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Estimated Tax for U.S. Corporations

Generally, a corporation must make estimated tax payments if it meet one of the following conditions:

1. Corporations must generally make estimated tax payments if they expect their estimated tax (income tax less credits) to be \$500 or more.
2. S corporations must make estimated tax payments if the total of the tax on built-in gains, the excess net passive income tax, and the investment credit recapture tax, is \$500 or more.

Corporations generally use Form 1120-W as a worksheet to figure each required installment of estimated tax. You generally use one of the following two methods to figure each required installment. You should use the method that yields the smallest installment payments.

Method 1. Each required installment is 25% of the income tax the corporation will show on its return for the current year.

Method 2. Each required installment is 25% of the income tax shown on the corporation's return for the previous year. To use Method 2:

1. The corporation must have filed a return for the previous year,
2. The return must have been for a full 12 months, and
3. The return must have shown a positive tax liability (not zero).

The installments are generally due by the 15th day of the 4th, 6th, 9th, and 12th months of the tax year. If any due date falls on a Saturday, Sunday, or legal holiday, the installment is due on the next regular business day.

A corporation that does not make estimated tax payments when due may be subject to an underpayment penalty for the period of underpayment. The penalty is figured separately for each installment due date. The corporation may owe a penalty for an earlier due date, even if it paid enough tax later to make up the underpayment. This is true even if the corporation is due a refund when its return is filed.

A corporation that has overpaid its estimated tax may apply for a quick refund if the overpayment is at least 10% of its expected income tax liability and at least \$500. To apply, file Form 4466 (Corporation Application for Quick Refund of Overpayment of Estimated Tax) after the end of the tax year and before the corporation files its income tax return. An extension of time to file the corporation's income tax return will not extend the time for filing Form 4466.

If, after the corporation figures and deposits estimated tax, it finds that its tax liability for the year will be more or less than originally estimated, it may have to refigure its required installments. If earlier installments were underpaid, the corporation may owe a penalty. An immediate catchup payment should be made to reduce the amount of any penalty resulting from the underpayment of any earlier installments, whether caused by a change in estimate, failure to make a deposit, or a mistake.



If you wish to obtain more information or assistance, please visit our official website at www.kaizencpa.com or contact us through the following means:

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