

A Guide to Calculating Your Annualized Estimated Income Tax Installments and Worksheet CT-1040 AES

PURPOSE

The purpose of this publication is to explain the annualized estimated income tax installment method, an alternate method for calculating installments of estimated Connecticut income tax. If your income is not received evenly throughout the year because you earned more income later in the year than you did in the early part of the year from a seasonal business, lottery winnings, investment income, self-employment income, or for any other reason, you may benefit by using this alternate method. If you use the annualized estimated income tax installment method, your required installment for one or more periods may be less than the amount of the installment calculated using the regular installment method.

WHO SHOULD PAY ESTIMATED TAX?

You must make estimated Connecticut income tax payments if your Connecticut income tax (after tax credits) minus Connecticut income tax withheld is **more than \$500**, and you expect your Connecticut income tax withheld to be less than your required annual payment.

WHAT IS MY REQUIRED ANNUAL PAYMENT?

Your required annual payment is the lesser of:

- 90% of the income tax shown on your Connecticut income tax return for the current taxable year; or
- 100% of the income tax shown on your Connecticut income tax return for the preceding taxable year, if you filed a Connecticut income tax return for the preceding taxable year that covered a 12-month period.

You do not have to make estimated income tax payments if you did not file a Connecticut income tax return for the preceding taxable year because you had no Connecticut income tax liability and you were either:

- A resident of Connecticut for the entire preceding taxable year; or
- A nonresident or part-year resident of Connecticut for the preceding taxable year with Connecticut source income.

If you were a nonresident or part-year resident and you did not have Connecticut source income in the preceding taxable year, then you must use 90% of the income tax shown on your income tax return for the current taxable year as your required annual payment.

WHEN SHOULD I PAY MY ESTIMATED INCOME TAX?

Your estimated income tax payments for the current taxable year are due April 15, June 15, September 15, and January 15. (Taxpayers who are not calendar year filers must follow the filing dates required for federal income tax purposes.) If the due date falls on a Saturday, Sunday or legal holiday, the next business day is the due date.

HOW MUCH SHOULD I PAY WITH EACH INSTALLMENT?

You must pay 25% (.25) of your required annual payment with each installment. However, if you do not receive your income evenly throughout the year because you earned more income later in the year than you did in the early part of the year from a seasonal business, lottery winnings, investment income, self-employment income, or for any other reason, you may benefit from using the annualized income installment method. If you use this alternate method, you may vary the amount of one or more of your installments depending upon the amount of income you earned during the period preceding the due date of each installment. Using this method, you may be able to reduce or eliminate one or more payments for periods when your income is low and make larger payments during the remaining periods when your income is higher.

HOW DO I CALCULATE THE AMOUNT OF EACH INSTALLMENT USING THE ANNUALIZED ESTIMATED INCOME TAX INSTALLMENT METHOD?

First, complete the worksheet to **Form CT-1040ES, Estimated Connecticut Income Tax Payment Coupon for Individuals**, to calculate your required annual payment. (You can also use this worksheet to determine your installment payments if you are required to use the regular installment method.) Next, complete *Worksheet CT-1040 AES*, included in this publication, to calculate the amount of each installment using the annualized estimated income tax installment method.

HOW DO I PAY MY ESTIMATED TAX?

Submit each payment of estimated tax with a coupon (**Form CT-1040ES**). If you made estimated Connecticut income tax payments for the preceding taxable year, you will receive coupons in mid-January preprinted with your name, address and Social Security Number for the next taxable year. Use the preprinted coupons to ensure that your payments are properly credited. If you did **not** make estimated payments for the preceding taxable year, use the **Form CT-1040ES** included in your Connecticut income tax booklet or request it from the Department (see *Forms and Publications* below). If you file this form, additional coupons will be mailed to you.

WHAT HAPPENS IF I UNDERESTIMATE MY TAX?

If you are required to make estimated income tax payments and you do not pay enough tax during the current taxable year through withholding or estimated tax payments, or both, by any installment due date, you may be charged interest. This is true even if you are due a refund when you file your tax return. Interest is calculated separately for each installment from the due date of the installment until the earlier of April 15 of the following taxable year, or the date on which the underpayment is paid. Therefore, you may owe interest for an earlier installment even if you paid enough to make up the underpayment with a later installment. Interest of 1% (.01) per month, or part of a month, will apply to each underpayment.

If you file your income tax return for the current taxable year on or before January 31, of the following taxable year and pay the full amount computed on the return as payable for the taxable year, you will not owe interest for failure to make your fourth required installment. This does not apply to taxpayers paying estimated Connecticut income taxes as farmers or fishermen. See **IP 99(17)**, *Farmer's Guide to Sales and Use Taxes, Motor Vehicle Fuels Tax and Estimated Income Tax*.

