



Instructions for Form 2210

Underpayment of Estimated Tax by Individuals and Fiduciaries

Paperwork Reduction Act Notice.—We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us this information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average times are:

	Short Method	Regular Method
Recordkeeping	7 min.	13 min.
Learning about the law or the form	4 min.	33 min.
Preparing the form	28 min.	1 hr., 16 min.
Copying, assembling, and sending the form to IRS	20 min.	31 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form more simple, we would be happy to hear from you. You can write to both the IRS and the Office of Management and Budget at the addresses listed in the instructions for the tax return with which this form is filed.

Items To Note

- For an explanation of **Purpose of Form** and **Lowering Your Penalty**, see page 1 of Form 2210.
- Many taxpayers can now use the Short Method to figure the penalty. See page 1 of Form 2210.
- If you are filing Form 2210 to lower your penalty (filing the form is required in this case), you **must** write whichever letter applies (**A**, **B**, or **C**) in the space next to the penalty amount on your tax return (Form 1040, line 67; Form 1040A, line 33; or Form 1041, line 26).
- If you choose to figure the penalty even though the form is not required to be filed, enter the amount you figure on the penalty line of your tax return. You do not have to attach the form to your return.
- Generally, estates and trusts are liable for an estimated tax penalty in the same manner as individuals. **Note:** *The Internal Revenue Service expects to issue regulations on estimated tax payments by estates and trusts. Until further guidance is available, taxpayers may rely on Notice 87-32, 1987-1 C.B. 477.*
- If you file an **amended return** by the due date of your original return, use the amounts shown on your amended return to figure your underpayment. If you file an amended return after the due date of your original return, use the amounts shown on the original return. **Exception:** If you and your spouse file a joint return after the due date to replace separate returns you originally filed by the due date, use the amounts shown on the joint return to figure your underpayment. This rule applies only if both original separate returns were filed on time.

Additional Information

Get **Pub. 505**, Tax Withholding and Estimated Tax, for more details. It has examples and samples of filled-in Forms 2210.

IRS Can Figure the Penalty for You

Because Form 2210 is complicated, we encourage you to let us figure the penalty. If you owe it, we will send you a bill. And, as long as you file your return by April 15, 1991, we will not charge you interest if the bill is paid within 10 days after the notice date.

If you want us to figure the penalty for you, complete your return as usual. Leave the penalty line on your return blank; do not file Form 2210.

Caution: See **Lowering Your Penalty** on page 1 of the form. If **A**, **B**, or **C** applies, you must figure the penalty yourself and attach a completed Form 2210 to your return.

Other Acceptable Methods

We realize that there are different ways to figure the correct penalty. You do not have to use the method prescribed by Form 2210 as long as you enter the correct penalty amount on the penalty line of your return.

However, if you are required to file Form 2210, as explained under **Lowering Your Penalty** on page 1 of the form, you must complete certain lines. If you use the short method, you must complete lines 1-16 and enter the penalty on line 19. If you use the regular method, you must complete lines 1-12 and lines 20-28 and enter the penalty on line 31.

Who Must Pay the Underpayment Penalty

If you did not pay enough estimated tax by any of the due dates, or if you did not have enough Federal income tax withheld, you may be charged a penalty. This is true even if you are due a refund when you file your tax return. The penalty is figured separately for each due date. Therefore, you may owe the penalty for an earlier payment due date, even if you paid enough tax later to make up the underpayment.

In general, you may owe the penalty for 1990 if you did not pay at least the smaller of 90% of your current year (1990) tax liability, or 100% of your prior year (1989) tax liability (if you filed a 1989 return that covered a full 12 months).

Exceptions to the Penalty

You will not have to pay the penalty or file this form if either of the following applies:

1. You had no tax liability for 1989, you were a U.S. citizen or resident for the entire year, and your 1989 tax return was (or would have been had you been required to file) for a full 12 months, or

2. The total tax shown on your 1990 return minus the amount of tax you paid through withholding is less than \$500. To determine whether the total tax is less than \$500, complete lines 1 through 10.

Special Rules for Farmers and Fishermen

If you meet both of the following tests, you do not owe a penalty for underpaying estimated tax.

1. Your gross income from farming and fishing is at least two-thirds of your annual gross income for 1989 or 1990, and
2. You filed Form 1040 or 1041 and paid the entire tax due by March 1, 1991.

If you meet test 1 but not test 2, use **Form 2210F**, Underpayment of Estimated Tax by Farmers and Fishermen, to see if you owe a penalty. If you do not meet test 1, use Form 2210.

