

Schedule IT-2210

R / 8-01

Indiana Department of Revenue Underpayment of Estimated Tax by Individuals

WHAT is the purpose of Schedule IT-2210? This schedule is used for TWO reasons:

1. To help you figure any penalty you owe for not paying enough income tax throughout the year; **or**
2. To show you paid enough tax throughout the year to be exempt from the penalty.

WHY is a penalty charged? The Indiana income tax system is a "pay as you go" system. Many taxpayers have enough taxes withheld from their income throughout the year to cover their year-end total tax due. However, if you don't have taxes withheld from your income, or if you don't have *enough* tax withheld from your income, you may owe a penalty for underpaying estimated tax.

WHO should use Schedule IT-2210? You should complete this schedule if :

- the amount you owe for tax year 2001, after credits, is \$400 or more for the year. Look at line 36 on the IT-40 or line 34 on the IT-40PNR; **or**
- you underpaid the minimum amount due for one or more of the installment periods.

Note: Form IT-40P filers must see special instructions on page 3.

HOW much is the penalty? The penalty is 10% of the underpayment for each installment period underpaid. That is why Section E of this schedule is set up by periods and should be filled out one column at a time.

WHAT DO I NEED to complete this form? You'll need a copy of:

- your completed 2001 IT-40 or IT-40PNR;
- your 2000 IT-40 or IT-40PNR; **and**
- records of actual estimated tax payments you made for 2001.

WHAT ELSE do I need to know about this schedule?

- If you are a farmer or fisherman, you should review Section A.

- All taxpayers need to know about the short method of figuring your penalty available in Section D.

- If you received seasonal income (i.e. you had fireworks sales, you worked during a Christmas season, etc.) that is not evenly distributed throughout the year, you might want to complete Schedule IT-2210A, Annualized Income Schedule. Annualization could possibly reduce your required installment tax payments. Contact the Department at (317) 615-2581 to get Schedule IT-2210A.

SECTION A - Farmers and Fishermen

If at least two-thirds of your gross income for 2000 or 2001 was from farming or fishing, you have only one payment due date for 2001 estimated tax - January 15, 2002.

To meet an exception to the underpayment penalty for 2001, you may use Option 1 or 2:

Option 1- Pay all your estimated tax by January 15, 2002, and file your Form IT-40 by April 15, 2002, **OR**

Option 2- File your Form IT-40 by March 1, 2002, and pay all the tax due. You are not required to make an estimated tax payment if you choose this second option. If you pay all the tax due, you will not be penalized for failure to pay estimated tax.

SECTION B - Early Filers

If you file your individual income tax return and pay the tax due by January 31, 2002, you will not be required to make a 4th installment estimated tax payment. For additional information see the instructions for line 16.

SECTION C - Required Annual Payments

Section C will determine if you should have paid estimated taxes during the year and the minimum amount required.

Line 1: 2001 Tax: Enter the state adjusted gross income tax and county income tax from your individual income tax return. Add line 14 (state adjusted gross income tax) and line 15 (county income tax) from the IT-40 or lines 12 and 13 from the IT-40PNR and enter the total here.

Line 2: 2001 Credits: Enter all your credits *except* withholding and estimated tax payments. Add line 22, 23, 24, and 25 from the IT-40 or lines 20, 21, 22 and 23 from the IT-40 PNR and enter the total here.

Line 4: To determine 90% of your total expected tax, multiply line 3 by 90% (.90).

Note: If at least 2/3 of your gross income is from farming or fishing, multiply line 3 by 66 2/3% (.667).

Line 5: 2001 Withholding: Your 2001 Indiana state and county income taxes withheld from your earnings should equal the combined line 19 (Indiana state tax withheld) and line 20 (county tax withheld) amounts from the IT-40 or lines 17 and 18 from the IT-40PNR. Enter the total here.

Line 6: Subtract line 5 from line 3. If this amount is less than \$400, you **do not** owe a penalty. **Stop** here and **attach a copy of this schedule** to your individual income tax return.