WILL INTEREST APPLY IF I USE THE ANNUALIZED ESTIMATED INCOME TAX INSTALLMENT METHOD?

No, you will not owe interest if you correctly calculate your required installments by completing *Worksheet CT-1040 AES*, and you make the installment payments using **Form CT-1040ES** on or before the due date.

If your estimated installment payments are based on the annualized income installment method, you must check Box A, Part I, **Form CT-2210**, *Underpayment of Estimated Income Tax by Individuals, Trusts and Estates*, and attach it to your income tax return. You must also check the **Form CT-2210** box located on your Connecticut income tax return below the Name and Address section. This notifies the Department that your estimated income tax installments were not calculated using the regular installment method.

MAY I APPLY OVERPAYMENTS IN THE PRIOR YEAR TO THE NEXT YEAR'S ESTIMATED TAX?

Yes. If you file your Connecticut income tax return for the taxable year on or before April 15 (or if you file a timely request for extension of time to file and your income tax return is filed within the extension period), you may elect to apply any overpayment of Connecticut income tax to your next year's estimated tax. If you file your Connecticut income tax return on or before April 15 (or if you file a timely request for extension of time to file and your income tax return is filed within the extension period), the overpayment will be treated as estimated income tax paid on April 15. Your election to apply an overpayment to your next year's estimated tax is irrevocable.

EFFECT OF THIS DOCUMENT

An Informational Publication is a document that addresses frequently asked questions about a current Department position, policy or practice, usually in a less technical format.

EFFECT ON OTHER DOCUMENTS

IP 99(33) is effective for taxable years beginning on or after January 1, 2000, and modifies and supersedes **IP 93(6.5)**.

RELATED FORMS AND PUBLICATIONS

Form CT-1040ES, *Estimated Connecticut Income Tax Payment Coupon for Individuals*

IP 99(35), *Estimated Connecticut Income Tax*

IP 99(17), *Farmer's Guide to Sales and Use Taxes, Motor Vehicle Fuels Tax and Estimated Income Tax*

FOR FURTHER INFORMATION

Please call the Department of Revenue Services, Taxpayer Services Division during business hours, 8:00 a.m. to 5:00 p.m., Monday through Friday:

- **1-800-382-9463** (toll-free within Connecticut); or
- **860-297-5962** (from anywhere)

TTY, TDD, and Text Telephone users only may transmit inquiries 24 hours a day by calling 860-297-4911.

FORMS AND PUBLICATIONS

Forms and publications are available all day, seven days a week:

- **Internet:** Preview and download forms from the DRS Web Site: **www.drs.state.ct.us**;
- **DRS TAX-FAX:** Call **860-297-5698** from the handset attached to your fax machine and select from the menu;
- **Telephone:** Call **860-297-4753** (from anywhere), or **1-800-382-9463** (toll-free within Connecticut) and select **Option 2** from a touch-tone phone.

Example for Annualized Estimated Tax:

Penny Wise is an unmarried, resident individual. She filed a Connecticut income tax return for the preceding taxable year, reporting a Connecticut income tax liability of \$2,179.

Ms. Wise does not expect to receive her income evenly throughout the current taxable year. After completing her **Form CT-1040ES**, *Estimated Connecticut Income Tax Payment Coupon for Individuals*, Ms. Wise decides to use the annualized estimated income tax installment method. Her required annual payment from the **Form CT-1040ES** worksheet is \$2,179.

Ms. Wise's only income for current taxable year is from a Connecticut business of which she is the sole proprietor. Her net profit from her business is received as follows:

January through March	\$20,000
April through May	5,000
June through August	5,000
September through December	<u>40,000</u>
TOTAL	\$70,000

See Page 4 for the completed *Worksheet CT-1040 AES* for this example showing Penny Wise's required installment payments for each period.

Worksheet CT-1040 AES
Sample Connecticut Annualized Estimated Tax Worksheet

The example on Page 3 is the basis for this sample worksheet.

