



Instructions for Form 2210

Underpayment of Estimated Tax by Individuals and Fiduciaries

Paperwork Reduction Act Notice.—We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated average times are:

	Short Method	Regular Method
Recordkeeping	7 min.	13 min.
Learning about the law or the form	7 min.	44 min.
Preparing the form	34 min.	2 hr., 32 min.
Copying, assembling, and sending the form to the IRS	20 min.	46 min.

If you have comments concerning the accuracy of these time estimates or suggestions for making this form more simple, we would be happy to hear from you. You can write to both the IRS and the Office of Management and Budget at the addresses listed in the instructions for the tax return with which this form is filed.

General Instructions

Changes To Note

Two schedules have been added to Form 2210:

• **Schedule A—Required Installments for Taxpayers Affected by Limitations on Prior Year's Tax.** Generally, the amount of your prior year's tax is used as your required annual payment if that amount is smaller than 90% of your current year's tax. However, beginning in 1992, your use of the prior year's tax as your required annual payment is limited if **all** of the following conditions apply to you:

1. You are not a farmer or a fisherman (described later).
2. You made an estimated tax payment for 1989, 1990, or 1991, or you were charged a penalty for not paying estimated tax for any of those years. Do not include withholding or a credit from your prior year's tax as a payment of estimated tax.
3. Your 1992 adjusted gross income (AGI) as shown on your return is more than \$75,000 (more than \$37,500 if you are married filing separately).
4. Your 1992 **modified** adjusted gross income (see page 5) exceeds the AGI shown on your 1991 return by more than \$40,000 (more than \$20,000 if you are married filing separately).

If the amount you enter on Form 2210, line 13, is your prior year tax (from line 12) **AND** all four of the above conditions apply, you must use Schedule A to figure your penalty.

• **Schedule B—Annualized Income Installment Method.** Required installments using the annualized income installment method are now figured directly on Form 2210 using new Schedule B. The Annualized Income Installment Worksheet, which was previously used for this purpose, has been eliminated.

Purpose of Form

Use Form 2210 to see if you owe a penalty for underpaying your estimated tax, and if you do, to figure the amount of the penalty.

IRS Will Figure the Penalty for You

Because Form 2210 is complicated, we encourage you to let us figure the penalty. If you owe it, we will send you a bill. And as long as you file your return by April 15, 1993, we will not charge you interest if the bill is paid within 10 days after the notice date.

If you want us to figure the penalty for you, complete your return as usual. Leave the penalty line on your return blank; **do not** file Form 2210.

Caution: See **Part I** of the form. If any of the boxes on line 1 apply, you must figure the penalty yourself and attach a completed Form 2210 to your return.

Other Methods

We realize that there are different ways to figure the correct penalty. You do not have to use the method prescribed by Form 2210 as long as you enter the

correct penalty amount on the penalty line of your return.

However, if you are required to file Form 2210 because one or more of the boxes in Part I applies to you, you must complete certain lines. If you use the short method, you must complete lines 1–17 and enter the penalty on line 20. If you use the regular method, you must complete lines 1–13 and lines 21–29 and enter the penalty on line 36.

Who Must Pay the Underpayment Penalty

You may be charged a penalty if you did not pay enough estimated tax by any of the due dates or if you did not have enough Federal income tax withheld. This is true even if you are due a refund when you file your tax return. The penalty is figured separately for each due date. Therefore, you may owe the penalty for an earlier payment due date, even if you paid enough tax later to make up the underpayment.

In general, you may owe the penalty for 1992 if you did not pay at least the smaller of:

1. 90% of your 1992 tax liability; or
2. 100% of your 1991 tax liability (if you filed a 1991 return that covered a full 12 months).

Caution: If your 1991 tax is the smaller of the two amounts above, you may not be able to use it as your required annual payment if both of the following conditions are met:

1. Your 1992 income was more than \$75,000 (more than \$37,500 if you are married filing separately), and
2. Your 1992 income exceeded your 1991 income by more than \$40,000 (more than \$20,000 if you are married filing separately).

See **Changes To Note** on this page for more details.