Line 7: Prior Year's Tax Exception:

- If you filed a 2000 IT-40, add lines 14 and 15 (your state and county income tax) from that return and subtract the total of lines 22, 23 and 24 from that return. Enter the result here. **Note: See Caution on page 2.**

- If you filed a 2000 IT-40PNR as a **full-year nonresident**, add lines 12 and 13 from that return and subtract the total of the lines 20, 21 and 22 from that return. Enter the result here. **Note: See Caution on page 2.**

- If you filed a 2000 IT-40PNR as a **part-year resident** of Indiana, you must figure the tax for that year on an annualized basis.

You can accomplish this by multiplying the IT-40PNR line 1 income by 12 and dividing the result by the number of months you were an Indiana resident. Then figure the state tax and county tax (if applicable) by 1) subtracting your 2001 exemptions from the result and 2) multiplying that total by the combined state and applicable county tax rate(s) from your 2001 Indiana individual income tax return. See the example below. **Note: See Caution below.**

Example:

- Jane moved to Indiana on Sept. 15, 2000, so she was a resident for 3.5 months.
- Her 2000 IT-40PNR line 1 income is \$10,000.
- Her 2001 total exemptions are \$3,500.
- The 2001 adjusted gross income tax rate is 3.4% (.034). Her 2001 county tax rate is 1% (for a 4.4% combined state and county tax rate.)

Use Steps 1 - 4 below to figure her prior year's tax exception for line 7 of the IT-2210.

Step 1 \$ 10,000 2000 Indiana income
 x 12 months
 \$ 120,000 annualized income

Step 2 \$ 120,000 annualized income
 ÷ 3.5 months (2000 residency)
 \$ 34,286

Step 3 \$ 34,286
 - \$ 3,500 (2001 exemptions)
 \$ 30,786

Step 4 \$ 30,786
 x 4.4% (2001 combined state and county tax rate)
 \$ 1,355*

* The \$1,355 Step 4 amount should be entered as an exception on line 7 of Jane's Schedule IT-2210.

CAUTION: If your 2000 Indiana adjusted gross income (line 13 of Form IT-40 or line 11 of Form IT-40PNR) was more than \$150,000 (\$75,000 for married individuals filing separately), you must enter **110% of last year's tax** (instead of 100%) on line 7.

Example: Chris and Kate's 2000 Indiana adjusted gross income from line 13 of Form IT-40 was \$158,000. They would take the following steps to arrive at the exception amount for line 7:

- 2000 IT-40 total income tax (lines 14 plus line 15) \$ 6,732
- 2000 IT-40 credits (lines 22, 23 and 24) - 1,732
- 2000 IT-40 total income tax due (before estimated tax and withholding credits) \$ 5,000
- Exception to the penalty percentage x 110%
- Amount for line 7 of Schedule IT-2210 \$ 5,500

Note: If Chris and Kate's 2000 Indiana adjusted gross income had been less than \$150,000, they would have entered \$5,000 instead of \$5,500 on line 7.

Line 8: Minimum Required Annual Payment: Enter the lesser of line 4 or line 7. If the line 7 entry is N/A, enter the amount from line 4 on this line. Continue to Section D or Section E, whichever applies.

SECTION D - Short Method

You can use the short method **only if:**

- you made no estimated tax payments, **or**
- you paid estimated tax in four equal amounts by the due dates.

You **can't** use the short method if either of the following applies:

- you made any estimated tax payments late, **or**
- you made estimated payments in unequal amounts.

SECTION E - Regular Method

Use the regular method if you aren't eligible to use the short method.

If you are a fiscal year taxpayer, you may change the dates in Columns A through D to correspond with your fiscal year.

Line 14: Minimum Required Installment: Divide the amount on line 8 by 4 and enter the result in each column.

