line 26 (see instructions)</td>
<td>29</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>30 Total required payments for the period. Add lines 24 and 29</td>
<td>30</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>31 Estimated tax payments made (line 32 of all previous columns) plus tax withholding through the due date for the period (see instructions)</td>
<td>31</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>32 Estimated tax payment required by the next due date. Subtract line 31 from line 30 and enter the result (but not less than zero) here and on your payment voucher</td>
<td>32</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Worksheet 2-7. **2010 Annualized Estimated Worksheet** (Continued)

Section B (For Figuring Your Annualized Estimated Self-Employment Tax) — Complete each column after end of period shown.

<table>
<thead>
<tr>
<th>(Form 1040 filers only)</th>
<th>(a) 1/1/10-3/31/10</th>
<th>(b) 1/1/10-5/31/10</th>
<th>(c) 1/1/10-8/31/10</th>
<th>(d) 1/1/10-12/31/10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net earnings from self-employment for the period (see instructions)</td>
<td>33</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prorated social security tax limit</td>
<td>34</td>
<td>$26,700</td>
<td>$44,500</td>
<td>$71,200</td>
</tr>
<tr>
<td>Enter actual wages for the period subject to social security tax or the 6.2% portion of the 7.65% railroad retirement (tier 1) tax. Exception: If you file Form 4137 or Form 8919, see instructions.</td>
<td>35</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subtract line 35 from line 34. If zero or less, enter -0-.</td>
<td>36</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Annualization amounts</td>
<td>37</td>
<td>0.496</td>
<td>0.2976</td>
<td>0.186</td>
</tr>
<tr>
<td>Multiply line 37 by the smaller of line 33 or line 36</td>
<td>38</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Annualization amounts</td>
<td>39</td>
<td>0.116</td>
<td>0.0696</td>
<td>0.0435</td>
</tr>
<tr>
<td>Multiply line 33 by line 39</td>
<td>40</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Add lines 38 and 40. Enter the result here and on line 17 of Section A</td>
<td>41</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Annualization amounts</td>
<td>42</td>
<td>8</td>
<td>4.8</td>
<td>3</td>
</tr>
<tr>
<td>Deduction for one-half of self-employment tax. Divide line 41 by line 42. Enter the result here. Use this result to figure your AGI on line 1.</td>
<td>43</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Worksheet 2-8.  2010 Annualized Estimated Tax Worksheet—Line 12
Qualified Dividends and Capital Gain Tax Worksheet

<table>
<thead>
<tr>
<th>Note.</th>
<th>To figure the annualized entries for lines 2, 3, 5, and 6 below, multiply the expected amount for the period by the annualization amount on line 2 of Worksheet 2-7 for the same period.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Enter the amount from the appropriate worksheet.</td>
</tr>
<tr>
<td></td>
<td>• Line 11 of your 2010 Annualized Estimated Tax Worksheet (Worksheet 2-7)</td>
</tr>
<tr>
<td></td>
<td>• Line 3 of Worksheet 2-9 (use if you will exclude or deduct foreign earned income or housing)</td>
</tr>
</tbody>
</table>
|       | 1.  
| 2.    | Enter your annualized qualified dividends expected for 2010                                     |
|       | 2.  
| 3.    | Enter the annualized net capital gain expected for 2010                                         |
|       | 3.  
| 4.    | Add lines 2 and 3                                                                                  |
|       | 4.  
| 5.    | Enter your annualized 28% rate gain or loss expected for 2010                                     |
|       | 5.  
| 6.    | Enter the annualized unrecaptured section 1250 gain expected for 2010                           |
|       | 6.  
| 7.    | Add lines 5 and 6                                                                                 |
|       | 7.  
| 8.    | Enter the smaller of line 3 or line 7                                                            |
|       | 8.  
| 9.    | Subtract line 8 from line 4                                                                      |
|       | 9.  
| 10.   | Subtract line 9 from line 1. If zero or less, enter -0-                                         |
|       | 10. 
| 11.   | Enter the smaller of line 1 or $68,000 ($34,000 if single or married filing separately, or $45,550 if head of household) |
|       | 11. 
| 12.   | Subtract line 4 from line 1. If zero or less, enter -0-                                         |
|       | 12. 
| 13.   | Subtract the larger of line 12 or line 13                                                        |
|       | 13. 
| 14.   | Enter the smaller of line 12 or line 13                                                           |
|       | 14. 
| 15.   | Subtract line 12 from line 11                                                                    |
|       | 15. 
| 16.   | Enter the smaller of line 1 or line 9                                                             |
|       | 16. 
| 17.   | Enter the amount from line 15. If line 15 is blank, enter -0-                                    |
|       | 17. 
| 18.   | Subtract line 17 from line 16. If zero or less, enter -0-                                       |
|       | 18. 
| 19.   | Multiply line 18 by 15% (15)                                                                      |
|       | 19. 
| 20.   | Enter the smaller of line 3 or line 6                                                             |
|       | 20. 
| 21.   | Add lines 4 and 14                                                                               |
|       | 21. 
| 22.   | Enter the amount from line 1 above                                                                 |
|       | 22. 
| 23.   | Subtract line 22 from line 21. If zero or less, enter -0-                                       |
|       | 23. 
| 24.   | Subtract line 23 from line 20. If zero or less, enter -0-                                       |
|       | 24. 
| 25.   | Multiply line 24 by 25% (25)                                                                     |
|       | 25. 
| 26.   | Add lines 14, 15, 18, and 24                                                                     |
|       | 26. 
| 27.   | Subtract line 26 from line 1                                                                     |
|       | 27. 
| 28.   | Multiply line 27 by 28% (28)                                                                     |
|       | 28. 
| 29.   | Figure the tax on the amount on line 14 from the 2010 Tax Rate Schedules                          |
|       | 29. 
| 30.   | Add lines 19, 25, 28, and 29                                                                     |
|       | 30. 
| 31.   | Figure the tax on the amount on line 1 from the 2010 Tax Rate Schedules                          |
|       | 31. 
| 32.   | Tax on all taxable income (including capital gains and qualified dividends). Enter the smaller of line 30 or line 31 here and on line 12 of the appropriate column of the 2010 Annualized Estimated Tax Worksheet (or line 4 of Worksheet 2-9) |
|       | 32. 

1 If you expect to deduct investment interest expense, do not include on this line any qualified dividends or net capital gain that you will elect to treat as investment income.

2 This includes a section 1202 exclusion from eligible gain on qualified small business stock and gain or loss from the sale or exchange of collectibles. See the instructions for Schedule D (Form 1040) for more information.
Worksheet 2-9. 2010 Annualized Estimated Tax Worksheet—Line 12
Foreign Earned Income Tax Worksheet

**Before you begin:** If line 11 of Worksheet 2-7 (2010 Annualized Estimated Tax Worksheet) is zero for the period, do not complete this worksheet.

<table>
<thead>
<tr>
<th>Step</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Enter the amount from line 11 of your 2010 Annualized Estimated Tax Worksheet for the period.</td>
</tr>
<tr>
<td>2.</td>
<td>Enter the annualized amount* of foreign earned income and housing amount you (and your spouse if filing jointly) expect to exclude or deduct for the period on Form 2555 or Form 2555-EZ.</td>
</tr>
<tr>
<td>3.</td>
<td>Add lines 1 and 2.</td>
</tr>
<tr>
<td>4.</td>
<td>Tax on the amount on line 3. Use the 2010 Tax Rate Schedules or Worksheet 2-8,** as appropriate.</td>
</tr>
<tr>
<td>5.</td>
<td>Tax on the amount on line 2. Use the 2010 Tax Rate Schedules.</td>
</tr>
<tr>
<td>6.</td>
<td>Subtract line 5 from line 4. Enter the result here and on line 12 of your 2010 Annualized Estimated Tax Worksheet (Worksheet 2-7). If zero or less, enter -0-.</td>
</tr>
</tbody>
</table>

*To figure the annualized amount for line 2, multiply the expected exclusion for the period by the annualization amount on line 2 of Worksheet 2-7 for the same period.

**If using Worksheet 2-8 (Qualified Dividends and Capital Gain Tax Worksheet), enter the amount from line 3 above on line 1 of Worksheet 2-8. Complete Worksheet 2-8 through line 9. Next, determine if you have a capital gain excess.

Figuring capital gain excess. To find out if you have a capital gain excess for the appropriate period, subtract line 11 of Worksheet 2-7 from line 9 of Worksheet 2-8. If the result is more than zero, that amount is your capital gain excess.

No capital gain excess. If you do not have a capital gain excess, complete the rest of Worksheet 2-8 according to its instructions. Then complete lines 5 and 6 above.

Capital gain excess. If you have a capital gain excess, complete a second Worksheet 2-8 as instructed above but in its entirety and with the following additional modifications. Then complete lines 5 and 6 above.

Make these modifications only for purposes of filling out Worksheet 2-9 above.

- a. Reduce (but not below zero) the amount you otherwise would enter on line 3 of Worksheet 2-8 by your capital gain excess.
- b. Reduce (but not below zero) the amount you otherwise would enter on line 2 of Worksheet 2-8 by any of your capital gain excess not used in (a) above.
- c. Reduce (but not below zero) the amount you otherwise would enter on line 5 of Worksheet 2-8 by your capital gain excess.
- d. Reduce (but not below zero) the amount you otherwise would enter on line 6 of Worksheet 2-8 by your capital gain excess.

Worksheet 2-10. Amended Estimated Tax Worksheet

<table>
<thead>
<tr>
<th>Step</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Amended total estimated tax due.</td>
</tr>
<tr>
<td>2.</td>
<td>Multiply line 1 by: 50% (.50) if next payment is due June 15, 2010 75% (.75) if next payment is due September 15, 2010 100% (1.00) if next payment is due January 18, 2011.</td>
</tr>
<tr>
<td>3.</td>
<td>Estimated tax payments made for all previous periods.</td>
</tr>
<tr>
<td>4.</td>
<td>Next required payment: Subtract line 3 from line 2 and enter the result (but not less than zero) here and on your payment voucher for your next required payment. Note. If the payment on line 4 is due January 18, 2011, stop here. Otherwise, go to line 5.</td>
</tr>
<tr>
<td>5.</td>
<td>Add lines 3 and 4.</td>
</tr>
<tr>
<td>6.</td>
<td>Subtract line 5 from line 1 and enter the result (but not less than zero).</td>
</tr>
<tr>
<td>7.</td>
<td>Each following required payment: If the payment on line 4 is due June 8, 2010, enter one-half of the amount on line 6 here and on the payment vouchers for your payments due September 15, 2010, and January 18, 2011. If the amount on line 4 is due September 15, 2010, enter the full amount on line 6 here and on the payment voucher for your payment due January 18, 2011.</td>
</tr>
</tbody>
</table>
Credit for Withholding and Estimated Tax for 2009

What’s New

Excess social security or railroad retirement tax withholding. You can claim a credit for excess social security or railroad retirement tax withholding for 2009 only if your total wages from two or more employers were more than $106,800.

Introduction

When you file your 2009 income tax return, take credit for all the income tax and excess social security or railroad retirement tax withheld from your salary, wages, pensions, etc. Also take credits for the estimated tax you paid for 2009. These credits are subtracted from your tax. Because these credits are refundable, you should file a return and claim these credits, even if you do not owe tax.

If the total of your withholding and your estimated tax payments for any payment period is less than the amount you needed to pay by the due date for that period, you may be charged a penalty, even if the total of these credits is more than your tax for the year.

Topics

This chapter discusses:

• How to take credit for withholding.
• How to take credit for estimated taxes you paid, and
• How to take credit for excess social security or railroad retirement tax withholding.

Withholding

If you had income tax withheld during 2009, you generally should be sent a statement by February 1, 2010, showing your income and the tax withheld. Depending on the source of your income, you will receive:

• Form W-2, Wage and Tax Statement,
• Form W-2G, Certain Gambling Winnings, or
• A form in the 1099 series.

Form W-2

Your employer is required to provide or send Form W-2 to you no later than February 1, 2010. You should receive a separate Form W-2 from each employer you worked for.

If you stopped working before the end of 2009, your employer could have given you your Form W-2 at any time after you stopped working. However, your employer must provide or send it to you by February 1, 2010.

If you ask for the form, your employer must send it to you within 30 days after receiving your written request or within 30 days after your final wage payment, whichever is later.

If you have not received your Form W-2 by February 1, contact your employer or payer to request a copy. If you still do not get the form by February 16, the IRS can help you by requesting the form from your employer. The phone number for the IRS is listed in chapter 5. You will be asked for the following information:

• Your name, address, city and state, zip code, and social security number.
• Your employer’s name, address, city, state, zip code, and the employer’s identification number (if known).
• An estimate of the wages you earned, the federal income tax withheld, and the period you worked for that employer.
• The estimated amount withheld should be based on year-to-date information from your final pay stub or leave-and-earnings statement, if possible.

