



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

**Section B:
Early Filers**

Annual Gross Income from All Sources	Two-Thirds of Gross Income	Gross Income from Farming and Fishing	X Check box if you filed your 2004 tax return and paid the total tax due by January 31, 2005. <input type="checkbox"/>
2003 <input type="text" value="R"/> X 66.7% = <input type="text" value="S"/>	<input type="text" value="T"/>	<input type="text" value="W"/>	
2004 <input type="text" value="U"/> X 66.7% = <input type="text" value="V"/>			

Section C - Required Annual Payment

1. 2004 tax	<input type="text" value="1"/>
2. 2004 credits (not including withholding credits or estimated tax payments)	<input type="text" value="2"/>
3. Subtract line 2 from line 1	<input type="text" value="3"/>
4. Multiply line 3 by 90% (.90) (farmers/fishermen multiply by .667, see instructions)	<input type="text" value="4"/>
5. 2004 withholding tax credit	<input type="text" value="5"/>
6. Subtract line 5 from line 3 - If less than \$400, STOP HERE! You do not owe a penalty	<input type="text" value="6"/>
7. Prior year's tax - Read instructions	<input type="text" value="7"/>
8. Minimum required annual payment - Enter the lesser of line 4 or line 7 - If less than or equal to the amount on line 5, STOP HERE! You do not owe a penalty	<input type="text" value="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	<input type="text" value="9"/>
10. Enter the total amount, if any, of estimated tax payments you made for tax year 2004	<input type="text" value="10"/>
11. Add lines 9 and 10	<input type="text" value="11"/>
12. Total Underpayment. Subtract line 11 from line 8. If zero or less, STOP HERE! You do not owe a penalty. Attach this schedule to your tax return	<input type="text" value="12"/>
13. Multiply line 12 by 10% (.10). Enter this amount on line 35 of Form IT-40 or line 32 of Form IT-40PNR	<input type="text" value="13"/>

Installment Period Due Dates

Section E - Regular Method

	A	B	C	D
	1st Installment April 15, 2004	2nd Installment June 15, 2004	3rd Installment September 15, 2004	4th Installment January 18, 2005
14. Minimum required installment payment: divide amount on line 8 by 4	<input type="text" value="14"/>	<input type="text"/>	<input type="text"/>	<input type="text" value="14"/>
15. 2004 withholding-Divide line 5 by 4	<input type="text" value="15"/>	<input type="text"/>	<input type="text"/>	<input type="text" value="15"/>

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

16. 2004 estimated taxes paid per period	<input type="text" value="16"/>	<input type="text"/>	<input type="text"/>	<input type="text" value="16"/>
17. Total installment payments (Add lines 15 and 16)	<input type="text" value="17"/>	<input type="text"/>	<input type="text"/>	<input type="text" value="17"/>
18. Installment period overpayment	<input type="text" value="18"/>	<input type="text"/>	<input type="text"/>	<input type="text" value="18"/>
19. Installment period underpayment	<input type="text" value="19"/>	<input type="text"/>	<input type="text"/>	<input type="text" value="19"/>
20. Total underpayment - Add line 19, Columns A + B + C + D and enter total here	<input type="text" value="20"/>			
21. Underpayment penalty - Multiply line 20 by 10% (.10). Enter this amount on line 35 of Form IT-40 or line 32 of Form IT-40PNR	<input type="text" value="21"/>			

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 may 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 2004, after credits, is \$400 or more for the year. The amount you owe is from IT-40, line 29 minus line 30, or IT-40PNR, line 26 minus line 27; **or**
- you underpaid the minimum amount due for one or more of the installment periods.

Note: Form IT-40P filers must see special instructions on page 3.

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:

- your completed 2004 IT-40 or IT-40PNR;
- your 2003 IT-40 or IT-40PNR; **and**
- records of actual estimated tax payments you made for 2004.

WHAT ELSE do I need to know about this schedule?

- If you are a farmer or fisherman, you should review Section A below and

Section D - Short Method instructions on page 2.

- All taxpayers need to know about the short method of figuring the penalty in Section D.

- If you received seasonal income (i.e. you had fireworks sales, you worked during a Christmas 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) 615-2581 to get Schedule IT-2210A.

**SECTION A -
Farmers and Fishermen**

If at least two-thirds of your gross income for 2003 or 2004 was from farming or fishing, you have only one payment due date for 2004 estimated tax - January 18, 2005.

To meet an exception to the underpayment penalty for 2004, you may use Option 1 or 2:

Option 1- Pay all your estimated tax by January 18, 2005, and file your Form IT-40 by April 15, 2005, **OR**

Option 2- File your Form IT-40 by March 1, 2005, and pay all the tax due. You are not required to make an estimated tax payment if you choose this second option. If you pay all the tax due, you will not be penalized for failure to pay estimated tax.

SECTION B - Early Filers

If you file your individual income tax return and pay the tax due by January 31, 2005, 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: 2004 Tax: Enter the state adjusted gross income tax, county income tax and Indiana advance earned income credit payments from your individual income tax return. Add line 15 (state adjusted gross income tax), line 16 (county income tax) and line 19 (Indiana advance earned income credit payments) from the IT-40 or lines 12, 13 and 16 from the IT-40PNR and enter the total here.

