



Indiana Department of Revenue
**Penalty for Underpayment
of Corporate Income Tax**

For Period Ending BB ____ / ____ / ____

Page attachment sequence #7.

(See Instructions on reverse side of this schedule)

Name of Corporation or Organization B	Federal Identification Number A
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Part I - How to Figure Underpayment of Corporate Tax
(Effective for taxable years beginning after December 31, 2002)

1. Enter Indiana adjusted gross income tax (if less than \$1,000, enter -0-).....	1	
2. Enter total tax reduction credits excluding estimated taxes paid for the taxable period (cannot exceed amount on line 1).....	2	
3. Subtract line 2 from line 1. If zero, stop; you do not owe an underpayment penalty	3	

Part II - How to Figure Exception to Underpayment Penalty

4. Multiply line 3 by 80% and enter result here	4	
5. Enter the portion of your prior year's final income tax liability, net of tax reduction credits (do not reduce by estimated taxes paid), that is relative to number of months in the current taxable period. See instructions.....	5	
6. Enter line 4 or line 5, whichever amount is less..... <i>Short period filers see note on reverse following line 18 instructions.</i>	6	

Quarterly Estimated Tax Paid for Taxable Year

	(a) 1st quarter	(b) 2nd quarter	(c) 3rd quarter	(d) 4th quarter
7. Enter in columns (a) through (d) the quarterly installment dates corresponding to the 20th day of the 4th, 6th, 9th and 12th months of the tax year	7	/ /	/ /	/ /
8. Enter estimated income tax paid / credited on or before the due date of the installment for each quarter	8			
9. Enter the overpayment, if any, from the preceding column that exceeds any remaining prior <underpayments> shown on line 12	9			
10. Add line 8 and line 9 for each column	10			
11. Divide line 6 by four or by the number of quarters in the tax period; enter result in columns (a) through (d)	11			
12. Subtract line 11 from line 10 for each quarter. If the result is a negative figure, you have not met any exception to the penalty for the quarter	12			

Part III - How to Figure Penalty

13. Enter the overpayment, if any, from the preceding column that exceeds any remaining prior <underpayments> shown on line 16	13				
14. Add line 8 in Part II, and line 13 above, for each quarter	14				
15. Divide line 3 in Part I by four or the number of quarters in the tax period, divisor cannot be less than 1; enter result in applicable columns	15				
16. Subtract line 15 from line 14. If the result is a negative figure, this is your <underpayment> for the quarter	16				
17. If line 12 shows zero or more for the quarter, the overpayment exception is met. Enter zero on line 17. Otherwise, compute 10% penalty on the <underpayment> shown on line 16 for each column. Enter the penalty, if any, for the quarter as a positive figure	17				
18. Add line 17, columns (a) through (d). This is your total underpayment penalty . Enter here and carry to the appropriate line of Form IT-20, IT-20S or IT-20NP	18				

Instructions for Schedule IT-2220

Who Should File?

Schedule IT-2220 must be completed and attached to corporate Form IT-20, IT-20S or IT-20NP anytime the corporation did not pay the required amount of adjusted gross income tax **in any particular quarter**, or the corporation meets an exception to the penalty for underpayment as provided for in Indiana Code 6-3-4-4.1.

What is the Required Amount?

Corporations having annual income tax liabilities exceeding \$1,000 are subject to an underpayment penalty if they fail to file estimated tax payments or fail to remit a sufficient amount on a quarterly basis. Quarterly payments are due whenever the adjusted gross income tax liability exceeds \$1,000 for a taxable year.

The qualified estimated payments should equal twenty-five (25) percent of the total income tax due for the year. To avoid the penalty, the quarterly estimate must equal at least twenty (20) percent of the total income tax liability for the current taxable year or twenty-five (25) percent of the final income tax liability for the prior taxable year.

The Indiana Code does not provide corporations an exception to the penalty for underpayment of estimated taxes using either an annualized income or adjusted seasonal method.

PART I - How to Figure Underpayment of Corporate Taxes

This schedule must be used by Form IT-20, IT-20S and, IT-20NP filers in determining whether or not the minimum amount of tax was paid timely.

1. Enter total Indiana adjusted gross income tax for your taxable year from Form IT-20, IT-20S, or Form IT-20NP.
2. Enter your total tax reduction (nonrefundable) credits (college credit, neighborhood assistance credit, etc.) reported on Form IT-20 or Form IT-20NP. **Do not** enter estimated tax payments, extension payments, or prior year's overpayment credit. In no case may the total of tax reduction credits exceed the total tax on line 1.
3. Subtract line 2 from line 1. This is your current year's tax liability. If zero, STOP. You do not owe any underpayment penalty.