Form W-2 shows your total pay and other compensation and the income tax, social security tax, and Medicare tax that was withheld during the year. Add the federal income tax withheld shown in box 2 of all Forms W-2 received and include that total on:

• Line 61, if you file Form 1040;
• Line 38, if you file Form 1040A; or
• Line 7, if you file Form 1040EZ.

In addition, Form W-2 is used to report any taxable sick pay you received and any income tax withheld from your sick pay. Your sick pay may be combined with other wages in one Form W-2 or you may receive a separate Form W-2 for sick pay.

Always file Form W-2 with your income tax return.

Form W-2G

If you had gambling winnings in 2009, you may have withheld income tax. If tax was withheld, the payer will give you a Form W-2G showing the amount you won and the amount of tax withheld.

Report the amounts you won on line 21 of Form 1040. Take credit for the tax withheld on line 61 of Form 1040. If you had gambling winnings, you must use Form 1040; you cannot use Form 1040A or Form 1040EZ.

Gambling losses can be deducted on Schedule A (Form 1040) as a miscellaneous itemized deduction on line 28. However, you cannot deduct more than the gambling winnings you report on Form 1040, line 21.

File Form W-2G with your income tax return only if it shows any federal income tax withheld in box 2.

The 1099 Series

Most forms in the 1099 series are not filed with your return. In general, these forms should be furnished to you by February 1, 2010. Unless instructed to file any of these forms with your return, keep them for your records.

There are several different forms in this series, including:

• Form 1099-B, Proceeds From Broker and Barter Exchange Transactions;
• Form 1099-C, Cancellation of Debt;
• Form 1099-DIV, Dividends and Distributions;
• Form 1099-G, Certain Government Payments;
• Form 1099-INT, Interest Income;
• Form 1099-MISC, Miscellaneous Income;
• Form 1099-OID, Original Issue Discount;
• Form 1099-PATR, Taxable Distributions Received From Cooperatives;
• Form 1099-Q, Payments From Qualified Education Programs (Under Sections 529 and 530);
• Form 1099-R, Distributions From Pensions, Annuities, Retirement or Profit-Sharing Plans, IRAs, Insurance Contracts, etc.;
• Form SSA-1099, Social Security Benefit Statement; and
• Form RRB-1099, Payments by the Railroad Retirement Board.

If you received the types of income reported on some forms in the 1099 series, you may not be able to use Form 1040A or Form 1040EZ. See the instructions to these forms for details.

Reporting your withholding. Report on your tax return all federal income tax withholding shown in box 4 of a Form 1099, box 6 of Form SSA-1099, and box 10 of Form RRB-1099. Include the amount withheld in the total on line 61 of Form 1040, line 38 of Form 1040A, or line 7 of Form 1040EZ.

Form 1099-R. Attach Form 1099-R to your return if federal income tax withholding is shown in box 4. Do not attach any other Form 1099.

Form Not Correct

If you receive a form with incorrect information, you should ask the payer for a corrected form. Call the telephone number or write to the address given for the payer on the form. The corrected Form W-2G or Form 1099 you receive will have an “X” in the “CORRECTED” box at the top of the form. A special form, Form W-2c, Corrected Wage and Tax Statement, is used to correct a Form W-2.
Form Received After Filing

If you file your return and you later receive a form for income that you did not include on your return, report the income and take credit for any income tax withheld by filing Form 1040-X, Amended U.S. Individual Income Tax Return.

Separate Returns

If you are married but file a separate return, you can take credit only for the tax withheld from your own income. Do not include any amount withheld from your spouse’s income. However, different rules may apply if you live in a community property state.

Community property states. The following are community property states.

- Arizona.
- California.
- Idaho.
- Louisiana.
- Nevada.
- New Mexico.
- Texas.
- Washington.
- Wisconsin.

Generally, if you live in a community property state and file a separate return, you and your spouse each must report half of all community income in addition to your own separate income. If you are required to report half of all community income, you are entitled to take credit for half of all taxes withheld on the community income. If you were divorced during the year, each of you generally must report half the community income and can take credit for half the withholding on that community income for the period before the divorce.

For more information on these rules, and some exceptions, see Publication 555, Community Property.

Table 3-1. Example for Fiscal Year Ending June 30, 2009—Miles Hanson

<table>
<thead>
<tr>
<th>Date</th>
<th>Form W-2</th>
<th>Miles’ records</th>
<th>Tax return for FY ending 6/30/2009</th>
<th>Tax return for FY ending 6/30/2009</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Wages</td>
<td>Withholding</td>
<td>Wages</td>
<td>Withholding</td>
</tr>
<tr>
<td>CY 2008</td>
<td>$31,200</td>
<td>$3,432</td>
<td>$15,000</td>
<td>$1,650</td>
</tr>
<tr>
<td>7/1/2008 – 12/31/2008</td>
<td>16,200</td>
<td>1,782</td>
<td>$16,200</td>
<td>$3,432</td>
</tr>
<tr>
<td>CY 2009</td>
<td>$37,700</td>
<td>$.3848</td>
<td>$18,125</td>
<td>$1,850</td>
</tr>
<tr>
<td>7/1/2009 – 12/31/2009</td>
<td>19,575</td>
<td>1,998</td>
<td>$19,575</td>
<td>1,998</td>
</tr>
</tbody>
</table>

| Miles’ tax return for FY ending 6/30/2008 also included his wages for 7/1 – 12/31/2007 and the withholding shown on his 2007 Form W-2. |
| Miles’ tax return for FY ending 6/30/2010 also included his wages for 7/1 – 12/31/2009 and the withholding shown on his 2009 Form W-2. |
| Withholding shown on 2009 Form W-2 ($3,432) will be included in Miles’ tax return for FY ending 6/30/2010, the fiscal year in which the wages were received. |

Fiscal Years (FY)

If you file your tax return on the basis of a fiscal year (a 12-month period ending on the last day of any month except December), you must follow special rules, described below, to determine your credit for federal income tax withholding.

Normal withholding. You can claim credit on your tax return only for the tax withheld during the calendar year (CY) ending within your fiscal year. You cannot claim credit for any of the tax withheld during the calendar year beginning in your fiscal year. You will be able to claim credit for that withholding on your return for your next fiscal year.

The Form W-2 or 1099 you receive for the calendar year that ends during your fiscal year will show the tax withheld and the income you received during that calendar year.

Although you take credit for all the withheld tax shown on the form, report only the part of the income shown on the form that you received during your fiscal year. Add to that the income you received during the rest of your fiscal year.

Example. Miles Hanson files his return for a fiscal year ending June 30, 2009. In January 2009, he received a Form W-2 that showed that his wages for 2008 were $31,200 and that his income tax withheld was $3,432. His records show that he had received $15,000 of the wages by June 30, 2008, and $16,200 from July 1 through December 31, 2008. See Table 3-1 below.

On his return for the fiscal year ending June 30, 2009, Miles will report the $16,200 he was paid in July through December of 2008, plus the $18,125 he was paid during the rest of the fiscal year, January 1, 2009, through June 30, 2009. However, he takes credit for all $3,432 that was withheld during 2008.

On his return for the fiscal year ending June 30, 2008, he reported the $15,000 he was paid in January through June 2008, but took no credit for the tax withheld during that time. On his return for the fiscal year ending June 30, 2010, he will take the credit for any tax withheld during 2009 but not for any tax withheld during 2010.

Backup withholding. If income tax has been withheld under the backup withholding rule, take credit for it on your tax return for the fiscal year in which you received the income.

Example. Emily Smith’s records show that she received income in November 2009 and February 2010 from which there was backup withholding ($100 and $50, respectively). Emily takes credit for the entire $150 of backup withholding on her tax return for the fiscal year ending September 30, 2010.

Estimated Tax

Take credit for all your estimated tax payments for 2009 on line 62 of Form 1040 or line 39 of Form 1040A. Include any overpayment from 2008 that you had credited to your 2009 estimated tax. You must use Form 1040 or Form 1040A if you paid estimated tax. You cannot use Form 1040EZ.

If you were a beneficiary of an estate or trust, you should receive a Schedule K-1 (Form 1041), Beneficiary’s Share of Income, Deductions, Credits, etc., from the fiduciary. If you have estimated taxes credited to you from the estate or trust (from Schedule K-1 (Form 1041), box 13, code A), you must use Schedule E (Form 1040). On the dotted line next to the entry space for line 37 of Schedule E (Form 1040), enter “ES payment claimed” and the amount. However, do not include this amount in the total on line 37. Instead, enter the amount on Form 1040, line 62. The payment is treated as being made by you on January 15, 2010.

Name changed. If you changed your name, and you made estimated tax payments using your former name, attach a statement to the front of your tax return indicating:

- When you made the payments,
- The amount of each payment,
- The IRS address to which you sent the payments,
- Your name when you made the payments,
- And the social security number under which you made the payments.

The statement should cover payments you made jointly with your spouse as well as any you made separately.

Be sure to report the change to your local Social Security Administration office before filing your 2010 tax return. This prevents delays in processing your return and issuing refunds. It also safeguards your future social security benefits. For more details, call the Social Security Administration at 1-800-772-1213.

Separate Returns

If you and your spouse made separate estimated tax payments for 2009 and you file separate returns, you can take credit only for your own payments.

If you made joint estimated tax payments, you must decide how to divide the payments between your returns. One of you can claim all of the estimated tax paid and the other none, or
you can divide it in any other way you agree on. If you cannot agree, you must divide the payments in proportion to each spouse’s individual tax as shown on your separate returns for 2009.

**Example.** James and Evelyn Brown made joint estimated tax payments for 2009 totaling $3,000. They file separate 2009 Forms 1040, James’ tax is $4,000 and Evelyn’s is $1,000. If they do not agree on how to divide the $3,000, they must divide it proportionately between their returns. Because James’ tax ($4,000) is 80% of the total tax ($5,000), his share of the estimated tax is $2,400 (80% of $3,000). The balance, $600 (20% of $3,000), is Evelyn’s share.

**Divorced Taxpayers.** If you made joint estimated tax payments for 2009, and you were divorced during the year, either you or your former spouse can claim all of the joint payments, or you each can claim part of them. If you cannot agree on how to divide the payments, you must divide them in proportion to each spouse’s individual tax as shown on your separate returns for 2009. See Example above under Separate Returns.

If you claim any of the joint payments on your tax return, enter your former spouse’s social security number (SSN) in the space provided at the top of page 1 of Form 1040 or Form 1040A. If you divorced and remained in 2009, enter your present spouse’s SSN in that space. Enter your former spouse’s SSN, followed by “DIV.” under Payments to the left of Form 1040, line 62, or in the blank space to the left of Form 1040A, line 39.

**Excess Social Security or Railroad Retirement Tax Withholding.**

Most employers must withhold social security tax from your wages. In some cases, however, the federal government and state and local governments do not have to withhold social security tax from their employees’ wages. If you work for a railroad employer, that employer must withhold tier 1 railroad retirement (RRTA) tax and tier 2 RRTA tax.

**Two or more employers.** If you worked for two or more employers in 2009, too much social security tax or tier 1 RRTA tax may have been withheld from your pay. You may be able to claim the excess as a credit against your income tax when you file your return. *Table 3-2* shows the maximum amount that should have been withheld for any of these taxes for 2009. Figure the excess withholding on the appropriate worksheet on page 47.

<table>
<thead>
<tr>
<th>Type of tax</th>
<th>Maximum wages subject to tax</th>
<th>Tax rate</th>
<th>Maximum tax to be withheld</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social security</td>
<td>$106,800</td>
<td>6.2%</td>
<td>$6,621.60</td>
</tr>
<tr>
<td>Tier 1 RRTA</td>
<td>$106,800</td>
<td>6.2%</td>
<td>$6,621.60</td>
</tr>
<tr>
<td>Tier 2 RRTA</td>
<td>$79,200</td>
<td>3.9%</td>
<td>$3,088.80</td>
</tr>
</tbody>
</table>

**Joint returns.** If you are filing a joint return, you cannot add any social security or tier 1 RRTA tax withheld from your spouse’s income to the amount withheld from your income. You must figure the excess separately for both you and your spouse to determine if either of you has excess withholding.

**Note.** All wages are subject to Medicare tax withholding.

**Employer’s error.** If you had only one employer and he or she withheld too much social security or tier 1 RRTA tax, ask the employer to refund the excess amount to you. If the employer refuses to refund the overcollection, ask for a statement indicating the amount of the overcollection to support your claim. File a claim for refund using Form 843, Claim for Refund and Request for Abatement.

**Worksheet for Nonrailroad Employees.**

If you did not work for a railroad during 2009, figure the excess social security withholding on *Worksheet 3-1* on the next page.

**Note.** If you worked for both a railroad employer and a nonrailroad employer, use *Worksheet 3-2* on the next page to figure excess social security and tier 1 RRTA tax.

