



Indiana Department Of Revenue  
**1997 Underpayment of  
Estimated Tax By Individuals**

Attachment  
Sequence No. **04**

Attach to Form IT-40, IT-40PNR or IT-40P

|                                                              |                                 |  |  |  |
|--------------------------------------------------------------|---------------------------------|--|--|--|
| Your first name and last name                                | Your Social Security Number     |  |  |  |
| Spouse's first name and last name (if filing a joint return) | Spouse's Social Security Number |  |  |  |

**Section A - Farmers and Fishermen Only - See Instructions**

|      | Annual Gross Income<br>from All Sources |           | Two-Thirds of<br>Gross Income |  | Gross Income from<br>Farming and Fishing |
|------|-----------------------------------------|-----------|-------------------------------|--|------------------------------------------|
| 1996 |                                         | X 66.7% = |                               |  |                                          |
| 1997 |                                         | X 66.7% = |                               |  |                                          |

**Section B:  
Early Filers**

Check box if you filed  
your 1997 tax return  
and paid the total tax  
due by January 31,  
1998. ☐

**Section C - Required Annual Payment**

|                                                                                                                                                                             |   |  |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---|--|
| 1. 1997 tax .....                                                                                                                                                           | 1 |  |
| 2. 1997 credits (not including withholding credits or estimated tax) .....                                                                                                  | 2 |  |
| 3. Subtract line 2 from line 1 .....                                                                                                                                        | 3 |  |
| 4. Multiply the amount on line 3 by 90% (.90) .....                                                                                                                         | 4 |  |
| 5. 1997 withholding tax credit .....                                                                                                                                        | 5 |  |
| 6. Subtract line 5 from line 3 - <b>If less than \$400, STOP HERE! You do not owe a penalty</b> .....                                                                       | 6 |  |
| 7. Prior year's tax - <b>Read instructions</b> .....                                                                                                                        | 7 |  |
| 8. Minimum required annual payment - Enter the lesser of line 4 or line 7 - <b>If less than or equal to the amount on line 5, STOP HERE! You do not owe a penalty</b> ..... | 8 |  |

**Section D - Short Method - Read the instructions to determine if you can  
use the short method**

|                                                                                                                                                                  |    |  |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|--|
| 9. Enter the withholding tax credit amount from line 5 above .....                                                                                               | 9  |  |
| 10. Enter the total amount, if any, of estimated tax payments you made for tax year 1997 .....                                                                   | 10 |  |
| 11. Add lines 9 and 10 .....                                                                                                                                     | 11 |  |
| 12. Total Underpayment. Subtract line 11 from line 8. If zero or less, <b>STOP HERE! You do not owe a penalty. Attach this schedule to your tax return</b> ..... | 12 |  |
| 13. Multiply line 12 by 10% (.10). Enter this amount on line 31 of Form IT-40 or line 29 of Form IT-40PNR .....                                                  | 13 |  |

**Installment Period Due Dates**

| Section E - Regular Method                                                      | Installment Period Due Dates           |                                       |                                            |                                          |
|---------------------------------------------------------------------------------|----------------------------------------|---------------------------------------|--------------------------------------------|------------------------------------------|
|                                                                                 | A<br>1st Installment<br>April 15, 1997 | B<br>2nd Installment<br>June 16, 1997 | C<br>3rd Installment<br>September 15, 1997 | D<br>4th Installment<br>January 15, 1998 |
| 14. Minimum required installment payment:<br>divide amount on line 8 by 4 ..... | 14                                     |                                       |                                            | 14                                       |
| 15. 1997 withholding - Divide line 5 by 4 .....                                 | 15                                     |                                       |                                            | 15                                       |

**STOP! Complete Lines 16 through 19 for each  
column before going to the next one.**

|                                                                                                                                           |    |  |  |  |    |
|-------------------------------------------------------------------------------------------------------------------------------------------|----|--|--|--|----|
| 16. 1997 estimated taxes paid per period .....                                                                                            | 16 |  |  |  | 16 |
| 17. Total installment payments (Add<br>lines 15 and 16) .....                                                                             | 17 |  |  |  | 17 |
| 18. Installment period overpayment .....                                                                                                  | 18 |  |  |  | 18 |
| 19. Installment period underpayment .....                                                                                                 | 19 |  |  |  | 19 |
| 20. Total underpayment - Add Line 19, Columns A + B + C + D and enter total here .....                                                    |    |  |  |  | 20 |
| 21. Underpayment penalty - Multiply line 20 by 10% (.10). Enter this amount on line 31 of<br>Form IT-40 or line 29 of Form IT-40PNR ..... |    |  |  |  | 21 |

## Indiana Department of Revenue Underpayment of Estimated Tax by Individuals

**WHAT** is the purpose of Schedule IT-2210? This schedule is used for TWO reasons:

1. To help you figure any penalty you owe for not paying enough income tax throughout the year; **or**
2. To show you paid enough tax throughout the year to be exempt from the penalty.

**WHY** is a penalty charged? The Indiana income tax system is a "pay as you go" system. Many taxpayers have enough taxes withheld from their income throughout the year to cover their year-end total tax due. However, if you don't have taxes withheld from your income, or if you don't have *enough* tax withheld from your income, you will probably owe a penalty for underpaying estimated tax.