Exceptions to the Penalty

You will not have to pay the penalty if either **1** or **2** applies:

1. You had no tax liability for 1991, you were a U.S. citizen or resident for the entire year, and your 1991 tax return was (or would have been had you been required to file) for a full 12 months.
2. The total tax shown on your 1992 return minus the amount of tax you paid through withholding is less than \$500. To

determine whether the total tax is less than \$500, complete lines 2–11.

Special Rules for Farmers and Fishermen

If you meet both tests **1** and **2** below, you do not owe a penalty for underpaying estimated tax.

1. Your gross income from farming and fishing is at least two-thirds of your annual gross income from all sources for 1991 or 1992.

2. You filed Form 1040 or 1041 and paid the entire tax due by March 1, 1993.

Get **Pub. 505**, Tax Withholding and Estimated Tax, for the definition of gross income from farming and fishing.

If you meet test **1** but not test **2**, use **Form 2210F**, Underpayment of Estimated Tax by Farmers and Fishermen, to see if you owe a penalty. If you do not meet test **1**, use Form 2210.

Waiver of Penalty

If you have an underpayment on line 17 (line 28 if you use the regular method), all or part of the penalty for that underpayment will be waived if the IRS determines that:

1. The underpayment was due to a casualty, disaster, or other unusual circumstances and it would be inequitable to impose the penalty,

2. In 1991 or 1992, you retired after age 62 or became disabled, and your underpayment was due to reasonable cause, **or**

3. The underpayment was caused by adjustments made in the withholding tables for wages you received after February 1992.

To request a waiver for an underpayment described in either **1** or **2** above, do the following:

a. Check the box on line 1a.

b. Complete Form 2210 through line 19 (line 35 if you use the regular method) without regard to the waiver. Write the amount you want waived in parentheses on the dotted line next to line 20 (line 36 for the regular method). Subtract this amount from the total penalty you figured without regard to the waiver, and enter the result on line 20 (line 36 for the regular method).

c. Attach Form 2210 and a statement to your return explaining the reasons you were unable to meet the estimated tax requirements and the time period for which you are requesting a waiver.

d. If you are requesting a penalty waiver due to a casualty, disaster, or other unusual circumstances, attach documentation such as police and insurance company reports.

e. If you are requesting a penalty waiver due to retirement or disability, attach documentation that shows your

retirement date (and your age on that date) or the date you became disabled.

The IRS will review the information you provide and decide whether to grant your request for a waiver.

For an underpayment described in **3** above, the IRS will automatically waive the penalty and you do not need to file Form 2210 to request a waiver if the total underpayment for the year resulting from these adjustments is:

- \$146 or less if your filing status is single or head of household, or
- \$292 or less if your filing status is married (filing either jointly or separately) or qualifying widow or widower.

However, if you want the IRS to waive the penalty because the underpayment resulting from the adjustments to the withholding tables is larger than the amount for your filing status, or you are filing Form 2210 for a different reason, request a waiver in the same manner as for an underpayment described in **1** or **2** above.

Additional Information

See Pub. 505 for more details. It has examples of filled-in Forms 2210.

For guidance on figuring estimated taxes for trusts and certain estates, see Notice 87-32, 1987-1 C.B. 477.

Specific Instructions

Part II

All filers must complete lines 2–13.

If you file an **amended return** by the due date of your original return, use the amounts shown on your amended return to figure your underpayment. If you file an amended return after the due date of your original return, use the amounts shown on the original return.

Exception. If you and your spouse file a joint return after the due date to replace separate returns you originally filed by the due date, use the amounts shown on the joint return to figure your underpayment. This rule applies only if both original separate returns were filed on time.

Line 2

Enter the amount from Form 1040, line 46; Form 1040A, line 25; or Form 1040NR, line 43. For an estate or trust, enter the amount from Form 1041, Schedule G, line 4.

Line 3

Enter the total of the following amounts on line 3:

- Self-employment tax,
- Alternative minimum tax,
- Tax from recapture of investment credit or low-income housing credit,

• Tax on early distributions (Form 5329, Part II, only),

• Internal Revenue Code section 72(m)(5) penalty tax,

• Excise tax on golden parachute payments,

• Advance earned income credit payments,

• An increase or decrease in tax as a shareholder in a qualified electing fund, and

• Interest due under Internal Revenue Code sections 453(l)(3) and 453A(c) on certain installment sales of property.

