

Instructions for Underpayment of Estimated Tax

Part I - Underpayment Calculations

- Line 1 Enter tax liability from appropriate return.
- Line 2 Enter total amount of tax credits claimed.
- Line 3 Enter exemption claimed from tax return. (\$500 per year, \$41.67 per month, or \$1.37 per day). Note: This exemption does not apply to Telecommunications Tax.
- Line 4 Enter total of line 2 and line 3.
- Line 5 Enter adjusted tax, line 1 less line 4.
- Line 6 If estimated payments were required to be filed quarterly, multiply the amount on Line 5 by (.75) and enter the result. This is the amount that should have been prepaid.
- Line 7 If estimated payments were required to be filed monthly, multiply the amount on Line 5 by eleven-twelfths and enter the result. This is the amount that should have been prepaid.
- Line 8 Enter in columns 1 through 4 (quarterly) or columns 1 through 12 (monthly) the installment dates which correspond to the last day of the month following the end of the period in which the tax accrued.
- Line 9 Multiply line 6 by (.25) and enter in columns 1 through 4. This is the amount that should have been prepaid in quarterly estimated payments.
- Line 10 Multiply line 7 by one-twelfth and enter in columns 1 through 12. This is the amount that should have been prepaid in monthly estimated payments.
- Line 11a Enter amount of estimated tax payment per quarter or month that was paid on or before the due date of the installment payment.
- Line 11b Any amount paid as an estimated tax payment in excess of the amount required to be paid for that period can be carried forward to the next period.
- Line 12 Enter total of lines 11a and 11b.
- Line 13 If line 12 is larger than lines 9 or 10 in any column, you have an overpayment for that period. Subtract line 9 or line 10 from line 12 and enter the result in that column.
- Line 14 If line 12 is less than lines 9 or 10 in any column, you have an underpayment for that period. Subtract line 12 from line 9 or 10 and enter the result in that column.

Part II - Additions to Tax Calculation

- Line 15 Enter in each column the same installment dates as used on line 8.
- Line 16 Enter amount of underpayment as shown on line 14.
- Line 17 Enter the date the estimated tax payment was made or the due date of the annual return, whichever is earlier.
- Line 18 Enter the number of days from the date the installment was due to the date shown on Line 17.
- Line 19 The daily penalty rate is equal to the annual interest rate established by the Tax Commissioner divided by 365.
- Line 20 Penalty due for each period. Multiply the underpayment on line 14 times the number of days on line 18 times the daily penalty rate on line 19 and enter the result for each column.
- Line 21 Total penalty due. Add penalty amounts shown on line 20, columns 1 through 12 and enter result in column 12. Enter the amount on line 21 to appropriate annual tax return. Attach the completed underpayment schedule to the applicable annual tax return.