**WHO** should use Schedule IT-2210? You should complete this schedule if :

- The amount you owe for tax year 1997, after credits, is \$400 or more for the year. Look at Line 29 on the IT-40 or Line 27 on the IT-40PNR; **or**
- You underpaid the minimum amount due for one or more of the installment periods.

**HOW** much is the penalty? The penalty is 10% of the underpayment for each installment period underpaid. That is why Section E of this schedule is set up by periods and should be filled out one column at a time.

**WHAT DO I NEED** to complete this form? You'll need a copy of:

1. Your completed 1997 IT-40 or IT-40PNR;
2. Your 1996 IT-40 or IT-40PNR; **and**
3. Records of actual estimated tax payments you made for 1997.

**WHAT ELSE** do I need to know about this schedule?

- If you are a farmer or fisherman, you should review Section A.
- All taxpayers need to know about the short method of figuring your penalty available in Section D.
- If you received seasonal income (i.e. you had fireworks sales, you worked during a Christmas season, harvest season, etc.) that is not evenly distributed throughout the year, you might want

to complete Schedule IT-2210A, Annualized Income Schedule. Annualization could possibly reduce your required installment tax payments. Contact the Department at (317) 486-5103 to get Schedule IT-2210A.

### SECTION A - Farmers and Fishermen

Because farmers and fishermen are allowed special considerations at the federal level, Indiana also allows these considerations. All federal guidelines apply for Indiana purposes; therefore, remember to include your spouse's income on a joint return, your pro rata share of S Corporation or partnership income, etc. If **both** 1 and 2 below apply to you, then you won't 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 1996 or 1997; **and**
2. You filed your Indiana return and paid all the tax due by **March 1, 1998**.

If you meet both of these tests, complete **only** Section A of Schedule IT-2210 to show you meet this exception. If you don't meet both of these tests, complete this schedule to determine if you owe a penalty. (If you meet test 1, but not test 2, you might benefit from annualizing your income. Contact the Department for Schedule IT-2210A.)

### SECTION B - Early Filers

If you file your individual income tax return and pay the tax due by January 31, 1998, you will not be required to make a 4th installment estimated tax payment. For additional information see the instructions for line 16.

### SECTION C - Required Annual Payments

Section C will determine if you should have paid estimated taxes during the year and the minimum amount required.

**Line 1:** 1997 Tax: Enter the state adjusted gross income tax and county income tax from your individual income tax return. Add line 13 (state adjusted gross income tax) and line 14 (county income tax) from the IT-40 or lines 11 and 12 from the IT-40PNR and enter the total here.

**Line 2:** 1997 Credits: Enter all your credit *except* withholding and estimated tax payments. Add line 21 (Unified Tax Credit for the Elderly) and line 22 (Other Indiana Credits) from the IT-40 or

lines 19 and 20 from the IT-40PNR and enter the total here.

**Line 4:** To determine 90% of your total expected tax, multiply line 3 by 90% (.90).

**Line 5:** 1997 Withholding: Your 1997 state and county income taxes withheld from your earnings should equal the combined line 18 (Indiana State Tax Withheld) and line 19 (County Tax Withheld) amounts from the IT-40 or lines 16 and 17 from the IT-40PNR. Enter the total here.

**Line 6:** Subtract line 5 from line 3. If this amount is less than \$400, you **do not** owe a penalty. **Stop** here and **attach a copy of this schedule** to your individual income tax return.

**Line 7:** Prior Year's Tax Exception:

- If you filed a 1996 IT-40, add lines 13 and 14 (your income tax) from that return and subtract the totals of lines 21 and 22 (your credits) from that return. Enter the result here.
- If you filed a 1996 IT-40PNR as a **full-year nonresident**, add Lines 10 and 11 from that return and subtract the total of the Lines 18 and 19 from that return. Enter the result here.
- If you filed a 1996 IT-40PNR as a **part-year resident** of Indiana, you must figure the tax for that prior year on an annualized basis. You can accomplish this by multiplying the IT-40PNR line 1B income by 12 months and dividing the result by the number of months you were an Indiana resident. Then figure the state tax and county tax (if applicable) by subtracting your 1997 exemptions from the result and multiply that total by the tax rate(s) from your 1997 Indiana individual income tax return. See the example below.

#### Example:

- Jane moved to Indiana on September 15, 1996, so she was a resident for 3.5 months.
- Her 1996 IT-40PNR line 1B income is \$10,000.
- Her 1997 total exemptions are \$2500.
- The 1997 adjusted gross income tax rate is 3.4% (.034). Her 1997 county tax rate is 1% (for a 4.4% combined state and county tax rate).