Complete each column after the end of each payment period shown. Estates and trusts: Do not use the period ending dates shown to the right. Instead, use 2/28, 4/30, 7/31 and 11/30 of the current taxable year.		(a)	(b)	(c)	(d)
		January 1 to March 31	January 1 to May 31	January 1 to August 31	January 1 to December 31
1. Enter your Connecticut Adjusted Gross Income for each period (<i>See instructions</i>)	1.	20,000	25,000	30,000	70,000
2. Annualized amounts (Estates and trusts, <i>see instructions</i>)	2.	4	2.4	1.5	1
3. Annualized Connecticut adjusted gross income. Multiply Line 1 by Line 2.	3.	80,000	60,000	45,000	70,000
4. Enter the tax due on the amount on Line 3 (<i>See instructions</i>) (Tax was computed using the Tax Calculation Schedule)	4.	3,450	2,550	1,688	3,000
5. Credit for income taxes paid to other jurisdictions - Residents and Part-year Residents only (<i>See instructions</i>)	5.	-0-	-0-	-0-	-0-
6. Subtract Line 5 from Line 4	6.	3,450	2,550	1,688	3,000
7. Connecticut Alternative Minimum Tax (<i>See instructions</i>)	7.	-0-	-0-	-0-	-0-
8. Add Line 6 and Line 7	8.	3,450	2,550	1,688	3,000
9. Adjusted Net Connecticut Minimum Tax Credit (<i>See instructions</i>)	9.	-0-	-0-	-0-	-0-
10. Total annualized income tax. Subtract Line 9 from Line 8	10.	3,450	2,550	1,688	3,000
11. Applicable percentages	11.	0.225	0.45	0.675	0.90
12. Multiply Line 10 by Line 11	12.	776	1,148	1,139	2,700
13. Add the amounts in all preceding columns of Line 19a	13.		545	1,090	1,139
14. Annualized Income Installment. Subtract Line 13 from Line 12 (If zero or less, enter 0.)	14.	776	603	49	1,561
15. Enter 25% of your Required Annual Payment (<i>See instructions</i> , calculated from example, Page 3 (\$2,179 x .25))	15.	545	545	545	545
16. Enter amount from Line 18 of the preceding column of this Schedule	16.		-0-	-0-	496
17. Add Line 15 and Line 16	17.	545	545	545	1,041
18. If Line 17 is more than Line 14, subtract Line 14 from Line 17. Otherwise, enter 0.	18.	-0-	-0-	496	-0-
19a. Enter the smaller of Line 14 or Line 17. (Caution: See instructions)	19a.	545	545	49	1,041
b. Total required payments for the period. Add Line 13 and Line 19a.	19b.	545	1,090	1,139	2,180
c. Estimated tax payments made (Line 19d of all previous columns) and Connecticut withholding through the due date for the period (<i>See instructions</i>)	19c.	-0-	545	1,090	1,139
d. Estimated tax payment required by the next due date. Subtract Line 19c from Line 19b and enter the result (but not less than 0) here and on your payment coupon.	19d.	545	545	49	1,041

Worksheet CT-1040 AES Instructions

(Worksheet located on Page 6)

Before you begin, be sure you have a copy of **Form CT-1040ES**, *Estimated Connecticut Income Tax Payment Coupon for Individuals*. You need the worksheet to assist you in calculating your Connecticut adjusted gross income, your estimated tax due, and your required annual payment. You also need the coupon for making your installment payment.

At the end of each payment period, complete the column on *Worksheet CT-1040 AES* for the period from the beginning of the taxable year through the end of that payment period to figure how much estimated tax to pay by the payment due date. For calendar year filers, the payment periods are listed at the top of each column of the worksheet. Taxpayers who are not calendar year filers must follow the payment periods required for federal income tax purposes.

Line 1. Enter your total income plus or minus your adjustments to income for the period. Follow the instructions for **Form CT-1040ES**, *Estimated Connecticut Income Tax Worksheet*, Lines 1, 2, and 3, in figuring your Connecticut adjusted gross income for each period.

Estates and trusts should use Connecticut taxable income and the following period ending dates: 2/28, 4/30, 7/31, and 11/30 of the current taxable year.

Line 2. Estates and trusts: do not use the amounts shown in Columns (a) - (d). Instead use 6, 3, 1.71429 and 1.09091, as the annualization amounts.

Line 4. Resident individuals must compute the tax for Line 3, using the Tax Calculation Schedule from **Form CT-1040ES**. Resident estates and trusts multiply Line 3 by 4.5% (.045).