Line 10

Enter the taxes withheld from Form 1040, lines 54 and 58; Form 1040A, line 28a; or Form 1040NR, lines 51, 55, 58, and 59. For an estate or trust, enter the amount from Form 1041, line 24e.

Line 12

Prior Year Tax.—Figure your 1991 tax using the taxes and credits from your 1991 tax return. Use the same type of taxes and credits as shown on lines 2, 3, 5, and 6 of Form 2210.

If you did not file a return for 1991, or if your 1991 tax year was less than 12 months, **do not** complete line 12.

Instead, enter the amount from line 9 on line 13. However, see **Exceptions to the Penalty** on page 1.

Filing Status Change.—If you are filing a joint return for 1992, but you **did not** file a joint return for 1991, add the tax shown on your 1991 return to the tax shown on your spouse's 1991 return and enter the total on line 12. If you filed a joint return for 1991 but you are **not** filing a joint return for 1992, see Pub. 505 to figure your share of the 1991 tax to enter on line 12.

Line 13

Compare the amounts on lines 9 and 12. Enter the **smaller** of the two amounts on line 13.

If the amount on line 10 is equal to or more than the amount on line 13, you will not have to complete or attach Form 2210 unless the amount you enter on line 13 is your prior year tax (from line 12) **AND** box 1d, e, or f in Part I applies to you.

Part III—Short Method

You may use the short method **only** if:

1. You made no estimated tax payments (or your only payments were withheld Federal income tax); **or**

2. You paid estimated tax in four **equal** amounts on the due dates.

Note: *If any payment was made earlier than the due date, you may use the short method, but using it may cause you to pay a larger penalty than the regular method. If the payment was only*

a few days early, the difference is likely to be small.

You **may not** use the short method if any of the following applies:

1. You made any estimated tax payments late.
2. You checked the box on line 1b, c, or d in Part I.
3. You are filing Form 1040NR and you did not receive wages as an employee subject to U.S. income tax withholding.

If you can use the short method, complete lines 14–17 to figure your total underpayment for the year, and lines 18–20 to figure the penalty.

In certain circumstances, if you have an underpayment on line 17, the IRS will waive all or part of the penalty. See **Waiver of Penalty** on page 2.

Part IV—Regular Method

Use the regular method if you are not eligible to use the short method.

Form 1040NR Filers

If you are filing Form 1040NR and **did not** receive wages as an employee subject to U.S. income tax withholding, the instructions for figuring your underpayment and penalty are modified as follows:

1. Skip column (a) in Part IV.
2. In column (b) of line 21 in Part IV, enter one-half of the amount on line 13 (unless you are using the annualized income installment method).
3. In column (b) of line 22 in Part IV, enter the total tax payments made through June 15, 1992, for the 1992 tax year. If you are treating Federal income tax (and excess social security, Medicare, and railroad retirement tax) as having been withheld evenly throughout the year, you are considered to have paid one-third of these amounts on each payment due date.
4. Skip all lines in column (b) that are shaded in column (a) in Part IV.

Section A—Figure Your Underpayment

Line 21.—Enter on line 21, columns (a)–(d), the amount of your **required installment** for the due date shown in each column heading. For most taxpayers, this is the amount shown on line 13 of Part II, divided by four (4). If box 1d applies (but not box 1b), enter the amounts from Schedule A, line 5, 8, or 19, whichever applies. However, it may be to your benefit to figure your required installments by using the annualized income installment method. For more details, see the instructions for Schedule B on page 5.

Line 22.—Enter the estimated tax payments you made plus any Federal income tax withheld and excess social

security, Medicare, and railroad retirement tax paid.

In column (a), enter the tax payment(s) you made by April 15, 1992, for the 1992 tax year; in column (b), enter payments you made after April 15 through June 15, 1992; in column (c), enter payments you made after June 15 through September 15, 1992; and in column (d), enter payments you made after September 15, 1992, through January 15, 1993.

When figuring your payment dates and the amounts to enter on line 22 of each column, apply the following rules:

1. For Federal income tax withheld and excess social security, Medicare, and railroad retirement tax, you are considered to have paid one-fourth of these amounts on each payment due date, unless you can show otherwise.

Note: *If you treat withholding as paid for estimated tax purposes when it was actually withheld, you must check the box on line 1c and complete and attach Form 2210 to your return.*

2. Include in your estimated tax payments any overpayment of tax from your 1991 return that you elected to apply to your 1992 estimated tax. If you file your return by the due date (including extensions), treat the overpayment as a payment made on April 15, 1992.