See Pub. 505 for the definition of gross income from farming and fishing.

Waiver of Penalty

If you have an underpayment on line 16 (line 27 if you use the regular method), all or part of the penalty for that underpayment may be waived if either of the following applies:

- The underpayment was due to a casualty, disaster, or other unusual circumstance and it would be inequitable to impose the penalty.
- In 1989 or 1990 you retired after age 62 or became disabled and your underpayment was due to reasonable cause.

To claim either of the above waivers, you must do **ALL THREE** of the following:

1. Write the letter **"A"** in the space next to the penalty amount on your tax return.
2. Complete Form 2210 through line 18 (line 30 if you use the regular method) without regard to the waiver provision. Write the amount to be waived in parentheses on the dotted line next to line 19 (line 31 for the regular method). Write **"AMOUNT WAIVED—\$(amount)."** Subtract the amount waived from the total penalty you figured without regard to the waiver, and enter the result on line 19 (line 31 for the regular method).

3. Attach Form 2210 and a statement to your return showing which waiver you are claiming, and a computation of the amount of penalty to be waived.

Part I—Required Annual Payment

Complete lines 1 through 12 to determine your required annual payment.

Line 2

Enter the total of the following amounts on line 2:

- Self-employment tax;
- Alternative minimum tax;
- Tax from recapture of investment credit or low-income housing credit;
- Tax on early distributions (Form 5329, Part II, only);
- I. R. Code section 72(m)(5) penalty tax;
- Excise tax on golden parachute payments;
- Advance earned income credit payments;
- An increase or decrease in tax as a shareholder in a qualified electing fund; and
- Interest due under I. R. Code sections 453(l)(3) and 453A(c) on certain installment sales of property.

Line 11

Prior Year Tax.—Figure your 1989 tax using the taxes and credits from your 1989 tax return. Use the same type of taxes and credits as shown on lines 1, 2, 4, and 5 of Form 2210, and any tax on installment sales as a dealer in personal property.

If you did not file a return for 1989, or if your 1989 tax year was less than 12 months, do **not** complete line 11. Instead, enter the amount from line 8 on line 12. However, see **Exceptions to the Penalty** on page 1.

Filing Status Change.—If you are filing a joint return for 1990, but you did **not** file a joint return for 1989, add the tax shown on your 1989 return to the tax shown on your spouse's 1989 return and enter the total on line 11. If you filed a joint return for 1989, but you are **not** filing a joint return for 1990, see Pub. 505 to figure your share of the 1989 tax to enter on line 11. Also, see the **Caution** under the line 12 instructions.

Line 12

Compare the amounts on lines 8 and 11. Enter the smaller of the two amounts on line 12.

If the amount on line 9 is equal to or more than the amount on line 12, you will not have to complete or attach Form 2210 unless the **Caution** below applies to you.

Caution: *If the amount you enter on line 12 is your prior year tax (from line 11), and your filing status changed, as explained under the line 11 instructions, you must complete and attach Form 2210, even if you do not owe a penalty. If you are filing Form 1040, write the letter "D" on the dotted line next to line 67. If you are filing Form 1040A, write the letter "D" in the space to the left of the line 33 entry space.*

Part II—Short Method

Read the instructions at the top of page 1 of the form to see if you can use the short

method, or if you must use the regular method instead (Part III).

If you can use the short method, complete lines 13-16 to figure your total underpayment for the year, and lines 17-19 to figure the penalty.

In limited situations, if you have an underpayment on line 16, you may be able to waive the penalty. See **Waiver of Penalty** on page 1.

Part III—Regular Method

Use the regular method if you paid any estimated tax payments earlier or later than the due date, or if your payments were not made in four equal amounts.

If you are required to use the regular method, you must complete and attach Form 2210 to your return if you **(A)** claim a waiver (see the instructions on page 1), **(B)** use the annualized income installment method (see the instructions for line 20 below), or **(C)** use actual withholding (see the instructions for line 21 on this page).

If you use the regular method, complete Section A to figure your underpayment, and Section B to figure the penalty.

Section A—Figure Your Underpayment

Line 20

Enter on line 20, columns (a) through (d), the amount of your **required installment** for the due date shown in each column heading. For most taxpayers, this is the required annual payment shown on line 12 of Part I, divided by four (4). However, it may be to your benefit to figure your required installments by using the annualized income installment method, explained below.

Annualized Income Installment

Method.—If your income varied during the year because, for example, you operated your business on a seasonal basis, you may be able to lower or eliminate the amount of your required installment for the due dates by using the annualized income installment method. Use the worksheet on page 4 to figure the amounts to enter on line 20 of Form 2210.