Line 2: 2004 Credits: Enter all your credits *except* withholding and estimated tax payments. Add lines 24 through and including 27 from the IT-40 or lines 21 through and including 24 from the IT-40 PNR and enter the total here.

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

Note: If at least 2/3 of your gross income is from farming or fishing, multiply line 3 by 66 2/3% (.667).

Line 5: 2004 Withholding: Your 2004 Indiana state and county income taxes withheld from your earnings should equal the combined line 21 (Indiana state tax withheld) and line 22 (county tax withheld) amounts from the IT-40 or lines 18 and 19 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 2003 IT-40, add lines 15 and 16 (your state and county income tax) from that return and subtract the total of lines 24, 25, 26, and 27 from that return. Enter the result here. **Note: See Caution box on page 2.**

- If you filed a 2003 IT-40PNR as a **full-year nonresident**, add lines 12 and 13 from that return and subtract the total of the lines 21, 22, 23, and 24 from that return. Enter the result here. **Note: See Caution box on page 2.**

You can accomplish this by multiplying the IT-40PNR line 1 income by 12 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 1) subtracting your 2004 exemptions from the result and 2) multiplying that total by the combined state and applicable county tax rate(s) from your 2004 Indiana individual income tax return. See the example below. **Note: See Caution box below.**

- If you filed a 2003 IT-40PNR as a **part-year resident** of Indiana, you must figure the tax for that year on an annualized basis.

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, **or**
- at least two-thirds of your gross income from 2003 or 2004 was from farming or fishing and estimated tax payment (if any) was made by 1/18/05.

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 must 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.

Example:

- Jane moved to Indiana on Sept. 15, 2003, so she was a resident for 3.5 months.
- Her 2003 IT-40PNR line 1 income is \$10,000.
- Her 2004 total exemptions are \$3,500.
- The 2004 adjusted gross income tax rate is 3.4% (.034). Her 2004 county tax rate is 1% (for a 4.4% combined state and county tax rate.)

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

Step 1 \$ 10,000 2003 Indiana income
 x 12 months

 \$ 120,000 annualized income

Step 2 \$ 120,000 annualized income
 ÷ 3.5 months of 2003 residency

 \$ 34,286

Step 3 \$ 34,286
 - \$ 3,500 2004 exemptions

 \$ 30,786

Step 4 \$ 30,786
 x 4.4% 2004 combined state and county tax rate

 \$ 1,355*

* The \$1,355 Step 4 amount should be entered as an exception on line 7 of Jane's Schedule IT-2210.

CAUTION: If your 2003 Indiana state taxable income (line 14 of Form IT-40 or line 11 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%) on line 7.

Example: Chris and Kate's 2003 Indiana state taxable income from line 14 of Form IT-40 was \$158,000. They would take the following steps to arrive at the exception amount for line 7:

- a) 2003 IT-40 total income tax (lines 15 plus line 16) \$ 6,952
- b) 2003 IT-40 credits (lines 24, 25, 26, and 27) - 1,952
- c) 2003 IT-40 total income tax due (before estimated tax and withholding credits) \$ 5,000
- d) Exception to the penalty percentage x 110%
- e) Amount for line 7 of Schedule IT-2210 \$ 5,500

Note: If Chris and Kate's 2003 Indiana adjusted gross income had been less than \$150,000, they would have entered \$5,000 instead of \$5,500 on line 7.



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 Dec. 31

Line 15: 2004 Withholding: To determine your installment period withholding credit, divide the amount on line 5 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: 2004 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 2004. His first installment payment of \$200 was not made until May 1 (after the April 15th due date). His second installment payment of \$200 was made on time by the June

15th due date. The first 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, 2005, 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) minus any household employment tax, use tax, advance earned income credit payments, and/or the amount shown on the return to be applied to your 2005 estimated tax account.

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 35 of your 2004 IT-40 or line 32 of your 2004 IT-40PNR.

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

A special note to prior year tax filers ...

Individuals filing an Indiana individual income tax return for tax years 1996 or before must file using Form IT-40P. For tax years beginning before 1997, you should complete this schedule if:

- the amount you owed for the year, after credits, was \$100* or more for the year; **or**
- you underpaid the minimum amount due for one or more of the installment periods.

The Schedule IT-2210 instructions address 2004 Form IT-40 and IT-40PNR line references and due dates. You must adjust those line references and due dates to correspond with the tax year for which you are filing. For example, if you are completing Form IT-40P for the 1996 tax year, where the Section C line 7 instruction refers to "last year's tax", it is referring to tax from your 1995 tax return.

* The 2004 revision, line 6, states; "If less than \$400, STOP HERE!" For tax year 1996 or before the instructions should say; "If less than **\$100**, STOP HERE!" Estimated payments were required for those years if owing \$100 or more.

Important: You must attach a copy of Schedule IT-2210 to your tax return if you meet an exception to the penalty for the underpayment of estimated tax.