Nonresidents and part-year residents must use the schedules and worksheets for **Form CT-1040NR/PY** to determine Connecticut source income. Nonresident trusts and estates and part-year resident trusts must use the schedules and worksheets for **Form CT-1041** to determine Connecticut source income. To calculate the tax, complete the worksheet below: (A separate worksheet should be completed for each period.)

a. Annualized adjusted gross income from Line 3 of <i>Worksheet CT-1040AES</i>	
b. Annualized Connecticut source income	
c. Enter the greater of Line a or Line b	
d. Enter the tax due on Line c using the Tax Calculation Schedule from Form CT-1040ES . Estates and trusts: multiply Line c by 4.5% (.045)	
e. Divide Connecticut source income for the period by Connecticut adjusted gross income for the period. This is your allocated Connecticut income tax percentage. (If Line b is greater than Line a, enter 1.0000.)	•
f. Multiply Line d by Line e. Enter here and on Line 4 of <i>Worksheet CT-1040AES</i> .	

Line 5. Residents and part-year residents: Enter your allowable credit for income taxes paid to other jurisdictions. Follow the instructions to *Schedule 2, Form CT-1040* or **Form CT-1040NR/PY** to calculate the credit.

Line 7. If you expect to owe federal alternative minimum tax, you may also owe Connecticut alternative minimum tax. Enter your estimated Connecticut alternative minimum tax liability for each period. See instructions for **Form CT-6251**, *Connecticut Alternative Minimum Tax Return*, for instructions on figuring this tax.

Line 9. Include the adjusted net Connecticut minimum tax credit you can claim because of events that occurred during the period. See instructions for **Form CT-8801**, *Credit for Prior Year's Connecticut Minimum Tax for Individuals*, for instructions on figuring this credit.

Line 15. Enter 25% of your required annual payment as calculated on the worksheet to **Form CT-1040ES**.

Line 19a. If Line 17 is smaller than Line 14 and Line 15 is based on an estimate of your current year's tax, the amount of which is not certain, enter the amount from Line 14 to avoid an underpayment.

Line 19c. Include all estimated tax payments and Connecticut withholding through the payment due date for the period.

Your withholding is considered paid in four equal installments, one on the due date of each payment period. To figure the amount to include on Line 19c for each period, multiply your total expected withholding for the taxable year by:

- 25% (.25) for the first period**
- 50% (.50) for the second period**
- 75% (.75) for the third period**
- 100% (1.00) for the fourth period**

You may also choose to include your actual Connecticut withholding through the due date for each period on Line 19c.

(See *Worksheet CT-1040 AES* on Page 6 of this publication.)

Worksheet CT-1040 AES
Connecticut Annualized Estimated Tax Worksheet

(Keep for your records)

Complete each column after the end of each payment period shown. Estates and trusts: Do not use the period ending dates shown to the right. Instead, use 2/28, 4/30, 7/31 and 11/30 of the current taxable year.		(a)	(b)	(c)	(d)
		January 1 to March 31	January 1 to May 31	January 1 to August 31	January 1 to December 31
1. Enter your Connecticut Adjusted Gross Income for each period (<i>See instructions</i>)	1.				
2. Annualized amounts (Estates and trusts, <i>see instructions</i>)	2.	4	2.4	1.5	1
3. Annualized Connecticut adjusted gross income. Multiply Line 1 by Line 2.	3.				
4. Enter the tax due on the amount on Line 3 (<i>See instructions</i>)	4.				
5. Credit for income taxes paid to other jurisdictions - Residents and Part-year Residents only (<i>See instructions</i>)	5.				
6. Subtract Line 5 from Line 4	6.				
7. Connecticut Alternative Minimum Tax (<i>See instructions</i>)	7.				
8. Add Line 6 and Line 7	8.				
9. Adjusted Net Connecticut Minimum Tax Credit (<i>See instructions</i>)	9.				
10. Total annualized income tax. Subtract Line 9 from Line 8	10.				
11. Applicable percentages	11.	0.225	0.45	0.675	0.90
12. Multiply Line 10 by Line 11	12.				
13. Add the amounts in all preceding columns of Line 12a	13.				
14. Annualized Income Installment. Subtract Line 13 from Line 12 (If zero or less, enter 0.)	14.				
15. Enter 25% of your Required Annual Payment (<i>See instructions</i>).	15.				
16. Enter amount from Line 18 of the preceding column of this Schedule	16.				
17. Add Line 15 and Line 16	17.				
18. If Line 17 is more than Line 14, subtract Line 14 from Line 17. Otherwise, enter 0.	18.				
19a. Enter the smaller of Line 14 or Line 17. (Caution: See instructions)	19a.				
b. Total required payments for the period. Add Line 13 and Line 19a.	19b.				
c. Estimated tax payments made (Line 19d of all previous columns) and Connecticut withholding through the due date for the period (<i>See instructions</i>)	19c.				
d. Estimated tax payment required by the next due date. Subtract Line 19c from Line 19b and enter the result (but not less than 0) here and on your payment coupon.	19d.				