**Worksheet 3-1. Excess Social Security—Nonrailroad Employees—Illustrated (Tom Martin)**

1. Add all social security tax withheld (but not more than $6,621.60 for each employer). This tax should be shown in box 4 of your Forms W-2. Enter the total here _________ .
2. Enter any uncollected social security tax on tips or group-term life insurance included in the total on Form 1040, line 60, identified by “UT” _________ .
3. Add lines 1 and 2. If $6,621.60 or less, stop here. You cannot claim the credit _________ .
4. Social security limit _________ .
5. Excess. Subtract line 4 from line 3 _________ .

Where to claim credit for excess social security withholding.

- If you file Form 1040, enter the excess on line 69.
- If you file Form 1040A, include the excess in the total on line 44. Write “Excess SST” and show the amount of the credit in the space to the left of the line.
- You cannot claim excess social security tax withholding on Form 1040EZ.

**Example.** In 2009, Tom Martin earned $62,000 working for Company A and $47,200 working for Company B. Company A withheld $3,844 for social security tax. Company B withheld $2,926.40 for social security tax. Because he worked for two employers and earned more than $106,800, he had too much social security tax withheld. Tom figures his credit of $148.80, as shown on the illustrated Worksheet 3-1 below.

**Worksheets for Railroad Employees.**

If you worked for a railroad during 2009, figure your excess withholding on *Worksheet 3-2 and 3-3*, as appropriate, on the next page.

Where to claim credit for excess tier 1 RRTA withholding. If you file Form 1040, enter the excess on line 69.

If you file Form 1040A, include the excess in the total on line 44. Write “Excess SST” and show the amount of the credit in the space to the left of the line.

You cannot claim excess tier 1 RRTA withholding on Form 1040EZ.

**How to claim refund of excess tier 2 RRTA.**

To claim a refund of tier 2 tax, use Form 843. Be sure to attach a copy of all of your Forms W-2.

See *Worksheet 3-3* (on the next page) and the Instructions for Form 843, line 3, for more details.
Worksheet 3-1. **Excess Social Security—Nonrailroad Employees**

1. Add all social security tax withheld (but not more than $6,621.60 for each employer). This tax should be shown in box 4 of your Forms W-2. Enter the total here ............ 1.
2. Enter any uncollected social security tax on tips or group-term life insurance included in the total on Form 1040, line 60, identified by “UT” ................................................................. 2.
3. Add lines 1 and 2. If $6,621.60 or less, stop here. You cannot claim the credit ................................................................. 3.
4. Social security limit ................................................. 4. $6,621.60
5. Excess. Subtract line 4 from line 3 .......................... 5.

Worksheet 3-2. **Excess Social Security and Tier 1 RRTA—Railroad Employees**

1. Add all social security and tier 1 RRTA tax withheld (but not more than $6,621.60 for each employer). Social security tax should be shown in box 4 and tier 1 RRTA should be shown in box 14 of your Forms W-2. Enter the total here .................. 1.
2. Enter any uncollected social security and tier 1 RRTA tax on tips or group-term life insurance included in the total on Form 1040, line 60, identified by “UT” ......................................................... 2.
3. Add lines 1 and 2. If $6,621.60 or less, stop here. You cannot claim the credit ................................................................. 3.
4. Social security and tier 1 RRTA tax limit ................... 4. $6,621.60
5. Excess. Subtract line 4 from line 3 .......................... 5.

Worksheet 3-3. **Excess Tier 2 RRTA—Railroad Employees**

1. Add all tier 2 RRTA tax withheld (but not more than $3,088.80 for each employer). Box 14 of your Forms W-2 should show tier 2 RRTA tax. Enter the total here ........................................ 1.
2. Enter any uncollected tier 2 RRTA tax on tips or group-term life insurance included in the total on Form 1040, line 60, identified by “UT” ................................................................. 2.
3. Add lines 1 and 2. If $3,088.80 or less, stop here. You cannot claim the credit ................................................................. 3.
4. Tier 2 RRTA tax limit .................................................. 4. $3,088.80
5. Excess. Subtract line 4 from line 3 .......................... 5.
4. Underpayment Penalty for 2009

What’s New
You should consider the items in this section when figuring any underpayment penalty for 2009.

Penalty rate. The penalty for underpayment of 2009 estimated tax is figured at the annual rate of 4% for the number of days the underpayment remained unpaid from April 16, 2009, through April 15, 2010.

Decreased estimated tax payments for qualified individuals with small businesses. For 2009, you may be eligible to make smaller estimated tax payments. If you qualify, your required annual payment for 2009 is the smaller of 90% of the tax shown on your 2008 tax return or 90% of the tax shown on your 2009 tax return. For more information, see Qualified individuals with small businesses on this page.

Introduction
If you did not pay enough tax, either through withholding or by making timely estimated tax payments, you will have underpaid your estimated tax and may have to pay a penalty.

You may understand this chapter better if you can refer to copies of your latest federal income tax returns.

No penalty. Generally, you will not have to pay a penalty for 2009 if any of the following apply.

• The total of your withholding and timely estimated tax payments was at least as much as your 2008 tax. (See Special rules for certain individuals on this page for higher income taxpayers, farmers and fishermen, and qualified individuals with small businesses.)
• The tax balance due on your 2009 return is no more than 10% of your total 2009 tax, and you paid all required estimated tax payments on time.
• Your total 2009 tax (defined on page 49) minus your withholding is less than $1,000.
• You did not have a tax liability for 2008.
• You did not have any withholding taxes and your current year tax (less any house- hold employment taxes) is less than $1,000.

IRS can figure the penalty for you. If you think you owe the penalty, but you do not want to figure it yourself when you file your tax return, you may not have to. Generally, the IRS will figure the penalty for you and send you a bill. You only need to figure your penalty in the following three situations.

• You are requesting a waiver of part, but not all, of the penalty.
• You are using the annualized income installment method to figure the penalty.
• You are treating the federal income tax withheld from your income as paid on the dates actually withheld.

However, if these situations do not apply to you, and you think you can lower or eliminate your penalty, complete Form 2210 or Form 2210-F and attach it to your return. See Form 2210 on page 49.

Topics
This chapter discusses:

• The general rule for the underpayment penalty.
• Special rules for certain individuals.
• Exceptions to the underpayment penalty.
• How to figure your underpayment and the amount of your penalty on Form 2210, and
• How to ask the IRS to waive the penalty.

Useful Items
You may want to see:

Form (and Instructions)

• 2210 Underpayment of Estimated Tax by Individuals, Estates, and Trusts
• 2210-F Underpayment of Estimated Tax by Farmers and Fishermen

See chapter 5 for information about getting these forms.

General Rule
In general, you may owe a penalty for 2009 if the total of your withholding and timely estimated tax payments did not equal at least the smaller of:

1. 90% of your 2009 tax, or
2. 100% of your 2008 tax. (Your 2008 tax return must cover a 12-month period.)

Your 2009 tax, for this purpose, is defined under Total tax for 2009 on page 49.

Special rules for certain individuals. There are special rules for farmers and fishermen, certain higher income taxpayers, and qualified individuals with small businesses.

Farmers and fishermen. If at least two-thirds of your gross income for 2008 or 2009 is from farming or fishing, substitute 66 2/3% for 90% in (1) above.

See Farmers and Fishermen on page 54.

Higher income taxpayers. If your AGI for 2008 was more than $150,000 ($75,000 if your 2009 filing status is married filing a separate return), substitute 110% for 100% in (2) under General Rule on this page. This rule does not apply to farmers or fishermen.

For 2008, AGI is the amount shown on Form 1040, line 37; Form 1040A, line 21; and Form 1040EZ, line 4.

Qualified individuals with small businesses. If you meet the qualifications listed below, substitute 90% for 100% in (2) under General Rule on this page.

• Your AGI for 2008 was less than $500,000, ($250,000 if married filing separately in 2009).
• You certify that more than 50% of your gross income in 2008 was from a small business, which is defined as a trade or business in which you were an owner during the calendar year 2008 and that averaged less than 500 employees for 2008.

Penalty figured separately for each period. Because the penalty is figured separately for each payment period, you may owe a penalty for an earlier payment period even if you later paid enough to make up the underpayment. This is true even if you are due a refund when you file your income tax return.

Example. You did not make estimated tax payments for 2009 because you thought you had enough tax withheld from your wages. Early in January 2010, you made an estimate of your total 2009 tax. Then you realized that your withholding was $2,000 less than the amount needed to avoid a penalty for underpayment of estimated tax.

On January 10, you made an estimated tax payment of $3,000, which is the difference between your withholding and your estimate of your total tax. Your final return shows your total tax to be $50 less than your estimate, so you are due a refund.

You do not owe a penalty for your payment due January 15, 2010. However, you may owe a penalty through January 10, 2010, the day you made the $3,000 payment, for your underpayments for the earlier payment periods.

Minimum required each period. You will owe a penalty for any 2009 payment period for which your estimated tax payment plus your withholding for the period and overpayments for previous periods was less than the smaller of:

1. 22.5% of your 2009 tax, or
2. 25% of your 2008 tax. (Your 2008 tax return must cover a 12-month period.)

Minimum required for higher income taxpayers. If you are subject to the rule for higher income taxpayers, discussed above, substitute 27.5% for 25% in (2) under General Rule on this page.

Minimum required for qualified individuals with a small business. If you are a qualified individual with a small business, discussed above, substitute 22.5% for 25% in (2) under General Rule on this page.
When penalty is charged. If you miss a payment or you paid less than the minimum required in a period, you may be charged an underpayment penalty from the date the amount was due to the date the payment is made. If a payment is mailed, the date of the U.S. postmark is considered the date of payment.

**Estate or trust payments of estimated tax.** If you have estimated taxes credited to you from an estate or trust (Schedule K-1 (Form 1041), box 13, code A), treat the payment as made by you on January 15, 2010.

**Amended returns.** If you file an amended return by the due date of your original return, use the tax shown on your amended return to figure your required estimated tax payments. If you file an amended return after the due date of the original return, use the tax shown on the original return.

However, if you and your spouse file a joint return after the due date to replace separate returns you originally filed by the due date, use the tax shown on the joint return to figure your required estimated tax payments. This rule applies only if original separate returns were filed on time.

**2008 separate returns and 2009 joint return.** If you file a joint return with your spouse for 2009, but you filed separate returns for 2008, your 2008 tax is the total of the tax shown on your separate returns. You filed a separate return if you filed as single, head of household, or married filing separately.

**2009 joint return and 2009 separate returns.** If you file a separate return for 2009, but you filed a joint return with your spouse for 2008, your 2008 tax is your share of the tax on the joint return. You are filing a separate return if you file as single, head of household, or married filing separately.

To figure your share of the taxes on a joint return, first figure the tax both you and your spouse would have paid had you filed separate returns for 2008 using the same filing status as for 2009. Then multiply the tax on the joint return by the following fraction.

\[
\text{The tax you would have paid} \times \frac{1}{n} = \text{the total tax you and your spouse would have paid had you filed separate returns}
\]

**Example.** Lisa and Paul filed a joint return for 2009 showing taxable income of $49,000 and a tax of $6,551. Of the $49,000 taxable income, $41,000 was Lisa’s and the rest was Paul’s. For 2008, they filed married filing separately. Lisa figures her share of the tax on the 2009 joint return as follows.

<table>
<thead>
<tr>
<th>Year</th>
<th>Tax on $41,000 based on a separate return</th>
<th>Tax on $8,000 based on a separate return</th>
<th>Total</th>
<th>Lisa’s percentage of total tax</th>
<th>Lisa’s part of tax on joint return</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>$6,600</td>
<td>$7,403</td>
<td>$14,003</td>
<td>($6,600 + $7,403) × 89.15%</td>
<td>($6,551 × 89.15%) = $5,840</td>
</tr>
</tbody>
</table>

**Form 2210.** In most cases, you do not need to file Form 2210. The IRS will figure the penalty for you and send you a bill. If you want us to figure the penalty for you, leave the penalty line on your return blank. Do not file Form 2210. To determine if you should file Form 2210, see Part II of Form 2210. If you decide to figure your penalty, complete Part I, Part II, and either Part III or Part IV of Form 2210. If you use Form 2210, you cannot file Form 1040EZ.

On Form 1040, enter the amount of your penalty on line 76. If you owe tax on line 75, add the penalty to your tax due and show your total payment on line 75. If you are due a refund, subtract the penalty from the overpayment and enter the result on line 72.

On Form 1040A, enter the amount of your penalty on line 49. If you owe tax on line 48, add your share to your tax due and show your total payment on line 48. If you are due a refund, subtract the penalty from the overpayment and enter the result on line 45.

**Lowering or eliminating the penalty.** You may be able to lower or eliminate your penalty if you file Form 2210. You must file Form 2210 with your return if any of the following applies.