If you use the Annualized Income Installment Worksheet for any payment due date, you must use it for all payment due dates. To arrive at the amount of each required installment, the worksheet automatically selects the smaller of the annualized income installment or the regular installment (increased by the amount saved by using the annualized income installment method in figuring earlier installments).

To use the annualized income installment method, you must do **ALL THREE** of the following:

1. Enter the amount from line 26 of the worksheet in each column of line 20 of Form 2210, and check the box on that line.
2. Write the letter "**B**" in the space next to the penalty amount on your return.
3. Attach both Form 2210 and a copy of the worksheet to your return.

See Pub. 505 for more information about the annualized income installment method, and a completed sample worksheet. Estates and trusts with short taxable years, see Notice 87-32.

Line 21

Enter the estimated tax payments you made plus any Federal income tax withheld, excess social security tax or railroad retirement tax paid, and any Form 4469 credit (excess hospital insurance benefits) claimed.

In column **(a)**, enter the tax payment(s) you made by April 15, 1990, for the 1990 tax year; in column **(b)**, enter payments you made after April 15 through June 15, 1990; in column **(c)**, enter payments you made after June 15 through September 15, 1990; and, in column **(d)**, enter payments you made after September 15, 1990, through January 15, 1991.

When figuring your payment dates and the amounts to enter on line 21 of each column, apply the following rules:

1. For Federal income tax withheld, excess social security or railroad retirement tax, and Form 4469 credit, you are considered to have paid one-fourth of these amounts on each payment due date, unless you can show otherwise. **Note:** *If you treat withholding as being paid when it was actually withheld, you must complete and attach Form 2210 to your return. Write the letter "C" in the space next to the penalty amount on your return.*

2. Include in your estimated tax payments any overpayment of tax from your 1989 return that you elected to apply to your 1990 estimated tax. If you file your return by the due date (including extensions), treat the overpayment as a payment made on April 15, 1990.

3. If you file your return and pay the tax due by January 31, 1991, include on line 21, column **(d)**, the amount of tax you pay with your tax return. In this case, you will not owe a penalty for the payment due by January 15, 1991.

4. If you paid estimated tax on April 16, 1990, it is considered paid on April 15. If you paid estimated tax on September 16 or 17, 1990, it is considered paid on September 15.

Line 27

If this line is zero for all payment periods, you do not owe a penalty. But if **B** or **C** applies under **Lowering Your Penalty** (see page 1 of the form), or if the **Caution** under the instructions for line 12 applies, you must file Form 2210 with your return.

In limited situations, if you have an underpayment, you may be able to waive the penalty. See **Waiver of Penalty** on page 1.

Section B—Figure the Penalty

Caution: *Read through the following instructions and examples before completing Section B.*

Figure the penalty by applying the applicable rate (11%) against each underpayment shown on line 27. The penalty is figured for the number of days that the underpayment remained unpaid.

Use line 29 to figure the number of days the underpayment remained unpaid. Use line 30 to compute the actual penalty amount by applying the rate against the underpayment for the number of days it remained unpaid.

Your payments are applied to any underpayment balance on an earlier installment. It doesn't matter if you designate a payment for a later period. For example, you had an underpayment for the April 15 payment period of \$500. The June 15 installment required a payment of \$1,200. On June 10 you sent in a payment of \$1,200 to cover the June 15 installment. However, \$500 of this payment is considered to be for the April 15 installment. The penalty for the April 15 installment is figured to June 10 (56 days). The underpayment for the June 15 payment period will then be \$700.

List Your Payments for 1990.—Before figuring your penalty in Section B, it will be helpful to list the payments you made for 1990 as shown in the table below.

TABLE OF PAYMENTS

(Payments after 4/15/90 through 4/15/91)

(a) Date	(b) Payments

List only the payments made during the dates shown in the table heading. Also, apply the following rules:

1. Any withheld Federal income tax, excess social security and railroad retirement tax, and Form 4469 credit should be included. You are considered to have paid one-fourth of these amounts on each payment due date unless you can show otherwise.

For example, if you had Federal income tax withheld from your wages of \$4,000 during the year, list \$1,000 as being paid on 6/15/90, 9/15/90, and 1/15/91 in the table. Do not list the withholding attributable to the first payment due date (4/15/90).

2. Any balance due of income tax that you pay with your tax return is considered a payment for this purpose and should be listed. Use the date you file your return as the payment date, or 4/15/91, whichever is earlier.

