



Indiana Department of Revenue

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Income Tax Information Bulletin #3

Subject: Payment of Indiana Estimated Tax by Individuals

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References: IC 6-3-2-1; IC 6-3-4-4.1

Replaces Bulletin #3, dated August 2022

Disclaimer: Information bulletins are intended to provide nontechnical assistance to the general public. Every attempt is made to provide information that is consistent with the appropriate statutes, rules, and court decisions. Any information that is not consistent with the law, regulations, or court decisions is not binding on either the department or the taxpayer. Therefore, the information provided herein should serve only as a foundation for further investigation and study of the current law and procedures related to the subject matter covered herein.

Summary of Changes

Only nonsubstantive, technical changes have been made to this bulletin. It has been primarily changed to reflect updated formatting.

Introduction

Estimated income tax payments for a taxable year must be made by an individual who:

- (1) Receives income from which Indiana adjusted gross income tax or local income tax is not properly withheld; and
- (2) Has a total unpaid state and local income tax liability that is \$1,000 or more for the taxable year.

Even if an individual does not meet these requirements, the individual may still make estimated payments to reduce the amount that will be due when the annual individual adjusted gross income tax return is filed.

Methods for Payment of Estimated Tax

Estimated tax installment payments are due on April 15, June 15, September 15, and January 15 of the following calendar year. A person filing on a fiscal year rather than calendar year basis should adjust the due dates on the appropriate voucher for the fiscal year. If the due date falls on a national or state holiday, Saturday, or Sunday, payment is timely if it is postmarked by the

following business day. In addition, if an estimated payment due date falls on a legal holiday recognized by the Internal Revenue Service for federal estimated tax purposes, the department will recognize the holiday.

Estimated tax installment payments may be made by one of the following methods:

- Using a preprinted estimated tax voucher which is issued by the department on an annual basis to taxpayers with a history of paying estimated tax;
- Obtaining a paper Form ES-40 tax voucher from the department or downloading the voucher from the department's website (in.gov/dor/tax-forms/individual-income-tax-forms/); or
- Paying estimated tax electronically using the department's online e-services portal, the Indiana Taxpayer Information Management Engine (INTIME), at intime.dor.in.gov.

While an installment payment cannot be changed once it has been made, future payments can be adjusted to reflect a change in the annual estimated tax due. Future installment payments are determined by subtracting the amount of the previous payments from the total amount of estimated payments to be made.

Any installment payment postmarked after January 15 for the preceding calendar year will be either returned to the taxpayer or credited against the taxpayer's liability for the following year.

Identifying Local Option Income Tax Estimates

The taxpayer is required to separately identify the amount of state adjusted gross income tax and local income tax that is being remitted as an estimated payment. However, a failure to allocate a payment properly will not result in a penalty.

Calculation of the Quarterly Estimated Payment

The following schedule may be used to determine the amount of estimated tax due:

A. Total Estimated Income for the Tax Year	A. _____
B. Total Exemptions x \$1,000*	B. _____
C. Amount Subject to Indiana Income Tax (Line A minus B)	C. _____
D. Amount of State Income Tax Due (Line C x the State Income Tax rate**)	D. _____
E. Amount of County Income Tax Due (Line C x County Tax Rate***)	E. _____
F. Total Estimated Income Tax (Line D plus Line E)	F. _____

- G. Estimated State and County Income Tax Withheld
Plus Total of Other Credits G. _____
- H. Amount of Annual Estimated Tax Due (Line F minus
Line G) H. _____
- I. Each Installment Amount Due (Line H divided by 4) I. _____

*Nonresident aliens may claim only one exemption (\$1,000) when calculating the amount of the quarterly estimated installment. If you have a child who is a qualifying dependent, add \$1,500 per qualifying dependent. For individuals 65 or older, also add \$500 per individual if the taxpayer's federal adjusted gross income is less than \$40,000 (\$20,000 if married filing separately).

**3.23% (.0323) for 2017-2022, 3.15% (.0315) for 2023 and 2024. The rates for 2025 and later will be determined in the manner provided by IC 6-3-2-1(b).

*** See the rate listing for Schedule CT-40 for a list of applicable rates. If you and your spouse file a joint return are subject to different county income tax rates, compute the tax separately for each spouse. However, you and your spouse must apply exemptions in the manner that the exemptions would be applied for county tax purposes.