- You request a waiver. See Waiver of Penalty on page 54.
- You use the annualized income installment method. See the explanation of this method under Annualized Income Installment Method (Schedule AI) beginning on page 51.
- You use your actual withholding for each payment period for estimated tax purposes. See Actual withholding method under Figuring Your Underpayment (Part IV, Section A) on page 51.
- You base any of your required installments on the tax shown on your 2008 return and you filed or are filing a joint return for either 2008 or 2009, but not for both years.

**Exceptions**

Generally, you do not have to pay an underpayment penalty if either:

- Your total tax is less than $1,000, or
- You had no tax liability last year.

**Less Than $1,000 Due**

Do not owe a penalty if the total tax shown on your return minus the amount you paid through withholding (including excess social security and tier I railroad retirement (RRTA) tax withholding) is less than $1,000.

**Total tax for 2009.** For 2009, your total tax on Form 1040 is the amount on line 60 reduced by the following.

1. Unreported social security and Medicare tax or RRTA tax from Forms 4137 or 8919 (line 57).
2. Any tax included on line 58 for excess contributions to IRAs, Archer MSAs, Coverdell education savings accounts, and health savings accounts, or any tax on excess accumulations in qualified retirement plans.

3. The following write-ins on line 60:
   a. Uncollected social security and Medicare tax or RRTA tax on tips or group-term life insurance (identified as “UT”).
   b. Tax on excess golden parachute payments (identified as “EPF”).
   c. Excise tax on insider stock compensation from an expatriated corporation (identified as “COBRA”).
   d. Look-back interest due under section 167(g) (identified as “From Form 8886”).
   e. Look-back interest due under section 460(b) (identified as “From Form 8867”).
   f. Recapitulation of federal mortgage subsidies for 2009 (identified as “FMISF”) and
   g. Recapitulation of COBRA health insurance premium assistance (identified as “CO-BRA”).

**No Tax Liability Last Year**

You do not owe a penalty if you had no tax liability last year and you were a U.S. citizen or resident for the whole year. For this rule to apply, your tax year must have included all 12 months of the year.

You had no tax liability for 2008 if your total tax was zero or you were not required to file an income tax return.

**Example.** Ray, who is single and 22 years old, was unemployed for most of 2008. He earned $2,700 in wages before he was laid off, and he received $2,500 in unemployment compensation afterwards. He had no other income. Even though he had gross income of $5,200, he did not have to pay income tax because his gross income was less than the filing requirement for a single person under age 65 ($8,950 for 2008). He filed a return only to have his withheld income tax refunded to him.

In 2009, Ray began regular work as an independent contractor. Ray made no estimated tax payments in 2009. Even though he did owe tax at the end of the year, Ray does not owe the underpayment penalty for 2009 because he had no tax liability in 2008.
If you use the short method, you cannot use the annualized income installation method to figure your underpayment for each payment period. Also, you cannot use your actual withholding during each period to figure your payments for each period. These methods, which may give you a smaller penalty amount, are explained on page 51 under Figuring Your Underpayment (Part IV, Section A).

Completing Part III. Complete Part III of Form 2210 following the line-by-line instructions.

First, figure your total underpayment for the year (line 14) by subtracting the total of your withholding and estimated tax payments (line 13) from your required annual payment (line 10). Then, figure the penalty you would owe if the underpayment remained unpaid through April 15, 2010. This amount (line 15) is the maximum estimated tax penalty on your underpayment.

Next, figure any part of the maximum penalty you do not owe (line 16) because your underpayment was paid before the due date of your return. For example, if you filed your 2009 return and paid the tax balance on March 31, 2010, you do not owe the penalty for the 15-day period from April 1 through April 15. Therefore, you would figure the amount to enter on line 16 using 15 days.

Finally, subtract from the maximum penalty amount (line 15) any part you do not owe (line 16). The result (line 17) is the penalty you owe. Enter that amount on line 76 of Form 1040 or line 49 of Form 1040A. Attach Form 2210 to your return only if you checked one of the boxes in Part IV.

Example. Assume the same facts for Ivy Fields as in the previous example on this page. Ivy paid her estimated tax payments in four installments of $1,000 each on the dates it was due ($4,000 total). Ivy qualifies to use the short method to figure her estimated tax penalty. Using the annualized income installment method or actual withholding will not give her a smaller penalty amount because her income and withholding were distributed evenly throughout the year. Therefore, she figures her penalty in Part III of Form 2210 (see Figure 4-A (Continued) on page 56) and leaves Part IV (not shown) blank.

Ivy figures her $6,800 total underpayment for the year (line 14) by subtracting the total of her withholding and estimated tax payments ($5,600) from her $12,400 required annual payment (line 10). The maximum penalty on her underpayment (line 15) is $181 ($6,800 × 0.0266). Ivy plans to file her return and pay her $15,946 tax balance on March 31, 2010, 15 days before April 15. Therefore, she does not owe part of the maximum penalty amount. The part she does not owe (line 16) is figured as follows.

$6,800 × 15 ÷ .00011 = $11

Ivy subtracts the $11 from the $181 maximum penalty and enters the result, $170, on Form 2210, line 17, and on Form 1040, line 76. She adds $170 to her $15,946 tax balance and enters the result, $16,116 on line 75 of her Form 1040. Ivy files her return on March 31 and attaches a check for $16,116. Because Ivy did not
check any of the boxes in Part II, she does not attach Form 2210 to her tax return.

Regular Method for Figuring the Penalty (Part IV)

You can use the regular method in Part IV of Form 2210 to figure your penalty for underpayment of estimated tax if you paid one or more estimated tax payments earlier than the due date.

You must use the regular method in Part IV of Form 2210 to figure your penalty for underpayment of estimated tax if any of the following apply to you:

- You paid one or more estimated tax payments on a date after the due date.
- You paid at least one, but less than four, installments of estimated tax.
- You paid estimated tax payments in unequal amounts.
- You used the annualized income installment method to figure your underpayment for each payment period.
- You used your actual withholding during each payment period to figure your payments.

If you use the regular method, figure your underpayment for each payment period in Section A, then figure your penalty for each payment period in Section B.

Figuring Your Underpayment (Part IV, Section A)

Figure your underpayment of estimated tax for each payment period in Section A following the line-by-line instructions. Complete lines 20 through 26 of the first column before going to line 20 of the next column.

Required installments—line 18. Your required payment for each payment period (line 18) is usually one-fourth of your required annual payment (Part I, line 9). However, if you are using the annualized income installment method (described beginning on this page), first complete Schedule AI (Form 2210), and then enter the amounts from line 25 of that schedule on line 18 of Form 2210, Part IV.

Payments. On line 19, enter in each column the total of:
- Your estimated tax paid after the due date for the previous column and by the due date shown at the top of the column, and
- One-fourth of your withholding.

For special rules for figuring your payments, see the instructions for Form 2210.

If you file Form 1040, your withholding is the amount on line 38 plus any excess social security or tier 1 RRTA tax withholding on line 69. If you file Form 1040A, your withholding is the amount on line 38 plus any excess social security or tier 1 RRTA tax withholding included in line 44.

Actual withholding method. Instead of using one-fourth of your withholding for each quarter, you may choose to use the amounts actually withheld by each due date. You can make this choice separately for the tax withheld from your wages and for all other withholding. This includes any excess social security and tier 1 RRTA tax withheld.

Using your actual withholding may result in a smaller penalty if most of your withholding occurred early in the year. If you use your actual withholding, you must check C in Part II of Form 2210, Part II, and complete Form 2210 using the regular method and file it with your return.

Regular Installment Method

If you received your income evenly throughout the year, use the regular installment method to figure your estimated tax underpayment for the year.

Example. Ben and Sally Brown's 2009 tax after credits is $6,519 (Form 1040, line 55). Ben owes self-employment tax of $1,413. Their 2008 AGI was less than $150,000. They do not owe any other taxes. Their only credit is the making work pay credit of $800. Their 2008 tax was $8,116. See Figure 4-B on page 57 to see Ben and Sally's completed Form 2210, Part I.

Ben's employer withheld $1,220 income tax and Sally's withheld $384 during 2009 ($1,584 total withholding). They paid no estimated tax for either the first or second period, but they paid $900 each on September 15, 2009, and January 15, 2010, for the third and fourth periods. Because the total of their withholding and estimated tax payments, $3,384 ($1,584 + $900 + $900), was less than both 90% of their 2009 tax (90% x $7,132 = $6,419) and 100% of their 2008 tax ($8,116), they owe a penalty for underpayment of estimated tax. They decide to figure the penalty on Form 2210 and pay it with their $3,748 tax balance ($7,132 − $3,384) when they file their tax return on April 15, 2010.

Their required annual payment (Part I, line 9) is $6,419. Because their income and withholding were distributed evenly throughout the year, they enter one-fourth of their required annual payment, $1,605, in each column of line 18 (see Figure 4-B (Continued) on page 58). On line 19, they enter one-fourth of their withholding, $396, and their estimated tax payments in the last two columns. They have an underpayment (line 25) for each payment period. Their estimated tax payments are first applied to underpayments for the earlier periods.

Annualized Income Installment Method (Schedule AI)

If you did not receive your income evenly throughout the year (for example, your income from a repair shop you operated was much larger in the summer than it was during the rest of the year), you may be able to lower or eliminate your penalty by figuring your underpayment using the annualized income installment method. Under this method, your required installment (line 18) for one or more payment periods may be less than one-fourth of your required annual payment.

To figure your underpayment using this method, complete Schedule AI of Form 2210 (see Figure 4-C on pages 59 and 60). The schedule annualizes your tax at the end of each payment period based on your income, deductions, and other items relating to events that occurred from the beginning of the tax year through the end of the period.

If you use the annualized income installment method, you must check box C in Part II of Form 2210. You also must attach Form 2210 and Schedule AI to your return.

If you use Schedule AI for any payment due date, you must use it for all payment due dates.

Completing Schedule AI. Follow the Form 2210 instructions to complete Schedule AI. For each period shown on Schedule AI, figure your income and deductions based on your method of accounting. If you use the cash method of accounting (used by most people), include all income actually or constructively received during the period and all deductions actually paid during the period.

Note. Each period includes amounts from the previous period(s).

- Period (a) includes items for January 1 through March 31.
- Period (b) includes items for January 1 through May 31.
- Period (c) includes items for January 1 through August 31.
- Period (d) includes items for the entire year.

Example. Laura Maple files as head of household with three exemptions. Her 2009 total tax (Form 1040, line 60) is $4,730, the total of her $2,384 income tax and $2,346 self-employment tax. Laura has two refundable credits, making work pay ($400) and earned income credit (EIC) ($99). Her current year's tax is $4,231 ($4,730 − $499 refundable credits). She does not owe any other taxes. Her 2008 AGI was less than $150,000. Her 2008 tax was $4,100. Her required annual payment on Form 2210, Part I, line 9, is $3,808 (the smaller of her $4,100 tax for 2008 or 90% of her $4,231 tax after refundable credits for 2009).

Laura's employer withheld $756 income tax during 2009. Laura made no estimated tax payments for the first, second or third periods, but she paid $100 on January 15, 2010, for the fourth period.

Laura did not receive her income evenly throughout the year. Therefore, she decides to figure her required installment for each period (Part IV, line 18) using the annualized income installment method. To use this method, Laura completes Schedule AI before starting Part IV. Figure 4-C, on pages 59 and 60, shows Laura's figure her required installment for each period (Part IV, line 18) using the annualized income installment method. To use this method, Laura completes Schedule AI before starting Part IV. Figure 4-C, on pages 59 and 60, shows Laura's Schedule AI and Part IV.

Laura's wages during 2009 were $24,396 ($2,033 per month). Her net earnings from a business she started during the year was $16,600 (Schedule SE, line 2). She received as follows:

April through May ................................ $ 1,000
June through August ........................... 2,500
September through December .............. 13,100

Page 51 of 67 of Publication 505 8:27 - 4-FEB-2010
Self-employment tax and deduction. Before Laura can figure her AGI for each period (Schedule AI, line 1), she must figure her deduction for self-employment tax for each period. To do this, she first completes Schedule AI, Part II, (see Figure 4-C on page 59).

Laura had no self-employment income for the first period, so she leaves the lines in that column blank. Her self-employment income was $1,050 per month for mortgage interest, and $1,150 for the second period, $3,500 ($1,050 + $1,150) for the third period, and $16,600 ($3,500 + $13,100) for the fourth period. She multiplies each amount by 92.35% (.9235) to find the amounts to enter on line 26. She then fills out the rest of Part II.

Laura figures the deduction for one-half of the self-employment tax by dividing the amounts on line 34 by the annualization amounts for each period. The annualization amounts are:

- 8 for the first period,
- 4.8 for the second period,
- 3 for the third period, and
- 2 for the fourth period.