Special instructions for farmers/fishermen. Enter the amount from line 8 on line 14, Column D only. Complete Section E by entering amounts on lines 15 through 21, Column D **only** (leave Columns A, B and C blank). For example, your line 8 minimum required payment is \$600. Leave line 14, Columns A, B and C blank; enter the full \$600 amount in Column D.

If you are filing this year as a **part-year resident** on Form IT-40PNR, you must divide line 8 by the number of installment periods during which you were a resident of Indiana.

Installment periods are:

1st Period January 1 to March 31
 2nd Period April 1 to May 31
 3rd Period June 1 to August 31
 4th Period Sept. 1 to Dec. 31

Line 15: 2001 Withholding: To determine your installment period withholding credit, divide the amount on line 5 by 4 and enter the result in each column.



STOP: Complete lines 16 through 19 for one column before going to the next column.

Line 16: 2001 Estimated Taxes Paid: Enter the actual amount of estimated tax you timely paid for each installment period. Payments made after the due dates at the top of each column are to be reported in the next column.

Example: Joe paid \$800 in estimated taxes for 2001. His first installment payment of \$200 was not made until May 1 (after the April 15th due date). His second installment payment of \$200 was made on time by the due date of June 15th. The first installment payment in Column A on line 15 will be -0- and the 2nd installment payment in Column B on line 15 will be \$400.

Note for Early Filers: If you file your individual income tax return and pay the tax due by January 31, 2002, you will not be required to make a 4th installment estimated tax payment. You should include on line 16, Column D, the amount of tax you paid with your

tax return (Form IT-40 or IT-40PNR) minus any household employment tax, use tax, and/or the amount shown on the return to be applied to your 2002 estimated tax account.

Line 17: Total Installment Payments: To determine your total installment payments, add lines 15 and 16 in each column and enter that column's total here.

Line 18: Installment Period Overpayment: If the total payment (line 17) is more than the required payment due (line 14) for an installment period, enter the difference on this line. This amount should then be added to line 16 in the next column **after** subtracting any underpayment(s) shown on line 19 in the previous column(s).

Note: If, after subtracting any underpayments, this amount is less than zero, no overpayment will be available to carry over to the next installment period. Also, **do not** carry over a negative figure if this amount is less than zero.

Example: Dana had a \$100 underpayment on line 19, Column A. She had a \$130 *overpayment* on line 18, Column B. The net overpayment from the first two installment periods is \$30 (\$130 - \$100). She will add this net overpayment to any estimated tax paid for the third installment period on line 16, Column C.

Line 19: Installment Period Underpayment: If the total payment (line 17) is less than the required tax (line 14) for an installment period, enter the difference on this line.

Line 20: Total Underpayment: Add the amounts from line 19, Columns A, B, C, and D, and enter the total here.

Line 21: Underpayment Penalty: To determine the amount of underpayment penalty you owe, multiply line 20 by 10% (.10) and enter the amount here.

This amount must also be entered on line 33 of your 2001 IT-40 or line 31 of your 2001 IT-40PNR.

Attach a copy of Schedule IT-2210 to your tax return.

A special note to prior year tax filers ...

Individuals filing an Indiana individual income tax return for tax years 1996 or before must file using Form IT-40P. For tax years beginning before 1997, you should complete this schedule if:

- the amount you owed for the year, after credits, was \$100* or more for the year; **or**
- you underpaid the minimum amount due for one or more of the installment periods.

The Schedule IT-2210 instructions address 2001 Form IT-40 and IT-40PNR line references and due dates. You must adjust those line references and due dates to correspond with the tax year for which you are filing. For example, if you are completing Form IT-40P for the 1997 tax year, where the Section C line 7 instruction refers to "last year's tax", it is referring to tax from your 1996 tax return.

* The 1998 revision, line 6, states; "If less than \$400, STOP HERE!" For tax year 1996 or before the instructions should say; "If less than **\$100**, STOP HERE!" Estimated payments were required for those years if owing \$100 or more.