PART II - How to Figure Exception to Underpayment Penalty

I.C. 6-3-4-4.1(e) prescribes two exceptions to the penalty for underpayment. If required to pay quarterly, the estimate should include either at least twenty (20) percent of the total income tax liability for the taxable year or twenty-five (25) percent of the final income tax liability for the previous tax year.

Special Note for Final Short/Fiscal Year Filers: If the previous year was for a period of less than twelve (12) months, the exception may be met by demonstrating what the liability would have been if a twelve-month return had been filed. For example, if the previous year was for six (6) months, double the total tax for that year and enter twenty-five (25) percent of this total. If last year's tax was zero, enter zero on line 9.

5. Enter the proportional amount of your prior year's final income tax liability (total tax less nonrefundable credits and any withholding and other tax credits) before applying estimated tax credits that is relative to the number of months in the current taxable period. Short period line 4 entry should be equal to the prior year's income tax liability multiplied by a ratio of the months in the current taxable period.

7. Enter in columns (a) through (d) the quarterly installment due dates corresponding to the estimated income tax payments for your tax year.

If filing on a calendar year basis, the installment due dates for corporate income tax payments are April 20, June 20, September 20 and December 20 of the taxable year. Fiscal year and short tax year filers must remit by the twentieth day of the fourth, sixth, ninth, and twelfth months of your taxable year. Short period filers see note following line 18 instructions.

8. Enter the amount of estimated income tax paid by the due date of the installment for each quarter. Payments made after the quarterly due date must be reported in the following quarter when paid. If you are carrying forward an overpayment credit from the previous year, add that amount together with the installment amount paid for the first available quarter to which the carryover credit is posted. Do not include any credits claimed on line 2. **STOP.** Complete lines 9 through 12 in each column before proceeding to the next column.

9. Enter the remaining overpayment, if any, from line 12 of the preceding quarter, as adjusted after deducting any previous <underpayment> balance.

11. Divide line 6 by the number of quarters in the taxable period. Divisor cannot be less than one. Enter the result in each column. NOTE: Short period filers must apply the instructions following line 18 instructions.

12. Subtract line 11 from line 10 for each column. If line 10 is less than line 11, enter the resulting underpayment in <brackets>. If line 11 is equal to or greater than line 10, the difference is an overpayment and you have met an exception to the penalty for the quarter. See instructions for line 9.

After completion of all four columns, if none of the quarters shows an underpayment, stop here and attach schedule to your return. Otherwise proceed to Part III to recalculate your actual underpayment.

PART III - How to Figure the Penalty

The penalty for the underpayment of estimated taxes is assessed on a quarterly basis on the difference between the amount paid for each quarter and twenty-five (25) percent of the final tax liability for the current year. **If any underpayment is shown on line 12 continue by completing lines 13 through 17 in each column before proceeding to the next column.**

13. Enter the remaining overpayment, if any, from line 16 of the preceding quarter, as adjusted after deducting any previous <underpayment> balance.

15. Enter current year's quarterly tax due: divide line 3, in Part I, by the number of quarters in the taxable period. Divisor cannot be less than one. Enter result in each column. See note for short period.

16. Subtract line 15 from line 14. If line 14 is less than line 15, enter the resulting underpayment in <brackets>. If line 14 is greater than line 15, the difference is carried as an overpayment to line 13 of the next column after deducting any remaining <underpayments> shown on line 16 of the preceding columns.

17. **Multiply the amount of <underpayment> on line 16 for each column by ten (10) percent if an exception to penalty for the quarter was not met on line 12. Enter zero on line 17 if line 12 is zero or greater for the quarter.**

18. Add the amounts on line 17 for all quarters and enter result. This is your total underpayment penalty due. Carry this amount to the appropriate line on the front of Form IT-20, IT-20NP or IT-20S.

Short Period Returns: Lines 11 and 15 must be changed to correspond with your short period estimated return. Do not enter twenty-five (25) percent of line 3 or 6; instead, divide lines 3 and 6 by 3 for returns consisting of three full quarterly periods. Divide lines 3 and 6 by 2 for returns consisting of two full quarterly periods. Use the entire amount from lines 3 and 6 for returns consisting of one, or less than one, quarterly period. For lines 7 through 17, complete only those columns corresponding with the number of full quarters being filed.