Line 1—AGI. Laura figures the amounts to enter on Schedule AI, line 1, as follows. Column (a)—1/1/09 to 3/31/09: $2,033 per month x 3 months = $6,099

Column (b)—1/1/09 to 3/31/09: $2,033 per month x 6 months = $10,165

Plus: Self-employment income through 3/31/09 = +1,000

Less: Self-employment tax deduction ($339 x .48) = 71

$11,064

Column (c)—1/1/09 to 8/31/09: $2,033 per month x 8 months = $16,264

Plus: Self-employment income through 8/31/09 = +3,500

Less: Self-employment tax deduction ($742 x .3) = 247

$19,517

Column (d)—1/1/09 to 12/31/09: $2,033 per month x 12 months = $24,396

Plus: Self-employment income through 12/31/08 = +16,600

Less: Self-employment tax deduction ($2,346 x .2) = 1,173

$39,823

Line 4—Itemized deductions. Laura had $9,000 in itemized deductions for 2009—$50 per month withheld for state and local taxes, $550 for mortgage interest and $150 per month in charitable contributions—for a total of $7,500 each month. She divided them by period in the following manner:

- 1st period: $2,250 ($750 x 3 months),
- 2nd period: $3,750 ($750 x 5 months),
- 3rd period: $6,000 ($750 x 8 months),
- 4th period: $9,000 ($750 x 12 months).

She enters each amount on line 4 in the proper column for that period.

Now that Laura has figured her entries for lines 1 and 4, she can complete the rest of Schedule AI to determine the amounts to put on Form 2210, Part IV, line 18. Laura figures her EIC on Schedule AI, line 16, for each period using her annualized earned income (Schedule AI, line 3) for that period. Figure 4-C on page 59 shows her completed Parts I and II of Schedule AI.

Underpayment. Laura then figures her underpayment in Part IV, Section A (see Figure 4-C (Continued) on page 60). She finds that she overpaid her estimated tax for the first three payment periods, but underpaid her estimated tax for the last payment period.

Figuring Your Penalty (Part IV, Section B)

Figure the amount of your penalty in Section B following the instructions. The penalty is imposed on each underpayment shown in Section A, line 25, for the number of days that it remained unpaid. (You may find it helpful to show the date of payment beside each amount on line 25.)

For 2009, there is only one rate period—the 4% rate is in effect from April 16, 2009, through April 15, 2010. Use lines 29 and 30 to figure the penalty.

For example, if a payment was due on June 15 (81), but was not paid until November 4 (203), the payment was 142 (203 – 61) days late.

For each underpayment amount, $2.65 ($396 x .04) and $13.63 ($813 x .04) x .04) and $13.63 ($813 x .04) are applied. See their completed Section B in Table 4-B (Continued) on page 58.

If an underpayment remained unpaid for the entire period, Table 4-B shows the number of days to enter for each period.

Table 4-B. Chart of Total Days

<table>
<thead>
<tr>
<th>Rate</th>
<th>Column Period</th>
<th>(a)</th>
<th>(b)</th>
<th>(c)</th>
<th>(d)</th>
</tr>
</thead>
<tbody>
<tr>
<td>line 29</td>
<td>365</td>
<td>304</td>
<td>212</td>
<td>90</td>
<td></td>
</tr>
</tbody>
</table>

To figure the total penalty, add the amounts on line 30 in all columns. Enter the total on line 31.

Example 1. In the previous example for Ben and Sally Brown (see Example under Regular Installment Method on page 51), they determined that they had an underpayment for all four payment periods. See their completed Section A in (Figure 4-B (Continued) on page 58).

Ben and Sally’s 2009 tax is $7,132. Their minimum required payment for each period is $1,605 ($6,419 ÷ 4). Their 1.584 withholding is considered paid in four equal installments of $396, one on each payment due date. Therefore, they must make estimated tax payments of $1,209 ($1,605 – $396) each period. However, they made only two estimated tax payments—$900 on September 15, 2009, and $900 on January 15, 2010. They plan to file their return and pay their balance due on April 15, 2010. They are considered to have made the following payments for tax year 2009.

April 15, 2009 4-B Estimated tax payment

Penalty for first payment period (April 15, 2009)—column (a). Their $1,209 underpayment for the first payment period was paid by applying two payments—the $396 payment on June 15, 2009, and $813 of the $1,296 payment on September 15, 2009. The $396 remained unpaid 61 days (April 16 through June 15, 2009) and the $813 remained unpaid 153 days (April 16 through September 15, 2009). They enter $396 in line 1 and "153" on line 29, column (a) along with the date of each payment.

Next they figure the penalty separately for each underpayment amount, $2.65 ($396 x .04) and $13.63 ($813 x .04) x .04) and $13.63 ($813 x .04) x .04) are applied. See their completed Section B in Figure 4-B (Continued) on page 58.

Penalty for second payment period (June 15, 2009)—column (b). The $1,605 underpayment on line 25, column (b), remained unpaid until September 15 (92 days), when the $483 that remained of the September payment ($1,296 – $813) was applied.

The remaining underpayment of $1,122 ($1,605 – $483) was paid by the January 15 payment (214 days underpaid). They enter "92" and "214" line 29, column (b), and figure the penalty separately for each underpayment amount. See their completed Section B in Figure 4-B (Continued) on page 58.

3. Multiplying the amount of underpayment by the number of days unpaid and the penalty rate.

If an underpayment remained unpaid for the entire period, Table 4-B shows the number of days to enter for each period.
Penalty for third payment period (Septem-
ber 15, 2009) — column (c). The $1,605 un-
derpayment on line 25, column (c), remained
fully unpaid until the remaining $174 of the
January 15 payment was applied (122 days).
There were no remaining payments to apply.
The balance of $1,431 ($1,605 – $174) re-
maind unpaid until 4/15/10 (212 days) when
they filed and paid their balance due. They
turned “122” and “212” on line 29, column (c),
and figure the penalty separately for each underpay-
ment amount on line 30.

Penalty for fourth payment period (Janu-
ary 15, 2010) — column (d). Since all pay-
ments have been applied, the entire amount
remained unpaid 90 days (January 16 through
April 15, 2010). Laura enters that number on line
29, column (d), and figure the penalty for the
$1,605 underpayment, entering it on line 30 col-
umn (d).

Total penalty. Ben and Sally’s total penalty
for 2009 on line 31 is $98.87, the total of all
amounts on line 30 in all columns. They enter
that amount on line 76 of their Form 1040. They
also add $98.87 to their $3,748 tax balance and
enter the $3,846.87 total on line 75. They file
their return on April 15 and include a check for
$3,846.87. They keep their completed Form
2210 for their records.

Laura made the following payments for tax
year 2009:
April 15, 20091 $189
June 15, 20091 $189
September 15, 20091 $189
January 15, 20102 $100
January 15, 20101 $189

The $1,605 un-
derpayment on line 25, column (c), remained
fully unpaid until the remaining $174 of the
January 15 payment was applied (122 days).
There were no remaining payments to apply.
The balance of $1,431 ($1,605 – $174) re-
maind unpaid until 4/15/10 (212 days) when
they filed and paid their balance due. They
turned “122” and “212” on line 29, column (c),
and figure the penalty separately for each underpay-
ment amount on line 30.

Penalty for fourth payment period (Janu-
ary 15, 2010) — column (d). Since all pay-
ments have been applied, the entire amount
remained unpaid 90 days (January 16 through
April 15, 2010). Laura enters that number on line
29, column (d), and figure the penalty for the
$1,605 underpayment, entering it on line 30 col-
umn (d).

Total penalty. Ben and Sally’s total penalty
for 2009 on line 31 is $98.87, the total of all
amounts on line 30 in all columns. They enter
that amount on line 76 of their Form 1040. They
also add $98.87 to their $3,748 tax balance and
enter the $3,846.87 total on line 75. They file
their return on April 15 and include a check for
$3,846.87. They keep their completed Form
2210 for their records.

Laura made the following payments for tax
year 2009:
April 15, 20091 $189
June 15, 20091 $189
September 15, 20091 $189
January 15, 20102 $100
January 15, 20101 $189

1 One-fourth of withholding

Penalty for fourth payment period — col-
mn (d). Laura’s $2,952 underpayment for the
fourth payment period was paid on April 15,
in 2010, with her tax return. The entire amount
This example illustrates completion of Part
IV, Section B, of Laura’s Form 2210 under the
annualized income installment method.

Example 2. In the previous example for Laura,
Maple (under Completing Schedule A on p.
51), her first underpayment was for the last pay-
ment amount on line 30.

Complete the penalty separately for each underpay-
ment amount on line 30.

Penalty for fourth payment period (Janu-
ary 15, 2010) — column (d). Since all pay-
ments have been applied, the entire amount
remained unpaid 90 days (January 16 through
April 15, 2010). Laura enters that number on line
29, column (d), and figure the penalty for the
$1,605 underpayment, entering it on line 30 col-
umn (d).

Total penalty. Laura’s total penalty for 2009
on line 31 is $29.12, the amount on line 31.

Example. The payment due date is June 15 (61). The payment was made on November 4 (203). The payment is 142 days
late (203 – 61).

Table 4-1. Calendar To Determine the Number of Days a Payment Is Late

Instructions. Use this table with Form 2210 if you are completing Part IV, Section B. First, find the number for the payment
due date by going across to the column of the month the payment was due and moving down the column to the due date.
Then, in the same manner, find the number for the date the payment was made. Finally, subtract the due date number from
the payment date number. The result is the number of days the payment is late.

Example. The payment due date is June 15 (61). The payment was made on November 4 (203). The payment is 142 days
late (203 – 61).
Laura enters that amount on line 76 of her Form 1040. She also adds $29.12 to her $3,375 tax balance and enters the $3,404.12 total on line 75. She files her return on April 15 and includes a check for $3,404.12. Because she used the annualized income installment method, she must attach Form 2210, including Schedule AI, to her return and check box C in Part II.

Farmers and Fishermen
If you are a farmer or fisherman, the following special rules for underpayment of estimated tax apply to you.

1. The penalty for underpaying your 2009 estimated tax will not apply if you file your return and pay all the tax due by March 1, 2010. If you are a fiscal year taxpayer, the penalty will not apply if you file your return and pay the tax due by the first day of the third month after the end of your tax year.

2. Any penalty you owe for underpaying your 2009 estimated tax will be figured from one payment due date, January 15, 2010.

3. The underpayment penalty for 2009 is figured on the difference between the amount of 2009 withholding plus estimated tax paid by the due date and the smaller of:
   a. 66 2/3% (rather than 90%) of your 2009 tax, or
   b. 100% of the tax shown on your 2008 return.

Even if these special rules apply to you, you will owe the penalty if you meet either of the two conditions discussed on page 49 under Exceptions.

Form 2210-F. Use Form 2210-F to figure any underpayment penalty. Do not attach it to your return unless you check a box in Part I. However, if none of the boxes apply to you and you owe a penalty, you do not need to attach Form 2210-F. Enter the amount from line 16 on Form 1040 line 76 and add the penalty to any balance due on your return or subtract it from your refund. Keep your filled-in Form 2210-F for your records.

If none of the boxes on Form 2210-F apply to you and you owe a penalty, the IRS can figure your penalty and send you a bill.

Waiver of Penalty
The IRS can waive the penalty for underpayment if either of the following applies.

1. You did not make a payment because of a casualty, disaster, or other unusual circumstance, and it would be inequitable to impose the penalty.
2. You retired (after reaching age 62) or became disabled in 2008 or 2009 and both the following requirements are met.
   a. You had a reasonable cause for not making the payment.
   b. Your underpayment was not due to willful neglect.
3. The underpayment was caused by adjustments made to income tax withholding tables that took effect in spring 2009.

How to request a waiver. To request a waiver, complete Form 2210 as follows.

1. Check box A or B in Part I.
2. If you checked box A, complete only page 1 of Form 2210.
3. If you checked box B:
   a. Complete line 1 through line 16 (or lines 1 through 9 and 18 through 30 if you use the regular method) without regard to the waiver.
   b. Enter the amount you want waived in parentheses on the dotted line next to line 17 (line 31 for the regular method).
   c. Subtract this amount from the total penalty you figured without regard to the waiver. Enter the result on line 17 (line 31 for the regular method).
4. Attach Form 2210 and a statement to your return explaining the reasons you were unable to meet the estimated tax requirements.
5. If you are requesting a penalty 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.
6. If you are requesting a penalty waiver due to a casualty, disaster, or other unusual circumstance, attach documentation such as police and insurance company reports. See special procedures that apply for federally declared disasters later on this page.

The IRS will review the information you provide and will decide whether or not to grant your request for a waiver.

Farmers and fishermen. To request a waiver, you must complete Form 2210-F as follows.