3. If you file your return and pay the tax due by February 1, 1993, include on line 22, column (d), the amount of tax you pay with your tax return. In this case, you will not owe a penalty for the payment due by January 15, 1993.

Line 28.—If line 28 is zero for all payment periods, you do not owe a penalty. But if you checked box 1b, c, d, e, or f in Part I, you must file Form 2210 with your return.

If line 28 shows an underpayment for any payment period, see **Waiver of Penalty** on page 2. In certain circumstances, the IRS will waive all or part of the penalty.

Section B—Figure the Penalty

Caution: *Read the following instructions and examples before completing Section B.*

Figure the penalty by applying the appropriate rate against each underpayment shown on line 28. The penalty is figured for the number of days that the underpayment remained unpaid.

The rates are established at various times throughout the year. For the period covered by the 1992 Form 2210, 2 rates were in effect over 3 rate periods. If an underpayment remained unpaid for more than one rate period, the penalty on that underpayment will be figured using more than one rate period.

Use lines 30, 32, and 34 to figure the number of days the underpayment

remained unpaid. Use lines 31, 33, and 35 to compute the actual penalty amount by applying the rate against the underpayment for the number of days it remained unpaid.

Your payments are applied to any underpayment balance on an earlier installment. It doesn't matter if you designate a payment for a later period. For example, you had an underpayment for the April 15 installment of \$500. The June 15 installment required a payment of \$1,200. On June 10, you sent in a payment of \$1,200 to cover the June 15 installment. However, \$500 of this payment is considered to be for the April 15 installment. The penalty for the April 15 installment is figured to June 10 (56 days). The payment to be applied to the June 15 installment will then be \$700.

List Your Payments for 1992.—Before figuring your penalty in Section B, it will be helpful to list the payments you made for 1992 as shown in the tables below.

TABLE 1

(Payments after 4/15/92 through 9/30/92)

(a) Date	(b) Payments

TABLE 2

(Payments after 9/30/92 through 12/31/92)

(a) Date	(b) Payments

TABLE 3

(Payments after 12/31/92 through 4/15/93)

(a) Date	(b) Payments

In each table, list only the payments made during the dates shown in the table heading. Also, apply the following rules:

1. Any withheld Federal income tax and excess social security, Medicare, and railroad retirement tax should be included. You are considered to have paid one-fourth of these amounts on each payment due date unless you can show otherwise.

For example, if you had Federal income tax withheld from your wages of \$4,000 during the year, list \$1,000 as being paid on 6/15/92, 9/15/92, and 1/15/93 in the applicable table. Do not

list the withholding attributable to the first payment due date (4/15/92).

2. For Table 3, any balance due of income tax that you pay with your tax return is considered a payment for this purpose and should be listed. Use the date you file your return as the payment date, or 4/15/93, whichever is earlier.

Chart of Total Days per Rate Period.—

If an underpayment remained unpaid for an entire rate period, use the chart below to determine the number of days to enter in each column. The chart is organized in the same format as Form 2210, Part IV, Section B.

Rate Period	(a)	(b)	(c)	(d)
1 line 30	168	107	15	----
2 line 32	92	92	92	----
3 line 34	105	105	105	90

For example, if you have an underpayment on line 28, column (a), but show no payments in Table 1, you would enter "168" on line 30, column (a). This is further explained under **Rate Period 1** below.

The following line-by-line instructions apply only to column (a) of Section B. If there is an underpayment shown in column (b), (c), or (d) on line 28, complete lines 30 through 35 for those columns in a similar manner.

Rate Period 1

Line 30.—Enter on line 30, column (a), the number of days from 4/15/92 to the date of the first payment listed in Table 1. If no payments are listed, enter "168."

Example 1. Assume you had an underpayment of \$5,000 on line 28 and your first payment shown in the table was made on 4/30/92 in the amount of \$3,000. Enter "15" on line 30, column (a) (days from 4/15 to 4/30).

Line 31.—Make the computation requested on line 31 and enter the result. Note that the computation calls for the "underpayment on line 28." The amount you use as the "underpayment" depends on whether or not a payment is listed in Table 1.

