

## Worksheet VII - Calculation of Interest on Underpayment of Estimated Taxes - Short Method

You are required to pay your income tax liability throughout the year. You can make your payments through employer withholding, through installment payments of estimated taxes, or through a combination of employer withholding and estimated tax payments.

You are not required to make estimated tax payments if one of the following conditions relate to you:

- Your combined tax liability after you applied your withholding and estimated tax payments is less than \$500.
- You did not have a 2006 income tax liability and you were a citizen or resident of the United States the entire year.
- Your underpayment was due to a casualty, disaster, or another unusual circumstance.
- You retired in either 2006 or 2007 after reaching the age of 62.
- You became disabled in either 2006 or 2007.
- You are a farmer or rancher and 66 2/3% of your 2007 gross income is derived from your farming and ranching operation. Your 66 2/3% farming and ranching income is determined annually and is based on your 2006 gross income. Please note that Montana does not use the same "look back" period that the Internal Revenue Service uses to determine the percentage of your farming and ranching income for federal income tax purposes.

If you did not pay in advance at least 90% of your 2007 income tax liability (after applying your credits) or 100% of your 2006 income tax liability (after applying your credits) you may have to pay interest on the underpayment of your estimated taxes.

If you are required to pay interest on your underpayment, you can use this short method to determine your interest, but you can use this short method only if:

- You made non-estimated tax payments or your payments were only Montana withholding, or;
- You made four equal estimated payments by the required due date.

If you are not eligible to use this short method to calculate your interest on your underpayment, use Montana Form EST-I, "Interest on Underpayment of Estimated Tax Payments." You can access this form by visiting our website at [mt.gov/revenue](http://mt.gov/revenue) or by calling us at (406) 444-6900.

1. Enter your 2007 combined total tax due reported on Form 2, line 58 here. ....	1.	
2. Multiply line 1 by 0.90 (90%) and enter the result here. ....	2.	
3. Combine the amounts on Form 2, line 59, that portion of line 60 that includes amounts credited from prior year's tax refunds, and line 62. (If you are "married filing separately on the same form", enter the sum of columns A and B). Enter the results here. ....	3.	
4. Subtract line 3 from line 1 and enter the result here. If your result is \$500 or less, stop here, you do not owe interest on your underpayment. ....	4.	
5. Enter here the 2006 income tax liability that you reported on your 2006 Form 2, line 59, 2006 Form 2M, line 47, or 2006 Form 2EZ, line 16 here. ....	5.	
6. Enter the smaller of line 2 or line 5 here. ....	6.	
7. Combine the amount on line 3 above with the estimated tax payments that you reported on your 2007 Form 2, line 60. Enter the result here. ....	7.	
8. Subtract line 7 from line 6. If the result is zero or less, stop here, you do not owe interest on your underpayment. <b>This is your total underpayment for 2007.</b> ....	8.	
9. Multiply line 8 by 0.05320 and enter the result here. ....	9.	
10. If you paid the amount on line 8 on or after April 15, 2008, enter zero. If you paid the amount on line 8 before April 15, multiply the amount on line 8 by the number of days you paid before April 15 by 0.0002192 and enter the amount here. ....	10.	
11. Subtract line 10 from line 9 and enter the result here and on Form 2, line 66. <b>This is your interest on the underpayment of estimated taxes.</b> ....	11.	