1. Check box A in Part I.
2. Complete line 2 through line 15 without regard to the waiver.
3. Enter the amount you want waived in parentheses on the dotted line next to line 16.
4. Subtract this amount from the total penalty you figured without regard to the waiver. Enter the result on line 16.
5. Attach Form 2210-F and a statement to your return explaining the reasons you were unable to meet the estimated tax requirements.
6. If you are requesting a penalty 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.
7. If you are requesting a penalty waiver due to a casualty, disaster, or other unusual circumstance, attach documentation such as police and insurance company reports. The IRS will review the information you provide and will decide whether or not to grant your request for a waiver.

Federally declared disaster. Certain estimated tax payment deadlines for taxpayers who reside or have a business in a federally declared disaster area are postponed for a period during and after the disaster. During the processing of your tax return, the IRS automatically identifies taxpayers located in a covered disaster area (by county or parish) and applies the appropriate penalty relief. Do not file Form 2210 if your underpayment was due to a federally declared disaster. If you still owe a penalty after the automatic waiver is applied, we will send you a bill.

Individuals, estates, and trusts not in a covered disaster area but whose books, records, or tax professionals' offices are in a covered area are also entitled to relief. Also eligible are relief workers affiliated with a recognized government or charitable organization assisting in the relief activities in a covered disaster area. If you meet either of these eligibility requirements, you must call the IRS disaster hotline at 1-866-562-5227 and identify yourself as eligible for this relief.

Details on the applicable disaster postpone-ment period can be found at www.irs.gov/indi-viduals/index.html. Select “Tax Relief in Disaster Situations” and then the federally declared disaster that affected you.
Figure 4-A. Form 2210—Illustrated (Ivy Fields)

Department of the Treasury
Internal Revenue Service

Figure 4-A. Form 2210

Underpayment of Estimated Tax by Individuals, Estates, and Trusts

For Paperwork Reduction Act Notice, see page 7 of separate instructions.

Complete lines 1 through 7 below. Is line 7 less than $1,000?

Yes
No

Complete lines 8 and 9 below. Is line 6 equal to or more than line 9?

Yes
No

You may owe a penalty. Does any box in Part II below apply?

Yes
No

Do You Have To File Form 2210?

Yes
No

Do not file Form 2210. You do not owe a penalty.

Do not file Form 2210. You are not required to figure your

penalty because the IRS will figure it and send you a bill for any unpaid amount. If you want to figure it, you may use Part III or Part IV as a worksheet and enter your penalty amount on your tax return, but do not file Form 2210.

You must file Form 2210. Does box B, C, or D in Part II apply?

Yes
No

You must figure your penalty.

You are not required to figure your penalty because the IRS will figure it and send you a bill for any unpaid amount. If you want to figure it, you may use Part III or Part IV as a worksheet and enter your penalty amount on your tax return, but file only page 1 of Form 2210.

Part I

Required Annual Payment

1 Enter your 2009 tax after credits from Form 1040, line 55 (see instructions if not filing Form 1040) .

2 Other taxes, including self-employment tax (see page 2 of the instructions) .

3 Refundable credits. Enter the total of your making work pay and government retiree credits, earned income credit, additional child tax credit, refundable education credit, first-time homebuyer credit, credit for federal tax paid on fuels, refundable credit for prior year minimum tax, and health coverage tax credit .

4 Current year tax. Combine lines 1, 2, and 3. If less than $1,000, stop; you do not owe a penalty.

Do not file Form 2210.

5 Multiply line 4 by 90% (.90) .

6 Withholding taxes. Do not include estimated tax payments (see page 3 of the instructions) .

7 Subtract line 6 from line 4. If less than $1,000, stop; you do not owe a penalty. Do not file Form 2210.

8 Maximum required annual payment based on prior year’s tax (see page 3 of the instructions) .

9 Required annual payment. Enter the smaller of line 5 or line 8 .

Next: Is line 9 more than line 6?

No. You do not owe a penalty. Do not file Form 2210 unless box E below applies.

Yes. You may owe a penalty, but do not file Form 2210 unless one or more boxes in Part II below applies.

• If box B, C, or D applies, you must figure your penalty and file Form 2210.

• If box A, E, or F applies (but not B, C, or D) file only page 1 of Form 2210. You are not required to figure your penalty; the IRS will figure it and send you a bill for any unpaid amount. If you want to figure your penalty, you may use Part III or IV as a worksheet and enter your penalty amount on your tax return, but file only page 1 of Form 2210.

Part II

Reasons for Filing. Check applicable boxes. If none apply, do not file Form 2210.

A You request a waiver (see page 2 of the instructions) of your entire penalty. You must check this box and file page 1 of Form 2210, but you are not required to figure your penalty.

B You request a waiver (see page 2 of the instructions) of part of your penalty. You must figure your penalty and waiver amount and file Form 2210.

C Your income varied during the year and your penalty is reduced or eliminated when figured using the annualized income installment method. You must figure the penalty using Schedule AI and file Form 2210.

D Your penalty is lower when figured by treating the federal income tax withheld from your income as paid on the dates it was actually withheld, instead of in equal amounts on the payment due dates. You must figure your penalty and file Form 2210.

E You filed or are filing a joint return for either 2008 or 2009, but not for both years, and line 8 above is smaller than line 5 above. You must file page 1 of Form 2210, but you are not required to figure your penalty (unless box B, C, or D applies).

F You are certifying that more than 50% of the gross income shown on your 2008 tax return is income from a small business (as defined in the instructions) and your adjusted gross income for 2008 is less than $500,000 (less than $250,000 if your 2009 filing status is married filing separately).
### Part III Short Method

**Can You Use the Short Method?**

You may use the short method if:

- You made no estimated tax payments (or your only payments were withheld federal income tax), or
- You paid the same amount of estimated tax on each of the four payment due dates.

**Must You Use the Regular Method?**

You must use the regular method (Part IV) instead of the short method if:

- You made any estimated tax payments late,
- You checked box C or D in Part II, or
- You are filing Form 1040NR or 1040NR-EZ and you did not receive wages as an employee subject to U.S. income tax withholding.

**Note:** If any payment was made earlier than the due date, you may use the short method, but using it may cause you to pay a larger penalty than the regular method. If the payment was only a few days early, the difference is likely to be small.

<table>
<thead>
<tr>
<th>Step</th>
<th>Description</th>
<th>Formula</th>
<th>Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>10</td>
<td>Enter the amount from Form 2210, line 9</td>
<td></td>
<td>12,400</td>
</tr>
<tr>
<td>11</td>
<td>Enter the amount, if any, from Form 2210, line 6</td>
<td>11/1,600</td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>Enter the total amount, if any, of estimated tax payments you made (see page 3 of the instructions)</td>
<td>12/4,000</td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>Add lines 11 and 12</td>
<td></td>
<td>5,600</td>
</tr>
<tr>
<td>14</td>
<td>Total underpayment for year. Subtract line 13 from line 10. If zero or less, stop; you do not owe a penalty. Do not file Form 2210 unless you checked box E or F in Part II.</td>
<td>14-6,200</td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>Multiply line 14 by .02660</td>
<td></td>
<td>181</td>
</tr>
</tbody>
</table>
| 16   | If the amount on line 14 was paid on or after 4/15/10, enter -0-.
- If the amount on line 14 was paid before 4/15/10, make the following computation to find the amount to enter on line 16.
  
  \[
  \text{Amount on line 14} \times \text{Number of days paid before 4/15/10} \times .00011
  \]
  | 16/11 | |
| 17   | Penalty. Subtract line 16 from line 15. Enter the result here and on Form 1040, line 76; Form 1040A, line 49; Form 1040NR, line 71; Form 1040NR-EZ, line 26; or Form 1041, line 26. Do not file Form 2210 unless you checked a box in Part II. | 17/170 |
Figure 4-B. Regular Installment Method—Illustrated (Ben and Sally Brown)

Underpayment of Estimated Tax by Individuals, Estates, and Trusts

Form 2210

Department of the Treasury
Internal Revenue Service

Name(s) shown on tax return

Ben and Sally Brown

333-00-3333

Identifying number

For Paperwork Reduction Act Notice, see page 7 of separate instructions.

Do You Have To File Form 2210?

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Complete lines 1 through 7 below. Is line 7 less than $1,000?</td>
<td>Do not file Form 2210. You do not owe a penalty.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>Complete lines 8 and 9 below. Is line 6 equal to or more than line 7?</td>
<td>You do not owe a penalty. Do not file Form 2210. (but if box E in Part II applies, you must file page 1 of Form 2210).</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>You may owe a penalty. Does any box in Part II below apply?</td>
<td>You must file Form 2210. Does box B, C, or D in Part II apply?</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>No</th>
<th>Yes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Do not file Form 2210. You are not required to file your penalty because the IRS will figure it and send you a bill for any unpaid amount. If you want to figure it, you may use Part III or IV as a worksheet and enter your penalty amount on your tax return, but do not file Form 2210.</td>
<td>You are not required to figure your penalty because the IRS will figure it and send you a bill for any unpaid amount. If you want to figure it, you may use Part III or IV as a worksheet and enter your penalty amount on your tax return, but file only page 1 of Form 2210.</td>
</tr>
</tbody>
</table>

Part I Required Annual Payment

1. Enter your 2009 tax after credits from Form 1040, line 55 (see instructions if not filing Form 1040) ........................................... $ 6,519
2. Other taxes, including self-employment tax (see page 2 of the instructions) .......................................................... $ 1,413
3. Refundable credits. Enter the total of your making work pay and government retiree credits, earned income credit, additional child tax credit, refundable education credit, first-time homebuyer credit, credit for federal tax paid on fuels, refundable credit for prior year minimum tax, and health coverage tax credit .................................................. $ 800
4. Current year tax. Combine lines 1, 2, and 3. If less than $1,000, stop; you do not owe a penalty. Do not file Form 2210 .......................... $ 7,132
5. Multiply line 4 by 90% (.90) .......................................................... $ 6,419
6. Withholding taxes. Do not include estimated tax payments (see page 3 of the instructions) ........................... $ 1,413
7. Subtract line 6 from line 4. If less than $1,000, stop; you do not owe a penalty. Do not file Form 2210 ....... $ 5,716
8. Maximum required annual payment based on prior year’s tax (see page 3 of the instructions) ....................... $ 5,716
9. Required annual payment. Enter the smaller of line 5 or line 8 .......................................................... $ 6,419

Next: Is line 9 more than line 6? □ No. You do not owe a penalty. □ Do not file Form 2210 unless box E below applies.

□ Yes. You may owe a penalty, but do not file Form 2210 unless one or more boxes in Part II below applies.

• If box B, C, or D applies, you must figure your penalty and file Form 2210.

• If box A, E, or F applies (but not B, C, or D) file only page 1 of Form 2210. You are not required to figure your penalty; the IRS will figure it and send you a bill for any unpaid amount. If you want to figure your penalty, you may use Part III or IV as a worksheet and enter your penalty amount on your tax return, but file only page 1 of Form 2210.

Part II Reasons for Filing. Check applicable boxes. If none apply, do not file Form 2210.

A □ You request a waiver (see page 2 of the instructions) of your entire penalty. You must check this box and file page 1 of Form 2210, but you are not required to figure your penalty.

B □ You request a waiver (see page 2 of the instructions) of part of your penalty. You must figure your penalty and waiver amount and file Form 2210.

C □ Your income varied during the year and your penalty is reduced or eliminated when figured using the annualized income installment method. You must figure the penalty using Schedule AI and file Form 2210.

D □ Your penalty is lower when figured by treating the federal income tax withheld from your income as paid on the dates it was actually withheld, instead of in equal amounts on the payment due dates. You must figure your penalty and file Form 2210.

E □ You filed or are filing a joint return for either 2008 or 2009, but not for both years, and line 8 above is smaller than line 5 above. You must file page 1 of Form 2210, but you are not required to figure your penalty (unless box B, C, or D applies).

F □ You are certifying that more than 50% of the gross income shown on your 2008 tax return is income from a small business (as defined in the instructions) and your adjusted gross income for 2008 is less than $600,000 (less than $250,000 if your 2009 filing status is married filing separately).
Part IV  
Regular Method  
(See page 3 of the instructions if you are filing Form 1040NR or 1040NR-EZ.)