Chart of Total Days.—If an underpayment remained unpaid for the entire period, use the chart below to determine the number of days to enter in each column of line 29.

	(a)	(b)	(c)	(d)
Line 29	365	304	212	90

The following line-by-line instructions apply only to column (a) of Section B. If there is an underpayment shown in column (b), (c), or (d) on line 27, use these same instructions to complete lines 29 and 30 for those columns.

Line 29

Enter on line 29, column (a), the number of days from 4/15/90 to the date of the first payment listed in the table. If no payments are listed, enter "365."

Example 1. Assume you had an underpayment of \$5,000 on line 27 and that your first payment shown in the table was made on 4/30/90 in the amount of \$3,000. Enter "15" on line 29, column (a) (days from 4/15 to 4/30).

Line 30

Make the computation requested on line 30 and enter the result. Note that the computation calls for the "underpayment on line 27." The amount you use as the "underpayment" depends on whether or not a payment is listed in the table.

If There Is a Payment Listed in the Table.— On a separate sheet of paper apply the payment to the underpayment shown on line 27. The "underpayment" for the computation on line 30 is the amount of the payment applied to the line 27 underpayment. If the payment is more than the underpayment, apply only an amount equal to the underpayment and use that amount for the line 30 computation.

Example 2. Assume the same facts as in Example 1. Because you paid \$3,000 toward the underpayment, enter \$13.56 on line 30 ($15/365 \times .11 \times \$3,000$).

Example 3. Assume your underpayment on line 27 was \$5,000 and that you paid \$8,000 on 4/30/90. Because your payment was more than your underpayment, you would apply \$5,000 to the underpayment. Enter \$22.60 on line 30 ($15/365 \times .11 \times \$5,000$).

If There Are No Payments Listed in the Table.—The "underpayment" is the entire underpayment balance.

Determine If You Need To Make Additional Computations for Column (a)

Whether you need to make additional computations depends on which of the following three conditions applies to you.

1. **The payment listed in the table was enough to reduce the underpayment to zero.**—There are no further computations to make for column (a). Figure the penalty for any other underpayments shown in columns (b)–(d) of line 27.

2. **The payment listed in the table did not reduce the underpayment to zero, and no other payments are listed.**—Make one more computation for column (a) on lines 29 and 30. This second computation is to figure the penalty on the underpayment balance; that is, the portion of the underpayment that was not paid before 4/15/91. In this case, you would enter another number in the entry space for lines 29 and 30, as follows:

On line 29, enter "365." This is the total number of days in the rate period (see the chart on this page).

On line 30, make the computation and enter the result. In this case, however, the "underpayment" in the computation is the remaining balance of the underpayment.

Example 4. Assume the same facts as in Examples 1 and 2. After applying the \$3,000 payment, the underpayment balance is \$2,000. Line 30, therefore, will contain a second entry of \$220.00 ($365/365 \times .11 \times \$2,000$).

3. **Additional payments are listed in the table and the first payment was not enough to reduce the underpayment to zero.**—Make a separate computation for each payment listed until the underpayment is reduced to zero. If there is still an underpayment balance after applying all of the payments, you will need to figure the penalty on the balance of the underpayment in the same manner as shown in Example 4.

Example 5. Assume that your underpayment on line 27, column (a), is \$5,000 and that you made two payments: \$3,000 on 4/30/90 and \$2,000 on 6/20/90.

Line 29 will show two entries in column (a) as follows: "15" (days from 4/15 to 4/30); and "66" (days from 4/15 to 6/20).

Line 30 will show two entries— "\$13.56" ($15/365 \times .11 \times \$3,000$) and "\$39.78" ($66/365 \times .11 \times \$2,000$).

Example 6. Assume your underpayment on line 27, column (a), is \$8,000 and that you made two payments: \$3,000 on 4/30/90 and \$3,000 on 6/20/90. Lines 29 and 30 will each show three entries in column (a); one for each payment, and a third for the underpayment balance of \$2,000 (\$8,000 minus \$6,000).

Line 29 will, therefore, show "15" days (from 4/15 to 4/30); "66" days (from 4/15 to 6/20); and "365" days (from 4/15/90 to 4/15/91).

Line 30 will show \$13.56, \$59.67, and \$220.00, computed as follows:
 $15/365 \times .11 \times \$3,000$ (first payment)
 $66/365 \times .11 \times \$3,000$ (second payment)
 $365/365 \times .11 \times \$2,000$ (remaining underpayment balance).

Annualized Income Installment Worksheet—(Caution: Complete lines 1–26 of one column before going to the next column.)