If There Is a Payment Listed in Table 1.—On a separate sheet of paper, apply the payment to the underpayment shown on line 28. The "underpayment" for the computation on line 31 is the amount of the payment applied to the line 28 underpayment. If the payment is more than the underpayment, apply only an amount equal to the underpayment and use that amount for the line 31 computation.

Example 2. Assume the same facts as in Example 1. Because you paid \$3,000 toward the underpayment, enter \$9.84 on line 31 ($\$3,000 \times 15/366 \times .08$).

Example 3. Assume your underpayment on line 28 was \$5,000 and that you paid \$8,000 on 4/30/92. Because your payment was more than

your underpayment, you would apply \$5,000 to the underpayment. Enter \$16.39 on line 31 ($\$5,000 \times 15/366 \times .08$).

If There Are No Payments Listed in Table 1.—The "underpayment" is the entire underpayment balance.

Determine If You Need To Make Additional Computations for Column (a)

Whether you need to make additional computations depends on which of the following four conditions applies to you.

1. The payment listed in Table 1 was enough to reduce the underpayment to zero.—There are no further computations to make for column (a). Figure the penalty for any other underpayments shown in columns (b)–(d) of line 28.

2. No payments are listed in Table 1.—You will need to figure the penalty for the next rate period. See **Rate Period 2** on this page.

3. The payment listed in Table 1 did not reduce the underpayment to zero, and no other payments are listed.—Make one more computation for column (a) on lines 30 and 31. This second computation is to figure the penalty on the underpayment balance; that is, the portion of the underpayment that remained unpaid for the entire rate period. In this case, you would enter another number in the entry space for lines 30 and 31, as follows:

- On line 30, enter "168." This is the total number of days in the first rate period. See the **Chart of Total Days per Rate Period** on this page.
- On line 31, make the computation and enter the result. In this case, however, the "underpayment" in the computation is the remaining balance of the underpayment.

Example 4. Assume the same facts as in Examples 1 and 2. After applying the \$3,000 payment, the underpayment balance is \$2,000. Line 31, therefore, will contain a second entry of \$73.44 ($\$2,000 \times 168/366 \times .08$). Go to line 32 to figure the penalty on the underpayment balance for Rate Period 2.

4. Additional payments are listed in Table 1 and the first payment was not enough to reduce the underpayment to zero.—On line 28, you may list the amounts and the payment dates that apply to the underpayment for that installment period. Then figure the penalty for each amount listed on line 28. If an underpayment balance remains after applying all the payments, figure the penalty on the balance of the underpayment for the entire rate period. See the **Chart of Total Days per Rate Period** on this page.

Example 5. Assume that your underpayment for column (a) is \$5,000

and that you made two payments: \$3,000 on 4/30/92 and \$2,000 on 6/20/92. On line 28, you can enter \$5,000 or enter each payment and date separately which will correspond with the two entries on lines 30 and 31 as explained below.

Line 30 will show two entries in column (a) as follows: "15" (days from 4/15 to 4/30); and "66" (days from 4/15 to 6/20).

Line 31 will show two entries in column (a) as follows: \$9.84 ($\$3,000 \times 15/366 \times .08$) and \$28.85 ($\$2,000 \times 66/366 \times .08$).

Example 6. Assume your underpayment on line 28, column (a), is \$8,000 and that you made two payments: \$3,000 on 4/30/92 and \$3,000 on 6/20/92. Lines 30 and 31 will each show three entries in column (a); one for each payment, and a third for the underpayment balance of \$2,000 (\$8,000 minus \$6,000).

Line 30 will, therefore, show "15" days (from 4/15 to 4/30); "66" days (from 4/15 to 6/20); and "168" days (from 4/15 to 9/30).

Line 31 will show \$9.84, \$43.28, and \$73.44, computed as follows: $\$3,000 \times 15/366 \times .08$ (first payment), $\$3,000 \times 66/366 \times .08$ (second payment), and $\$2,000 \times 168/366 \times .08$ (remaining underpayment balance).

Then figure the penalty for Rate Period 2 (lines 32 and 33). Figure it on the remaining \$2,000 balance.

Rate Period 2

If an underpayment balance remains after applying any payments in Table 1, figure the penalty attributable to that balance on lines 32 and 33. Generally, use the same steps as explained under **Rate Period 1** on this page. But use the dates and interest rate shown on lines 32 and 33 and use only the payments listed in Table 2.