Section A—Figure Your Underpayment

<table>
<thead>
<tr>
<th>Required installments. If box C in Part II applies, enter the amounts from Schedule AI, line 25. Otherwise, enter 25% (25) of line 9, Form 2210, in each column.</th>
<th>(a)</th>
<th>(b)</th>
<th>(c)</th>
<th>(d)</th>
</tr>
</thead>
<tbody>
<tr>
<td>4/15/09</td>
<td>6/15/09</td>
<td>9/15/09</td>
<td>1/15/10</td>
<td></td>
</tr>
<tr>
<td>18</td>
<td>1,605</td>
<td>1,605</td>
<td>1,605</td>
<td>1,605</td>
</tr>
<tr>
<td>Estimated tax paid and tax withheld (see page 3 of the instructions). For column (a) only, also enter the amount from line 19 on line 23. If line 19 is equal to or more than line 18 for all payment periods, stop here; you do not owe a penalty. Do not file Form 2210 unless you checked a box in Part II. Complete lines 20 through 26 of one column before going to line 20 of the next column.</td>
<td>19</td>
<td>396</td>
<td>396</td>
<td>1,296</td>
</tr>
<tr>
<td>Enter the amount, if any, from line 26 in the previous column.</td>
<td>20</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Add lines 19 and 20.</td>
<td>21</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Add the amounts on lines 24 and 25 in the previous column.</td>
<td>22</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Subtract line 22 from line 21. If zero or less, enter -0-. For column (a) only, enter the amount from line 19.</td>
<td>23</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>If line 23 is zero, subtract line 21 from line 22. Otherwise, enter -0-.</td>
<td>24</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Underpayment. If line 18 is equal to or more than line 23, subtract line 23 from line 18. Then go to line 20 of the next column. Otherwise, go to line 26.</td>
<td>25</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Overpayment. If line 23 is more than line 18, subtract line 18 from line 23. Then go to line 20 of the next column.</td>
<td>26</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Section B—Figure the Penalty  
(Complete lines 29 through 30 of one column before going to the next column.)  
Note: Only one underpayment rate applies for all underpayments of required installments. To reduce the number of computations, we have removed lines 27 and 28.

<table>
<thead>
<tr>
<th>April 16, 2009—April 15, 2010</th>
<th>4/15/09</th>
<th>6/15/09</th>
<th>9/15/09</th>
<th>1/15/10</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of days from the date shown above line 29 to the date the amount on line 25 was paid or 4/15/10, whichever is earlier.</td>
<td>29</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Underpayment on line 25 (see page 5 of the instructions) x Number of days on line 29 x .04</td>
<td>30</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Days</td>
<td>2.65</td>
<td>4.87</td>
<td>2.33</td>
<td>15.83</td>
</tr>
<tr>
<td>3</td>
<td>13.63</td>
<td>26.31</td>
<td>33.25</td>
<td></td>
</tr>
</tbody>
</table>
### Figure 4-C. Annualized Income Installment Method—Illustrated (Laura Maple)

#### Form 2210 (2009)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Part I. Annualized Income Installments</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Enter your adjusted gross income for each period (see instructions).</td>
<td>6,099</td>
<td>11,994</td>
<td>19,517</td>
<td>39,823</td>
</tr>
<tr>
<td>(Estates and trusts, enter your taxable income without your exemption for each period).</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Annualization amounts. (Estates and trusts, see instructions)</td>
<td>2</td>
<td>4</td>
<td>2.4</td>
<td>1.5</td>
</tr>
<tr>
<td>3. Annualized income. Multiply line 1 by line 2.</td>
<td>24,396</td>
<td>26,626</td>
<td>29,276</td>
<td>39,823</td>
</tr>
<tr>
<td>4. If you itemize, enter itemized deductions for the period shown in each column. All others enter -0-, and skip to line 7.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Exception: Estates and trusts, skip to line 9 and enter amount from line 3.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Annualization amounts.</td>
<td>4</td>
<td>2.4</td>
<td>1.5</td>
<td>1</td>
</tr>
<tr>
<td>6. Multiply line 4 by line 5 (see instructions if line 3 is more than $83,400).</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. In each column, enter the full amount of your standard deduction from Form 1040, line 40a, or Form 1040A, line 24a.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Form 1040NR or 1040NR-EZ filers, enter -0-). Exception: Indian students and business apprentices, see instructions.)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8. Enter the larger of line 6 or line 7.</td>
<td>9,000</td>
<td>9,000</td>
<td>9,000</td>
<td>9,000</td>
</tr>
<tr>
<td>9. Subtract line 8 from line 3.</td>
<td>15,598</td>
<td>17,626</td>
<td>20,276</td>
<td>30,823</td>
</tr>
<tr>
<td>10. In each column, multiply $3,650 by the total number of exemptions claimed (see instructions if line 3 is more than $125,100). (Estates, trusts, and Form 1040NR or 1040NR-EZ filers, see instructions).</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11. Subtract line 10 from line 9. If zero or less, enter -0-.</td>
<td>4,440</td>
<td>6,676</td>
<td>9,326</td>
<td>19,675</td>
</tr>
<tr>
<td>12. Figure your tax on the amount on line 11 (see instructions).</td>
<td>445</td>
<td>660</td>
<td>933</td>
<td>2,394</td>
</tr>
<tr>
<td>13. Self-employment tax from line 34 (complete Part II below).</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>14. Enter other taxes for each payment period (see instructions).</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>15. Total tax. Add lines 12, 13, and 14.</td>
<td>8,550</td>
<td>8,350</td>
<td>8,350</td>
<td>8,350</td>
</tr>
<tr>
<td>16. For each period, enter the same type of credits as allowed on Form 2210, Part I, lines 1 and 3 (see instructions).</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>17. Subtract line 16 from line 15. If zero or less, enter -0-.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>18. Applicable percentage.</td>
<td>22.5%</td>
<td>45%</td>
<td>67.5%</td>
<td>90%</td>
</tr>
<tr>
<td>19. Multiply line 17 by line 18.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Complete lines 20–25 of one column before going to line 20 of the next column.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>20. Enter the total of the amounts in all previous columns of line 25</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>21. Subtract line 20 from line 19. If zero or less, enter -0-.</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>22. Enter 25% (b) of line 9 on page 1 of Form 2210 in each column.</td>
<td>952</td>
<td>952</td>
<td>952</td>
<td>952</td>
</tr>
<tr>
<td>23. Subtract line 25 of the previous column from line 24 of that column.</td>
<td>952</td>
<td>952</td>
<td>952</td>
<td>952</td>
</tr>
<tr>
<td>24. Add lines 22 and 23.</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>25. Enter the smaller of line 21 or line 24 here and on Form 2210, line 19.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Part II. Annualized Self-Employment Tax (Form 1040 filers only)

| 27. Prorated social security tax limit. | | | | |
| 28. Enter actual wages for the period subject to social security tax or the 6.2% portion of the 7.65% railroad retirement (ferr 1) tax. | 26,700 | 44,500 | 71,200 | 106,800 |
| Exception: If you filed Form 4137 or Form 8919, see instructions. | | | | |
| 29. Subtract line 28 from line 27. If zero or less, enter -0-. | 10,165 | 16,264 | 16,264 | 16,264 |
| 30. Annualization amounts. | 34,335 | 54,936 | 82,404 | 82,404 |
| 31. Multiply line 30 by the smaller of line 26 or line 29. | 0.496 | 0.2976 | 0.186 | 0.124 |
| 32. Annualization amounts. | 0.116 | 0.0696 | 0.0436 | 0.029 |
| 33. Multiply line 26 by line 32. | 64 | 141 | 445 | 445 |
| 34. Add lines 31 and 33. Enter here and on line 13 above. | 356 | 742 | 2,456 | 2,456 |

---

The type and rule above prints on all proofs including departmental reproduction proofs. MUST be removed before printing.
Figure 4-C. Annualized Income Installment Method—Illustrated (Laura Maple) (Continued)

Form 2210 (2009)  Page 3

Part IV Regular Method (See page 3 of the instructions if you are filing Form 1040NR or 1040NR-EZ.)

<table>
<thead>
<tr>
<th>Section A—Figure Your Underpayment</th>
<th>Payment Due Dates</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(a)</td>
</tr>
<tr>
<td>18 Required installments. If box C in Part II applies, enter the amounts from Schedule AI, line 25. Otherwise, enter 25% (.25) of line 9, Form 2210, in each column.</td>
<td>18</td>
</tr>
<tr>
<td>19 Estimated tax paid and tax withheld (see page 3 of the instructions). For column (a) only, also enter the amount from line 19 on line 23. If line 19 is equal to or more than line 18 for all payment periods, stop here; you do not owe a penalty. Do not file Form 2210 unless you checked a box in Part II.</td>
<td>19</td>
</tr>
</tbody>
</table>

Complete lines 20 through 26 of one column before going to line 20 of the next column.

| 20 Enter the amount, if any, from line 26 in the previous column. | 20     | 180   | 378   | 567   |
| 21 Add lines 19 and 20. | 21     | 378   | 567   | 856   |
| 22 Add the amounts on lines 24 and 25 in the previous column. | 22     | 0     | 0     | 0     |
| 23 Subtract line 22 from line 21. If zero or less, enter -0-. For column (a) only, enter the amount from line 19. | 23     | 180   | 378   | 567   | 856   |
| 24 If line 23 is zero, subtract line 21 from line 22. Otherwise, enter -0-. | 24     | 0     | 0     | 0     |
| 25 Underpayment. If line 18 is equal to or more than line 23, subtract line 23 from line 18. Then go to line 20 of the next column. Otherwise, go to line 26. | 25     | 4/15  | 2,952 |
| 26 Overpayment. If line 23 is more than line 18, subtract line 18 from line 23. Then go to line 20 of the next column. | 26     | 180   | 378   | 567   |

Section B—Figure the Penalty (Complete lines 29 through 30 of one column before going to the next column.)

Note: Only one underpayment rate applies for all underpayments of required installments. To reduce the number of computations, we have removed lines 27 and 28.

<table>
<thead>
<tr>
<th>April 16, 2009—April 15, 2010</th>
<th>4/15/09</th>
<th>6/15/09</th>
<th>9/15/09</th>
<th>1/15/10</th>
</tr>
</thead>
<tbody>
<tr>
<td>29 Number of days from the date shown above line 29 to the date the amount on line 25 was paid or 4/15/10, whichever is earlier.</td>
<td>29</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>30 Underpayment on line 25 (see page 5 of the instructions) × Number of days on line 29 ÷ 365 × .04</td>
<td>30</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>31 Penalty. Add the amounts in each column of line 30. Enter the total here and on Form 1040, line 76; Form 1040A, line 49; Form 1040NR, line 71; Form 1040NR-EZ, line 26; or Form 1041, line 26. Do not file Form 2210 unless you checked a box in Part II.</td>
<td>31</td>
<td>$29.12</td>
<td>$29.12</td>
<td>$29.12</td>
</tr>
</tbody>
</table>

Form 2210 (2009)
Worksheet 4-1.  **2009 Form 2210, Schedule AI—Line 12**  
Qualified Dividends and Capital Gain Tax Worksheet

**Note.** To figure the annualized entries for lines 2, 3, and 5 below, multiply the expected amount for the period by the annualization amount for the same period.

1. Enter line 11 of your Schedule AI, or line 3 from Worksheet 4-2 ............................ 1. ____________
2. Enter your annualized qualified dividends for the period ........................................ 2. ____________
3. Are you filing Schedule D?
   - Yes. Enter the smaller of your annualized amount from line 15 or line 16 of Schedule D. If either line 15 or line 16 is a loss, enter -0-. 3. ____________
   - No. Enter your annualized capital gain distributions from Form 1040, line 13

4. Add lines 2 and 3 .......................................................................................................................... 4. ____________
5. If you are claiming investment interest expense on Form 4952, enter your annualized amount from line 4g of that form. Otherwise, enter -0-. 5. ____________
6. Subtract line 5 from line 4. If zero or less, enter -0- .................................................................. 6. ____________
7. Subtract line 6 from line 1. If zero or less, enter -0- ................................................................. 7. ____________
8. Enter the smaller of:
   - The amount on line 1, or
   - $33,950 if single or married filing separately, $67,900 if married filing jointly or qualifying widow(er), $45,500 if head of household. 8. ____________
9. Is the amount on line 7 equal to or more than the amount on line 8?
   - Yes. Skip lines 9 and 10; go to line 11 and check the "No" box. 9. ____________
   - No. Enter the amount from line 7 ....................................................................................... 9. ____________
10. Subtract line 9 from line 8. ........................................................................................................ 10. ____________
11. Are the amounts on lines 6 and 10 the same?
   - Yes. Skip lines 11 through 14; go to line 15. 11. ____________
   - No. Enter the smaller of line 1 or line 6 .............................................................................. 11. ____________
12. Enter the amount from line 10 (if line 10 is blank, enter -0-) .................................................. 12. ____________
13. Subtract line 12 from line 11 .................................................................................................... 13. ____________
14. Multiply line 13 by 15% (.15) ................................................................................................. 14. ____________
15. Figure the tax on the amount on line 7. Use the Tax Table or Tax Computation Worksheet in the 2009 Form 1040 instructions, whichever applies .......................................................... 15. ____________
16. Add lines 14 and 15 .................................................................................................................... 16. ____________
17. Figure the tax on the amount on line 1. Use the Tax Table or Tax Computation Worksheet in the 2009 Form 1040 instructions, whichever applies .......................................................... 17. ____________
18. Tax on all taxable income. Enter the smaller of line 16 or line 17. Also enter this amount on line 12 of Schedule AI ........................................................................................................................................... 18. ____________
Worksheet 4-2. 2009 Form 2210, Schedule AI—Line 12
Foreign Earned Income Tax Worksheet

**Before you begin:** If Schedule AI, line 11, is zero for the period, do not complete this worksheet.

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Enter the amount from line 11 of Schedule AI for the period</td>
<td>1.</td>
</tr>
<tr>
<td>2. Enter the annualized amount* of foreign earned income and housing amount excluded or deducted (from Form 2555, lines 45 and 50, or Form 2555-EZ, line 18) in figuring the amount entered for the period on line 1 of Schedule AI</td>
<td>2.</td>
</tr>
<tr>
<td>3. Add lines 1 and 2</td>
<td>3.</td>
</tr>
<tr>
<td>4. Tax on the amount on line 3. Use the Tax Table, Tax Computation Worksheet, Form 8615,** Qualified Dividends and Capital Gain Worksheet,*** or Schedule D Tax Worksheet,*** whichever applies. See the 2009 Instructions for Form 1040, line 44, to find out which tax computation method to use. (Note. You do not have to use the same method for each period on Schedule AI.)</td>
<td>4.</td>
</tr>
<tr>
<td>5. Tax on the amount on line 2. Use the Tax Table or Tax Computation Worksheet, whichever applies, from the 2009 Form 1040 instructions</td>
<td>5.</td>
</tr>
<tr>
<td>6. Subtract line 5 from line 4. Enter the result here and on line 12 of Schedule AI. If zero or less, enter -0-</td>
<td>6.</td>
</tr>
</tbody>
</table>

* To figure the annualized amount for line 2, multiply the exclusion for the period by the annualization amount on line 2 of Schedule AI for the same period.