(Estates and trusts, do **not** use the period ending dates shown to the right. Instead, use the following: 2/28/90, 4/30/90, 7/31/90, and 11/30/90.)

		1/1/90 to 3/31/90	1/1/90 to 5/31/90	1/1/90 to 8/31/90	1/1/90 to 12/31/90
1	Enter your adjusted gross income for each period. (Estates and trusts, enter your taxable income without your exemption for each period.)				
2	Annualization amounts. (Estates and trusts, do not use amounts shown to the right. Instead, use 6, 3, 1.71429, and 1.09091.)	4	2.4	1.5	1
3	Annualized income (multiply line 1 by line 2)				
4	Enter your itemized deductions for the period shown in each column. If you do not itemize, enter -0- and skip to line 7. (Estates and trusts, enter -0-, skip to line 9, and enter the amount from line 3 on line 9.)				
5	Annualization amounts	4	2.4	1.5	1
6	Annualized itemized deductions. Multiply line 4 by line 5				
7	Enter your standard deduction from Form 1040, line 34; or Form 1040A, line 19				
8	Enter line 6 or line 7, whichever is larger				
9	Subtract line 8 from line 3				
10	Multiply \$2,050 by the total number of exemptions claimed. (Estates and trusts, enter your exemption amount from Form 1041, line 20.)				
11	Subtract line 10 from line 9				
12	Figure your tax on the amount on line 11 using the Tax Table, Tax Rate Schedules, or Form 8615				
13	Form 1040 filers only, enter your self-employment tax from line 8 of the Self-Employment Tax Worksheet below. (Estates and trusts and Form 1040A filers, enter -0-.)				
14	Enter other taxes for each payment period (see instructions below)				
15	Total tax. Add lines 12, 13, and 14				
16	For each period, enter the same type of credits as allowed on Form 2210, lines 1, 4, and 5 (see instructions below)				
17	Subtract line 16 from line 15. If zero or less, enter -0-				
18	Applicable percentage	22.5%	45%	67.5%	90%
19	Multiply line 17 by line 18				
20	Enter the combined amounts of line 26 from all preceding columns				
21	Subtract line 20 from line 19. If zero or less, enter -0-				
22	Divide line 12, Form 2210, by four (4) and enter the result in each column				
23	Enter amount from line 25 of the preceding column of this worksheet				
24	Add lines 22 and 23 and enter the total				
25	If line 24 is more than line 21, subtract line 21 from line 24. Otherwise, enter -0-				
26	Enter the smaller of line 21 or line 24 here and on Form 2210, line 20				

Note: For more information about the annualized income installment method, see the instructions for line 20 on page 2. Also get **Pub. 505** for a completed example.

Line-by-Line Instructions

Line 13.—If you are required to complete line 13, use the worksheet below to figure your self-employment tax for each period. If you have self-employment income and you are also a government employee whose wages are subject only to the 1.45% Medicare tax, you must use the

worksheet for Medicare qualified government employees in Pub. 505.

Line 14.—Enter all of the taxes you owed because of events that occurred during the months shown in the column headings. Include the following:

- The same taxes used to figure line 2 of Form 2210 (except self-employment tax).
- Tax from Form 4970 (accumulation distribution of trusts).
- Tax from Form 4972 (lump-sum distributions).

Individuals use **Form 6251** to figure alternative minimum tax; fiduciaries use **Form 8656**. Figure alternative minimum taxable income based on your income and deductions during the period shown in the column headings. Multiply this amount by the annualized amounts shown on line 2 above before subtracting the alternative minimum tax exemption amounts.

Line 16.—Enter the credits you are entitled to because of events that occurred during the months shown in the column headings.

Self-Employment Tax Worksheet (Form 1040 filers only)—Use to complete line 13 above.

		1/1/90 to 3/31/90	1/1/90 to 5/31/90	1/1/90 to 8/31/90	1/1/90 to 12/31/90
1a	Net self-employment income for the period. (Be sure you took the 7.65% deduction into account when figuring this amount.)				
b	Annualized amounts	4	2.4	1.5	1
c	Multiply line 1a by line 1b				
2	Limit	\$51,300	\$51,300	\$51,300	\$51,300
3	Enter actual wages subject to social security tax or railroad retirement tax				
4	Annualization amounts	4	2.4	1.5	1
5	Multiply line 3 by line 4				
6	Subtract line 5 from line 2				
7	Enter the amount from line 1c or line 6, whichever is smaller				
8	Multiply line 7 by .153. Enter the result here and on line 13 above				