

ST15-23 Handling Estimated Tax Penalty (Form 2210) in TaxWise

Taxpayers must make estimated tax payments if they expect to owe at least \$1,000 in tax (after subtracting withholding and credits) and their withholding and credits will be less than the smaller of:

- 90% of the tax shown on the current tax return or
- 100% of the tax shown on the prior year's tax return (110% for certain higher-income taxpayers; see Form 1040-ES)

An estimated tax penalty may apply if the taxpayer does not make estimated tax payments as required. There are special situations when a taxpayer will not have to pay a penalty. Form 2210 is used to calculate estimated tax penalties.

Volunteer preparers are not to calculate estimated tax penalties.

If form 2210 is red in the tree after the tax return is complete, do the following:

Federal Form 2210

- Open the form 2210
- Go to line 8 and enter "1" in the red box on this line.
- The form should no longer be red and there should not be an amount on the 1040 line 79.

NJ Form 2210

- Open the NJ form 2210
- Go to line 4b and enter "1" in the red box on this line.
- The form should no longer be red and there should not be an amount on the NJ 1040 line 46.

Tell the taxpayer that an estimated tax penalty may be owed and if so, the IRS and/or the State of NJ will send a notice. Help the taxpayer to understand what they can do to prevent this situation from happening in the future such as making estimated tax payments throughout the year or having their withholding increase on their income.