Line 32.—Enter on line 32, column (a), the number of days from 9/30/92 to the date of the first payment listed in Table 2. If no payments are listed in Table 2, enter "92."

Line 33.—Figure line 33 in the same manner as explained for line 31, except use 7% instead of 8%.

Rate Period 3

If an underpayment balance remains after applying any payments in Tables 1 and 2, figure the penalty attributable to that balance on lines 34 and 35. Generally, use the same steps as explained under **Rate Period 1** on this page. But use the dates and interest rate shown on lines 34 and 35 and use only the payments listed in Table 3.

Line 34.—Enter on line 34, column (a), the number of days from 12/31/92 to the date of the first payment listed in Table

3. If no payments are listed in Table 3, enter "105."

Line 35.—Figure line 35 in the same manner as explained for line 31, except use 7% instead of 8% and a denominator of 365 instead of 366.

Schedule A—Required Installments for Taxpayers Affected by Limitation on Prior Year's Tax

If the amount you enter on Form 2210, line 13, is your prior year tax (from line 12) and all four of the conditions listed under **Changes To Note** for Schedule A apply, you must:

1. Complete Schedule A and enter the amount from line 5, 8, or 19, whichever applies, on line 21 of Form 2210,
2. Check the box on line 1d of Form 2210, and
3. Attach both Form 2210 and Schedule A to your return. Also attach Schedule B if you use the annualized income installment method.

Form 1040NR Filers

If you are filing Form 1040NR and did not receive wages as an employee subject to U.S. income tax withholding, the instructions for Schedule A are modified as follows:

1. Skip column (a).
2. In column (b) of line 1, enter one-half of the amount from Form 2210, line 12.
3. In column (b) of line 2, enter 45% of your modified 1992 tax.
4. In column (b) of line 4, enter one-half of the amount from Form 2210, line 9.

Part I. Installments Based on Limitation on Prior Year's Tax

Line 2—Modified Tax.—To figure your modified tax, first figure your 1992 modified adjusted gross income by making the following adjustments to your 1992 AGI.

1. Do not include any taxable gain from the sale or exchange of your main home.
2. Do not include any taxable gain from a casualty, theft, condemnation, or other involuntary conversion.
3. Do not include any 1992 income, gain, loss, or deduction from a partnership in which you were not a general partner and owned less than a 10% capital or profits interest or from an S corporation in which you owned less than 10% of the stock (by vote or value). Instead, include the amounts (if any) from these partnerships and S corporations shown on your 1991 return. This adjustment does not apply to any gain or loss from the disposition

of your interest in the partnership or S corporation.

4. If you want, you may use any or all of the adjustments in 1-3 above to figure any necessary changes to other income and adjustments to income that are affected by the amount of your AGI. Treat all adjustments from the same partnership or S corporation in the same manner.

Note: *If your 1992 AGI exceeds your 1991 AGI by more than \$40,000 (more than \$20,000 if you are married filing separately), but your 1992 modified AGI does not exceed your 1991 AGI by that amount, do not complete Schedule A. Instead, check box 1e in Part I and figure your underpayment in the normal manner. Attach to your return both Form 2210 and a computation of your 1992 modified AGI.*

Figure your 1992 modified tax in the same manner as you figured your current year tax (Form 2210, line 8), except:

1. Start with your modified AGI as figured above.
2. Do not include any 1992 itemized deductions, credits, or items affecting other taxes, such as the alternative minimum tax, from a partnership in which you were not a general partner and owned less than a 10% capital or profits interest or from an S corporation in which you owned less than 10% of the stock (by vote or value). Instead, include the amount of these items, if any, shown on your 1991 tax return.
3. If you want, you may use any or all of the adjustments used to arrive at your modified AGI to refigure all other items affected by the amount of your AGI, such as the deduction for medical and dental expenses and the rehabilitation credit. Treat all adjustments from the same partnership or S corporation in the same manner.

Multiply the result by 22.5% to find the amount to enter on line 2 in each column.

Part II. Installments Based on Annualization Exception

Complete Part II only if you completed Schedule A, Part I, lines 6-8. Part II may let you base one or more installments on the amount of your 1991 tax rather than on 90% of your 1992 tax or modified tax.