Treatment of Withholding Payments

If you have taxes withheld on your behalf, the taxes will be presumed to have been remitted evenly across all four quarters of the taxable year. For these purposes, withholding includes nonresident shareholder, partner and beneficiary withholding. The following provisions apply only if you want to deviate from this presumption.

1. If withholding as an employee or race team member does not occur evenly over the course of the year, enter the actual withholding during the payment during which payments are required. Withholding payments will be treated as occurring on the date of actual withholding (i.e., the date on which you are paid) for purposes of determining any penalty due. You may be asked to provide substantiation of the withholding such as pay statements.
2. For nonresident withholding by partnerships or S corporations, withholding will be treated as not occurring evenly in each quarter if (and only if) an individual can substantiate that the income from the partnership or S corporation did not occur evenly throughout the year. An uneven distribution of income from a partnership or S corporation will require completion of Form IT-2210A showing the annualized income. Withholding will be considered to occur in proportion to the positive Indiana adjusted gross income earned during the year, with each amount entered separately as opposed to equally throughout the year.
3. For nonresident beneficiaries of estates and trusts, withholding will be considered to occur in proportion to the income distributed to the beneficiary and reported in the quarter in

which the distribution occurs. If a distribution includible in a taxable year is distributed after the end of the taxable year, the distribution is treated as a fourth quarter distribution. This will require completion of Form IT-2210A showing the annualized income. Enter the amount attributable to each quarter as opposed to entering the amount equally throughout the year.

For years prior to 2022, the department may systemically apply withholding payments as occurring in the first quarter. If this happens, you will receive a recomputation letter and receive a refund. If this occurs, no further action is required and any refund will not be required to be repaid.

Penalties

A taxpayer is subject to penalty for underpayment of estimated tax if the total state and county taxes due after credits exceed \$1,000. The taxpayer will not owe a penalty if each installment payment equals at least one-fourth of the required annual payment. The required annual payment is the lesser of:

- (1) 90 percent of the tax shown on the current year's return;
- (2) 100 percent of the tax shown on the previous year's return. However, if the taxpayer has federal adjusted gross income of more than \$150,000 (\$75,000 if married filing separately) and the taxpayer is not a farmer or fisherman as described in Section IX, the amount is 110 percent of the tax shown on the previous year's return instead of 100 percent.

If the taxpayer is eligible for any of the exceptions to the penalty mentioned above, the taxpayer must attach Schedule IT-2210 to the individual income tax return showing that the exception has been met.

If a taxpayer's income is not received uniformly throughout the year, the taxpayer can avoid penalty if the tax is paid in an amount at least equal to the annualized income installment by the due date of the installment. Schedule IT-2210A should be used to compute the annualized income installment amount. This schedule is available at [in.gov/dor/tax-forms/individual-income-tax-forms/](https://www.in.gov/dor/tax-forms/individual-income-tax-forms/).

If a penalty is imposed for underpayment of estimated tax, the penalty will be 10 percent of the underpayment for that period. Whether a taxpayer is subject to penalty, as well as the amount of penalty, is computed on a quarter-by-quarter basis.

Underpayment

The underpayment of an installment is the difference between the payment required for the installment (or the annualized income installment, if applicable) and the amount paid. If a payment is made after the installment due date, the payment is considered to be made in the following installment period. If an overpayment occurs in a quarter after an underpayment occurs, the overpayment will be applied first to the prior-period underpayments prior to any carryforward. However, this carryback will not reduce any penalties.

Avoiding Penalty for the Fourth Installment

If a taxpayer files an annual individual adjusted gross income tax return and pays the entire tax due by January 31, the taxpayer will not receive a penalty for the installment payment due January 15. However, payment of the entire estimated tax liability or balance due with the fourth installment or with the filing of the return does not relieve the taxpayer from any penalty for failure to make prior estimated payments in a timely manner during the year.

Farmers and Fishermen

A penalty is not imposed if:

- (1) At least two-thirds of the taxpayer's annual gross income for the current year or preceding year is from farming or fishing;
- (2) The taxpayer files Form IT-40 or Form IT-40PNR; and
- (3) The taxpayer pays the entire tax due by March 1.

The taxpayer should attach Schedule IT-2210 to the income tax return and complete the portion of the return labeled "Farmers and Fishermen Only". If the farmer or fisherman does not file the return and pay the tax by March 1, the taxpayer should complete Schedule IT-2210 to determine whether a penalty applies.

If you have any questions concerning this bulletin, please contact the Tax Policy Division at taxpolicy@dor.in.gov.



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