GUIDE

Quarterly estimated taxes, without the guesswork

If nobody withholds tax from your business income, the IRS expects you to pay it during the year in four installments. You generally owe estimates if you expect to owe $1,000 or more when you file. Pay at least 100% of last year's tax, or 110% if your income was over $150,000, and you avoid the underpayment penalty.

QUICK FACTS

- **Who.** Anyone expecting to owe $1,000 or more
- **Next due.** January 15, 2027 for the last 2026 payment
- **Safe harbor.** 100% of last year's tax, 110% above $150,000 AGI
- **Form.** 1040-ES for individuals
- **Penalty.** Figured like interest, per late payment

Who has to pay estimated tax?

Sole proprietors, freelancers, partners and S-Corp owners whose distributions aren't covered by withholding. Also anyone with large investment income, rental profit or a big one-time gain. The test is whether you'll owe at least $1,000 when you file, after withholding and refundable credits. C-Corps have their own rule and pay estimates when they expect to owe $500 or more.

Remember that self-employment tax counts too. On top of income tax, sole proprietors and partners pay 15.3% for Social Security and Medicare on most of their profit, and that's usually the part that surprises people.

When are the payments due?

The four periods aren't equal quarters, which catches people out. Each payment covers the income you earned in its period.

General information, not tax advice for your situation.

PAYMENT	COVERS INCOME FROM	DUE
4th, tax year 2026	September 1 to December 31, 2026	Friday, January 15, 2027
1st, tax year 2027	January 1 to March 31, 2027	Thursday, April 15, 2027
2nd, tax year 2027	April 1 to May 31, 2027	Tuesday, June 15, 2027
3rd, tax year 2027	June 1 to August 31, 2027	Wednesday, September 15, 2027

Farmers and fishermen who earn at least two-thirds of their gross income from that work can make one payment by January 15, or skip it and file and pay in full by March 1.

How do the safe harbor rules work?

You won't owe an underpayment penalty if your payments, including any withholding, add up to the smaller of these:

- 90% of the tax on this year's return
- 100% of the tax on last year's return, or 110% if last year's adjusted gross income was over $150,000 ($75,000 if married filing separately)

The prior-year option is the easy one, because you already know the number. If last year's total tax was $18,000 and your income was under $150,000, four payments of $4,500 protect you from the penalty, even if you end up owing more in April. With income over $150,000, it's $19,800, or $4,950 a payment. You still owe any balance when you file. The safe harbor only removes the penalty.

How do you work out the amount?

Use the safe harbor if this year looks similar to or better than last year. If income has dropped, estimate this year's tax instead so you don't overpay. Form 1040-ES includes a worksheet. A rough starting point many owners use is to set aside 25% to 30% of profit in a separate savings account, then adjust once the books show real numbers.

If your income is lumpy, like a big contract in the fall, the annualized income method lets you pay less in the early quarters and more after the money arrives. You show it on Schedule AI of Form 2210 when you file.

What about S-Corp owners?

Your salary already has withholding, but your share of the profit doesn't. You can make estimated payments, or you can raise the federal withholding on your own paychecks. Withholding counts as paid evenly through the year no matter when it comes out, so a bigger December paycheck withholding can fix a shortfall that a late estimate can't.

How do you pay?

- IRS Direct Pay, straight from a bank account, with no fee

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- Your IRS Online Account, which also shows what you've already paid
- EFTPS, the Treasury's payment system, which many businesses already use for payroll
- A debit or credit card through an IRS-approved processor, for a fee
- A check with the Form 1040-ES voucher

Most states with an income tax want their own estimates on similar dates. In the handful of states with no income tax on wages, owners only pay federal estimates.

What if you underpay?

The penalty works like interest. It's figured on Form 2210 for each payment that was short or late, at the IRS underpayment rate, from the due date until you pay. Paying late is still better than not paying at all, because the penalty stops growing once the money arrives.

Want a plan for this year?

We run your numbers and show you the options. Book a free 30-minute call at eminenttax.com/contact or call (972) 347-4590.

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