You can use your 1991 tax to figure installments 2-4 if, based on your annualized AGI or your annualized modified AGI amounts through the end of the installment period, you would not be subject to the limit on the use of your prior year's tax. However, the first installment due that does not qualify for the annualization exception is increased by the amount saved by using this exception in figuring earlier installments.

Line 9.—Figure the amount to enter on this line after you figure your AGI amount on line 14. Modify the amount from line 14 as explained earlier in the definition of modified AGI. Partnership and S corporation items from 1991 that must be included in your modified AGI are treated as accruing ratably during 1992.

Line 14.—To figure your AGI for the period, use the instructions for line 1 of the 1992 annualized income installment method on page 6 (but do not use modified AGI on this line).

Schedule B—Annualized Income Installment Method

If your income varied during the year because, for example, you operated your business on a seasonal basis, you may be able to lower or eliminate the amount of one or more required installments by using the annualized income installment method. Use Schedule B to figure the amounts to enter on line 21 of Form 2210.

If you use the annualized income installment method for any payment due date, you must use it for all payment due dates. To figure the amount of each required installment, Schedule B automatically selects the smaller of the annualized income installment or the regular installment (increased by the amount saved by using the annualized income installment method in figuring earlier installments).

To use the annualized income installment method, you must do **all three** of the following:

1. Enter the amount from Schedule B, line 26, in each column of line 21 of Form 2210.
2. Check the box on line 1b.
3. Attach both Form 2210 and Schedule B to your return. Also attach Schedule A if you must use it.

Additional Information

See Pub. 505 for more information about the annualized income installment method, and a completed sample. Estates and trusts with short taxable years, see Notice 87-32.

Form 1040NR Filers

If you are filing Form 1040NR and you did not receive wages as an employee subject to U.S. income tax withholding, the instructions for Schedule B are modified as follows:

1. Skip column (a).
2. Enter on line 1 your income for the period that is effectively connected with a U.S. trade or business.
3. Increase the amount on line 17 by the amount determined by multiplying your income for the period that is not effectively connected with a U.S. trade or business by the following:

- In column (b), 72%.
- In column (c), 45%.
- In column (d), 30%.

However, if you can use a treaty rate lower than 30%, use the percentages determined by multiplying your treaty rate by 2.4, 1.5, and 1, respectively.

4. If you did not use Schedule A, enter in column (b) of line 22 one-half of the amount from Form 2210, line 13.
5. Skip column (b), lines 20 and 23.

Part I. Annualized Income Installments

Line 1.—Figure your total income for the period, minus your adjustments to income for the period. Include your share of partnership or S corporation income or loss items for the period.

If you are self-employed, be sure to take into account the deduction for one-half of your self-employment tax. To figure this amount for each period, complete Part II of Schedule B and divide the amount in each column on line 40 by 8, 4.8, 3, and 2, respectively.

Election to use modified AGI. Each period, you can choose to use your modified AGI (as defined on page 5) for the period on line 1. You can make this choice **only** if you made an estimated tax payment for 1989, 1990, or 1991, **or** you were charged a penalty for not paying estimated tax for any of those years, **and** you satisfy **three other conditions**.

You satisfy the **first condition** if your AGI for the period is more than:

- \$18,750 for the first period (\$9,375 if married filing separately),
- \$31,250 for the second period (\$15,625 if married filing separately),
- \$50,000 for the third period (\$25,000 if married filing separately), **or**
- \$75,000 for the fourth period (\$37,500 if married filing separately).

To see whether you satisfy the **second condition**, complete the following worksheet for each period.

1. Enter your modified AGI for the period _____
2. Enter your 1991 AGI as shown on your return _____
3. Annualization amounts. Enter:
4 for the first period,
2.4 for the second period,
1.5 for the third period, or
1 for the fourth period.
(Estates and trusts use 6, 3,
1.71429, and 1.09091.) . . . _____
4. Divide line 2 by line 3 _____
5. Subtract line 4 from line 1 _____

You satisfy the **second condition** if the amount on line 5 above is more than:

- \$10,000 for the first period (\$5,000 if married filing separately),
- \$16,667 for the second period (\$8,333 if married filing separately),

- \$26,667 for the third period (\$13,333 if married filing separately), **or**
- \$40,000 for the fourth period (\$20,000 if married filing separately).