** If you use Form 8615 to figure the tax on line 4 above, enter the amount from line 3 above on line 4 of Form 8615. If the child's parent files Form 2555 or 2555-EZ, enter the amounts from lines 3 and 4 of the parent's Foreign Earned Income Tax Worksheet on lines 6 and 10, respectively, of Form 8615. Complete the rest of Form 8615 according to its instructions. Then complete lines 5 and 6 above.

*** Enter the amount from line 3 above on line 1 of the Qualified Dividends and Capital Gain Tax Worksheet (or Worksheet 4-1 in this chapter) or the Schedule D Tax Worksheet, whichever worksheet you use to figure the tax on line 4 above. Complete that worksheet through line 6 (line 10 if you use the Schedule D Tax Worksheet). Next, determine if you have a capital gain excess.

**Figuring capital gain excess.** To find out if you have a capital gain excess for the appropriate period, subtract line 11 of Schedule AI from line 6 of Worksheet 4-1 or your Qualified Dividends and Capital Gain Tax Worksheet (line 10 of your Schedule D Tax Worksheet). If the result is more than zero, that amount is your capital gain excess.

**No capital gain excess.** If you do not have a capital gain excess, complete the rest of Worksheet 4-1, Qualified Dividends and Capital Gain Tax Worksheet, or the Schedule D Tax Worksheet according to the worksheet’s instructions. Then complete lines 5 and 6 above.

**Capital gain excess.** If you have a capital gain excess, complete a second Worksheet 4-1, Qualified Dividends and Capital Gain Tax Worksheet, or Schedule D Tax Worksheet (whichever applies) as instructed above but in its entirety and with the following additional modifications. Then complete lines 5 and 6 above.

Make the modifications below only for purposes of filling out Worksheet 4-2 above.

a. Reduce (but not below zero) the amount you otherwise would enter on line 3 of your Worksheet 4-1, line 3 of your Qualified Dividends and Capital Gain Tax Worksheet, or line 9 of your Schedule D Tax Worksheet by your capital gain excess.

b. Reduce (but not below zero) the amount you otherwise would enter on line 2 of your Worksheet 4-1, line 2 of your Qualified Dividends and Capital Gain Tax Worksheet, or line 6 of your Schedule D Tax Worksheet by any of your capital gain excess not used in (a) above.

c. Reduce (but not below zero) the amount on your Schedule D (Form 1040), line 18, by your capital gain excess.

d. Include your capital gain excess as a loss on line 16 of your Unrecaptured Section 1250 Gain Worksheet on page D-9 of the 2009 Instructions for Schedule D (Form 1040).
5. How To Get Tax Help

You can get help with unresolved tax issues, order free publications and forms, ask tax questions, and get information from the IRS in several ways. By selecting the method that is best for you, you will have quick and easy access to tax help.

Contacting your Taxpayer Advocate. The Taxpayer Advocate Service (TAS) is an independent organization within the IRS whose employees assist taxpayers who are experiencing economic harm, who are seeking help in resolving tax problems that have not been resolved through normal channels, or who believe that an IRS system or procedure is not working as it should. Here are seven things every taxpayer should know about TAS:

1. TAS is your voice at the IRS.
2. Our service is free, confidential, and tailored to meet your needs.
3. You may be eligible for TAS help if you have tried to resolve your tax problem through normal IRS channels and have gotten nowhere, or you believe an IRS procedure just isn’t working as it should.
4. TAS helps taxpayers whose problems are causing financial difficulty or significant stress.
5. TAS knows the IRS and how to navigate it. We will listen to your problem, help you understand what needs to be done to resolve it, and stay with you every step of the way until your problem is resolved.
6. TAS has at least one local taxpayer advocate in every state, the District of Columbia, and Puerto Rico. You can call your local advocate, whose number is in your phone book, in Pub. 1546, Taxpayer Advocate Service—Your Voice at the IRS, and on our website at www.irs.gov/advocate. You can also call our toll-free line at 1-877-777-4778 or TTY/TDD 1-800-829-4059.
7. You can learn about your rights and responsibilities as a taxpayer by visiting our online tax toolkit at www.taxtoolkit.irs.gov.

Low Income Taxpayer Clinics (LITCs). The Low Income Taxpayer Clinic program serves individuals who have a problem with the IRS and whose income is below a certain level. LITCs are independent from the IRS. Most LITCs can provide representation in the IRS or in court on audits, tax collection disputes, and other issues for free or a small fee. If an individual’s native language is not English, some clinics can provide multilingual information about taxpayer rights and responsibilities. For more information, see Publication 4134, Low Income Taxpayer Clinic List. This publication is available at www.irs.gov, by calling 1-800-TAX-FORM (1-800-829-3676), or at your local IRS office.

Free tax services. To find out what services are available, get Publication 910, IRS Guide to Free Tax Services. It contains lists of free tax information sources, including publications, forms, and free tax education and assistance programs. It also has an index of over 100 TeleTax topics (recorded tax information) you can listen to on your phone.

Accessible versions of IRS published products are available on request in a variety of alternative formats for people with disabilities.

Free help with your return. Free help in preparing your return is available nationwide from IRS-trained volunteers. The Volunteer Income Tax Assistance (VITA) program is designed to help low-income taxpayers and the Tax Counseling for the Elderly (TCE) program is designed to assist taxpayers age 60 and older with their tax returns. Many VITA sites offer free electronic filing and all volunteers will let you know about credits and deductions you may be entitled to claim. To find the nearest VITA or TCE site, call 1-800-829-1040.

As part of the TCE program, AARP offers the Tax-Aide counseling program. To find the nearest AARP Tax-Aide site, call 1-888-227-7669 or visit AARP’s website at www.aarp.org/money/taxaide.

For more information on these programs, go to www.irs.gov and enter keyword “VITA” in the upper right-hand corner.

Internet. You can access the IRS website at www.irs.gov 24 hours a day, 7 days a week to:

- E-file your return. Find out about commercial tax preparation and e-file services available free to eligible taxpayers.
- Check the status of your 2009 refund. Go to www.irs.gov and click on Where’s My Refund. Wait at least 72 hours after the IRS acknowledges receipt of your e-filed return, or 3 to 4 weeks after mailing a paper return. If you filed Form 8379 with your return, wait 14 weeks (11 weeks if you filed electronically). Have your 2009 tax return available so you can provide your social security number, your filing status, and the exact whole dollar amount of your refund.
- Download forms, instructions, and publications.
- Order IRS products online.
- Research your tax questions online.
- Send publications online by topic or keyword.
- Use the online Internal Revenue Code, Regulations or other official guidance.
- View Internal Revenue Bulletins (IRBs) issued in the last few years.
- Figure your withholding allowances using the withholding calculator online at www.irs.gov/individuals.
- Determine if Form 6251 must be filed by using our Alternative Minimum Tax (AMT) Assistant.
- Sign up to receive local and national tax news by email.
- Get information on starting and operating a small business.

Phone. Many services are available by phone:

- Ordering forms, instructions, and publications. Call 1-800-TAX-FORM (1-800-829-3676) to order current-year forms, instructions, and publications, and prior-year forms and instructions. You should receive your order within 10 days.
- Asking tax questions. Call the IRS with your tax questions at 1-800-829-1040.
- Solving problems. You can get face-to-face help solving tax problems every business day in IRS Taxpayer Assistance Centers. An employee can explain IRS letters, request adjustments to your account, or help you set up a payment plan. Call your local Taxpayer Assistance Center for an appointment. To find the number, go to www.irs.gov/localcontacts or look in the phone book under United States Government, Internal Revenue Service.
- TTY/TDD equipment. If you have access to TTY/TDD equipment, call 1-800-829-4059 to ask tax questions or to order forms and publications.
- TeleTax topics. Call 1-800-829-4477 to listen to pre-recorded messages covering various tax topics.
- Refund information. To check the status of your 2009 refund, call 1-800-829-1954 during business hours or 1-800-829-4477 (automated refund information 24 hours a day, 7 days a week). Wait at least 72 hours after the IRS acknowledges receipt of your e-filed return, or 3 to 4 weeks after mailing a paper return. If you filed Form 8379 with your return, wait 14 weeks (11 weeks if you filed electronically). Have your 2009 tax return available so you can provide your social security number, your filing status, and the exact whole dollar amount of your refund. Refunds are sent out weekly on Fridays. If you check the status of your refund and are not given the date it will be issued, please wait until the next week before checking back.
- Other refund information. To check the status of a prior year refund or amended return refund, call 1-800-829-1954.

Evaluating the quality of our telephone services. To ensure IRS representatives give accurate, courteous, and professional answers, we use several methods to evaluate the quality of our telephone services. One method is for a second IRS representative to listen in on or record random telephone calls. Another is to ask some callers to complete a short survey at the end of the call.

Chapter 5 How To Get Tax Help Page 63
Walk-in. Many products and services are available on a walk-in basis.

- **Products.** You can walk in to many post offices, libraries, and IRS offices to pick up certain forms, instructions, and publications. Some IRS offices, libraries, grocery stores, copy centers, city and county government offices, credit unions, and office supply stores have a collection of products available to print from a CD or photocopy from reproducible proofs. Also, some IRS offices and libraries have the Internal Revenue Code, regulations, Internal Revenue Bulletins, and Cumulative Bulletins available for research purposes.

- **Services.** You can walk in to your local Taxpayer Assistance Center every business day for personal, face-to-face tax help. An employee can explain IRS letters, request adjustments to your tax account, or help you set up a payment plan. If you need to resolve a tax problem, have questions about how the tax law applies to your individual tax return, or you are more comfortable talking with someone in person, visit your local Taxpayer Assistance Center where you can spread out your records and talk with an IRS representative face-to-face. No appointment is necessary—just walk in. If you prefer, you can call your local Center and leave a message requesting an appointment to resolve a tax account issue. A representative will call you back within 2 business days to schedule an in-person appointment at your convenience. If you have an ongoing, complex tax account problem or a special need, such as a disability, an appointment can be requested. All other issues will be handled without an appointment. To find the number of your local office, go to [www.irs.gov/localcontacts](http://www.irs.gov/localcontacts) or look in the phone book under United States Government, Internal Revenue Service.

**Mail.** You can send your order for forms, instructions, and publications to the address below. You should receive a response within 10 days after your request is received.

Internal Revenue Service  
1201 N. Mitsubishi Motorway  
Bloomington, IL 61705-6613

**DVD for tax products.** You can order Publication 1796, IRS Tax Products DVD, and obtain:

- Current-year forms, instructions, and publications.
- Prior-year forms, instructions, and publications.
- Tax Map: an electronic research tool and finding aid.
- Tax law frequently asked questions.
- Tax Topics from the IRS telephone response system.
- Internal Revenue Code—Title 26 of the U.S. Code.
- Internal Revenue Bulletins.
- Toll-free and email technical support.
- Two releases during the year.
- The first release will ship the beginning of January 2010.  
- The final release will ship the beginning of March 2010.

Purchase the DVD from National Technical Information Service (NTIS) at [www.irs.gov/cdorders](http://www.irs.gov/cdorders) for $30 (no handling fee) or call 1-877-233-6767 toll free to buy the DVD for $30 (plus a $6 handling fee).