Use Steps 1 - 4 on the of the back of this page to figure her prior year's tax exception for line 7 of the IT-2210.

|               |            |                             |               |           |                           |
|---------------|------------|-----------------------------|---------------|-----------|---------------------------|
| <b>Step 1</b> | \$ 10,000  | 1996 Indiana income         | <b>Step 3</b> | \$ 34,286 |                           |
|               | x          | 12 months                   |               | -         | \$2,500 (1997 exemptions) |
|               | \$ 120,000 | annualized income           |               | \$        | 31,786                    |
| <b>Step 2</b> | \$ 120,000 | annualized income           | <b>Step 4</b> | \$ 31,786 | (1997 combined state      |
|               | ÷          | 3.5 months (1996 residency) |               | x         | 4.4% and county tax rate) |
|               | \$         | 34,286                      |               | \$        | 1,399*                    |

\*This Step 4 amount should be entered as an exception on line 7 of Jane's Schedule IT-2210.

1st installment payment in Column A on line 15 will be -0- and the 2nd installment payment in Column B on Line 15 will be \$400.

**Note for Early Filers:** If you file your individual income tax return and pay the tax due by January 31, 1998, you will not be required to make a 4th installment estimated tax payment. You should include on line 16, Column D, the amount of tax you paid with your tax return (Form IT-40 or IT-40PNR).

**Line 17:** Total Installment Payments: To determine your total installment payments, add lines 15 and 16 in each column and enter that column's total here.

**Line 18:** Installment Period Overpayment: If the total payment (line 17) is more than the required payment due (line 14) for an installment period, enter the difference on this line. This amount should then be added to line 16 in the next column **after** subtracting any underpayment(s) shown on line 19 in the previous column(s).

Note: If, after subtracting any underpayments, this amount is less than zero, no overpayment will be available to carry over to the next installment period. Also, **do not** carry over a negative figure if this amount is less than zero.

**Example:** Dana had a \$100 underpayment on line 19, Column A. She had a \$130 *overpayment* on line 18, Column B. The net overpayment from the first two installment periods is \$30 (\$130 - \$100). She will add this net overpayment to any estimated tax paid for the third installment period on line 16, Column C.

**Line 19:** Installment Period Underpayment: If the total payment (line 17) is less than the required tax (line 14) for an installment period, enter the difference on this line.

**Line 20:** Total Underpayment: Add the amounts from Line 19, Columns A, B, C, and D, and enter the total here.

**Line 21:** Underpayment Penalty: To determine the amount of underpayment penalty you owe, multiply line 20 by 10% (.10) and enter the amount here.

This amount must also be entered on line 31 of your 1997 IT-40 or line 29 of your 1997 IT-40PNR.

**Attach a copy of Schedule IT-2210 to your tax return.**

**CAUTION:** If your 1996 Indiana adjusted gross income (line 12 of Form IT-40 or line 10 of Form IT-40PNR) was more than \$150,000 (\$75,000 for married individuals filing separately), you must enter **110%** of last year's tax (instead of 100%).

**Example:** Jim and Rita's 1996 Indiana adjusted gross income from line 11 of Form IT-40 was \$158,000. They would take the following steps to arrive at the exception amount for line 7:

- a) 1996 IT-40 total income tax (lines 13 and 14)..... \$ 6732
- b) 1996 IT-40 credits (lines 21 and 22) ..... - 1732
- c) 1996 IT-40 total income tax due (before  
estimated tax and withholding credits)..... \$ 5000
- d) Exception to the penalty percentage..... x 110%
- e) Amount for line 7 of Schedule IT-40..... \$ 5500

**Note:** If Jim and Rita's 1996 Indiana adjusted gross income had been less than \$150,000, they would have entered \$5000 instead of \$5500 on Line 7.

**Line 8:** Minimum Required Annual Payment: Enter the lesser of line 4 or line 7. If the line 7 entry is N/A, enter the amount from line 4 on this line. Continue to Section D or Section E, whichever applies.

#### SECTION D - Short Method

You can use the short method **only if**:

- you made no estimated tax payments, **or**
- you paid estimated tax in four equal amounts by the due dates.

You **can't** use the short method if either of the following applies:

- you made any estimated tax payments late, **or**
- you made estimated payments in unequal amounts.

#### SECTION E - Regular Method

Use the regular method if you aren't eligible to use the short method.

If you are a fiscal year taxpayer, you may change the dates in Columns A through D to correspond with your fiscal year.

**Line 14:** Minimum Required Installment: Divide the amount on line 8 by 4 and enter the result in each column.

If you are filing this year as a part-year resident on Form IT-40PNR, you must divide line 8 by the number of installment periods during which you were a resident of Indiana.

#### Installment periods are:

- 1st Period: ..... January 1 to March 31
- 2nd Period: ..... April 1 to May 31
- 3rd Period: ..... June 1 to August 31
- 4th Period: ..... Sept. 1 to December 31

**Line 15:** 1997 Withholding: To determine your installment period withholding credit, divide the amount on line 5 into fourths (by 4) and enter the result in each column.

**STOP: Complete lines 16 through 19 for one column before going to the next column.**

**Line 16:** 1997 Estimated Taxes Paid: Enter the actual amount of estimated tax you timely paid for each installment period. Payments made after the due dates at the top of each column are to be reported in the next column.

**Example:** Joe paid \$800 in estimated taxes for 1997. His 1st installment payment of \$200 was not made until May 1 (after the April 15th due date). His 2nd installment payment of \$200 was made on time by the due date of June 16th. The