

Do you need to make an estimated tax payment by September 17?

To avoid interest and penalties, you must make sufficient federal income tax payments long before your April filing deadline through withholding, estimated tax payments, or a combination of the two. The third 2018 estimated tax payment deadline for individuals is September 17.

If you don't have an employer withholding tax from your pay, you likely need to make estimated tax payments. But even if you do have withholding, you might need to pay estimated tax. It can be necessary if you have more than a nominal amount of income from sources such as self-employment, interest, dividends, alimony, rent, prizes, awards or the sales of assets.

A two-prong test: Generally, you must pay estimated tax for 2018 if *both* of these statements apply:

1. You expect to owe at least \$1,000 in tax after subtracting tax withholding and credits, and
2. You expect withholding and credits to be less than the smaller of 90% of your tax for 2018 or 100% of the tax on your 2017 return — 110% if your 2017 adjusted gross income was more than \$150,000 (\$75,000 for married couples filing separately).

If you're a sole proprietor, partner or S corporation shareholder, you generally have to make estimated tax payments if you expect to owe \$1,000 or more in tax when you file your return.

Quarterly payments: Estimated tax payments are spaced through the year into four periods or due dates. Generally, the due dates are April 15, June 15 and September 15 of the tax year and January 15 of the next year, unless the date falls on a weekend or holiday (hence the September 17 deadline this year).

Estimated tax is calculated by factoring in expected gross income, taxable income, deductions and credits for the year. The easiest way to pay estimated tax is electronically through the Electronic Federal Tax Payment System. You can also pay estimated tax by check or money order using the Estimated Tax Payment Voucher or by credit or debit card.

Confirming withholding: If you determine you don't need to make estimated tax payments for 2018, it's a good idea to confirm that the appropriate amount is being withheld from your paycheck. To reflect changes under the Tax Cuts and Jobs Act (TCJA), the IRS updated the tables that indicate how much employers should withhold from their employees' pay, generally reducing the amount withheld.

The new tables might cause some taxpayers to not have enough withheld to pay their ultimate tax liabilities under the TCJA. The IRS has updated its withholding calculator (available at [irs.gov](https://www.irs.gov)) to assist taxpayers in reviewing their situations.

Avoiding penalties: Keep in mind that, if you underpaid estimated taxes in earlier quarters, you generally can't avoid penalties by making larger estimated payments in later quarters. But if you also have withholding, you may be able to avoid penalties by having the estimated tax shortfall withheld.

To learn more about estimated tax and withholding — and for help determining how much tax you should be paying during the year — contact us.