

Income Tax Payments are Due Throughout the Year

Wisconsin law requires that you pay tax on your income as the income becomes available to you. Your employer will generally withhold income tax from your wages. However, if you have taxable nonwage income or wages not subject to withholding, you may need to make quarterly estimated tax payments. If you wait to pay with your tax return, you may be assessed underpayment interest.

WHAT IS NONWAGE INCOME?

Some examples of nonwage income are dividends, spousal maintenance (alimony), cash prizes, unemployment compensation, gambling winnings, pensions, interest, and self-employment income.

HOW DO I DECIDE IF I MUST PAY ESTIMATED TAX?

Generally, if you will owe more than \$200 on your income tax return you should pay estimated tax. You must pay 90% of the net tax liability on this year's tax return or 100% of the net tax liability on last year's tax return. If you will not have tax withheld equal to the lesser of these amounts you must pay estimated tax. Exceptions to this general rule are explained in the Wisconsin Estimated Tax Form 1-ES and Wisconsin Schedule U instructions. You can also use the worksheets that come with these forms to decide what amount, if any, you must pay. Full-year residents, part-year residents, nonresidents, trusts, and estates are subject to estimated tax requirements. However, nonresidents are subject to withholding on Wisconsin income allocable from a pass-through entity. Non-resident shareholders, partners, members, or beneficiaries of pass-through entities are not required to make estimated tax payments on income that will be subject to withholding by the pass-through entity. The pass-through entity makes this withholding with Form PW-1 and notifies the non-resident of the amount withheld on the Schedule 5K-1, 3K-1, or 2K-1 issued to the non-resident. (Corporations are also subject to estimated tax requirements and should contact the

Corporation Tax Processing Unit at (608) 266-0800 for information specific to corporations.)

WHERE CAN I GET HELP?

Contact the Estimated Tax Unit at (608) 266-9940 or Mail Stop 3-164, PO Box 8903, Madison, WI 53708-8903 or any Department of Revenue office. We can answer your questions about estimated tax and underpayment interest and help you with the worksheets.

WHAT IS UNDERPAYMENT INTEREST?

Underpayment interest is the amount of interest charged on the amount of tax that is underpaid. Underpayment interest is computed at the rate of 12% for the period of the underpayment. The later you make required payment, the larger your underpayment interest will be.

WHEN IS UNDERPAYMENT INTEREST ASSESSED?

You will be assessed underpayment interest if you don't pay estimated tax when required. This interest will be assessed when you file your income tax return. If you do not pay the correct underpayment interest with your tax return, your refund will be reduced by the amount of interest assessed. If you are not due to receive a refund, you will be billed for this interest.

HOW MUCH ARE THESE ASSESSMENTS?

The average underpayment interest assessment is \$83. This assessment varies based on the amount of tax you should have prepaid and the period of the underpayment. Wisconsin Schedule U can be used to compute the underpayment interest to be paid with your income tax return or to determine if you qualify for a waiver of interest for underpayment of estimated tax.

HOW DO I MAKE ESTIMATED TAX PAYMENTS?

There are three options:

1. You can pay by credit card through Official Payments. For online payments visit www.officialpayments.com or pay by phone at 1-800-272-9829. Official Payments does charge a small convenience fee for using this service.
2. You can pay by electronic funds transfer (EFT). For more information visit our web site at www.revenue.wi.gov/eserv/eftgen.html.
3. You can get a Form 1-ES from the Wisconsin Department of Revenue. Visit our web site at www.revenue.wi.gov and click on the link to Forms.

If you do not have access to the department’s web site to access a Form 1-ES or a Wisconsin Schedule U, call the department’s forms request line at (608) 266-1961 or contact any Department of Revenue office. These forms are also available at many libraries from January to April.

If you are using this method, you should send each payment with a completed Form 1-ES voucher to the address on the voucher.

Generally, payments are due in four equal installments on the following dates:

- 1st paymentApril 15
- 2nd payment June 15
- 3rd payment..... September 15
- 4th payment January 15

Exceptions to this general rule are explained in the instructions for Wisconsin Estimated Tax Form 1-ES and Wisconsin Schedule U.

HOW DO I CALCULATE HOW MUCH EACH PAYMENT SHOULD BE?

This is an example of how to determine your required payments based on the net tax liability you expect to have on this year’s tax return.

Estimated net tax liability (amount after allowable credits on your tax return)	\$1,500
Required payment (90% x \$1,500).....	\$1,350
Expected tax withheld	\$1,000
Required estimated tax payment	\$ 350

Estimated tax payments = \$350 ÷ 4 and should be paid as follows:

\$87.50 due 4-15	\$87.50 due 9-15
\$87.50 due 6-15	\$87.50 due 1-15

Follow the instructions and use the worksheets in the Form 1-ES to calculate your payment amount.

