

ESTIMATED TAX PAYMENTS

Do I have to make estimated tax payments?

You must make *estimated tax payments* for the current year if you expect your tax withholding from salary and other sources to be the lessor of:

- 90% of the tax to be shown on your current year's tax return, or
- 100% of the tax shown on your prior year's tax return (110% if your prior year adjusted gross income exceeded \$150k). For California you must use 90% of current year tax amount if your income exceeds \$1.0M.

Why is there an increased need to look at this in 2018 and beyond?

The IRS has lowered the statutory withholding rate on bonus and other special compensation payments to 22%. Go to IRS website <https://www.irs.gov/individuals/irs-withholding-calculator> To compute the required withholding allowances you should claim on your W4.

What are the quarterly payment dates?

The payment due dates are:

- First quarter - April 15, covers through March 31
- Second quarter - June 15, covers through May 31
- Third quarter - September 15, covers through August 31
- Fourth quarter - January 15 of following year, covers full year

How much do I need to pay each quarter?

You make equal payments each quarter, totaling the full annual payment required. In general, that means you would have to pay 25% per quarter. However, if your income is earned unevenly throughout the year you can use the "annualization" method and pay the withholding shortfall for that quarter only. For example, if you receive a significant bonus at year end, you can wait for the fourth quarter to make a payment on that withholding shortfall. California likes to make things complicated so they require you pay 30% of the amount paid by the 1st quarter, 70% by the 2nd quarter and then do not require a 3rd quarter payment.

How do I make my estimated tax payments?

We recommend making your payments electronically, by visiting the following websites:

<https://www.irs.gov/Payments/Direct-Pay>
<https://www.ftb.ca.gov/online/myacct/index.asp>

Please refer to the PDF linked below for payment coding instructions. Please note you do not need to register with the FTB to make the payment.