

Estimated Tax Payments: Do I Really Have to Pay Them?



As a tax advisor and financial planner, I have learned that people hate paying taxes – especially underpayment penalties from withholding too little tax or not paying enough quarterly estimated taxes.

So, what can be done to avoid these unnecessary penalties? And, if subject to them, how can the penalties be eliminated or reduced?

An under payment penalty can be charged when taxpayers don't withhold at least the following amounts:

- 90% of the tax shown on the **current year tax return**, or
- 100% of the taxes shown on the **prior year return**. (One exception to this may be if the taxpayer is married and filing jointly with an adjusted gross income that exceeds \$150,000; in this case, the taxpayer may have to pay 110%).

Additionally, the underpayment penalty **does not** apply if:

- The tax due in the current year was less than \$1,000.
- The taxpayer had zero tax liability in the previous year.
- The taxpayer paid timely quarterly estimated tax payments

Caleb Griffith CFP® is a Senior Financial Advisor at [Townsend Asset Management Corp.](#), a registered investment advisory firm offering comprehensive wealth management expertise to its clients. Email Caleb@AssetMgr.com for information about financial and tax planning services.