To see whether you satisfy the **third condition**, complete lines 1 and 2 of Schedule A. You satisfy the third condition only if the amount on line 2 of Schedule A is more than the amount on line 1.

Line 2.—Estates and trusts, do not use amounts shown in columns (a)-(d). Instead, use 6, 3, 1.71429, and 1.09091, respectively, as the annualization amounts.

Line 4.—If you elected to use your modified AGI on line 1, use the amount of your 1991 itemized deductions, rather than the 1992 amounts, from partnerships in which you were not a general partner and owned less than a 10% capital or profits interest and from S corporations in which you owned less than 10% of the stock (by vote or value).

Line 6.—Multiply line 4 by line 5 and enter the result on line 6. But if line 3 is more than \$105,250 (\$52,625 if married filing separately), use the following worksheet to figure the amount to enter on line 6.

1. Enter the amount from Sch. B, line 4 _____
2. Enter the amount included on line 1 for medical and dental expenses, investment interest, casualty or theft losses, and gambling losses, . . . _____
3. Subtract line 2 from line 1 _____
4. Enter the number from Sch. B, line 5 _____
5. Multiply the amount on line 1 by line 4
Note: If the amount on line 3 is zero, stop here and enter the amount from line 5 on Sch. B, line 6.
6. Multiply the amount on line 3 by the number on line 4, _____
7. Multiply the amount on line 6 by .80 _____
8. Enter the amount from Sch. B, line 3 _____
9. Enter \$105,250 (\$52,625 if married filing separately) _____
10. Subtract line 9 from line 8 _____
11. Multiply the amount on line 10 by .03 _____
12. Enter the smaller of line 7 or line 11, _____
13. Subtract line 12 from line 5. Enter the result here and on Sch. B, line 6 . . . _____

Line 10.—Multiply \$2,300 by your total exemptions. But if line 3 is more than the amount shown for your filing status in the table below, use the following worksheet to figure the amount to enter on line 10.

Single	\$105,250
Married filing jointly or qualifying widow(er)	\$157,900
Married filing separately	\$ 78,950
Head of household,	\$131,550

1. Enter the amount from Sch. B, line 3 _____
2. Enter the amount shown for your filing status from the above table _____
3. Subtract line 2 from line 1 _____
4. Divide the amount on line 3 by \$2,500 (\$1,250 if married filing separately). If

- the result is not a whole number, increase it to the next whole number _____
5. Multiply the number on line 4 by .02. Enter the result as a decimal but not more than 1 _____
 6. Multiply \$2,300 by your total exemptions _____
 7. Multiply the amount on line 6 by the decimal on line 5 _____
 8. Subtract line 7 from line 6. Enter the result here and on Sch. B, line 10 . . . _____

Line 12.—To compute the tax, use the Tax Table, Tax Rate Schedules, Schedule D, or Form 8615.

Line 13.—If you had net earnings from self-employment during any period, complete Part II of Schedule B for that period to figure your annualized self-employment tax. If you are married and filing a joint return, and both you and your spouse had net earnings from self-employment, complete a separate Part II for each spouse. Enter on line 13 the combined amounts from line 40 of both Parts II.

Line 14.—Enter all of the taxes you owed because of events that occurred during the months shown in the column headings. Include the following:

- The same taxes used to figure line 3 of Form 2210 (except self-employment tax).
- Tax from Form 4970 (accumulation distribution of trusts).
- Tax from Form 4972 (lump-sum distributions).

Individuals, use **Form 6251** to figure alternative minimum tax; fiduciaries, use Form 1041, Schedule H. Figure alternative minimum taxable income based on your income and deductions during the period shown in the column headings. Multiply this amount by the annualized amounts shown on line 2 before subtracting the alternative minimum tax exemption amounts.

If you elected to use your modified AGI on line 1, figure your other taxes using the amount of your 1991 items that affected those taxes (rather than the 1992 amounts) from partnerships in which you were not a general partner and owned less than a 10% capital or profits interest and from S corporations in which you owned less than 10% of the stock (by vote or value).

Line 16.—Enter the credits you are entitled to because of events that occurred during the months shown in the column headings.

If you elected to use your modified AGI on line 1, use the amount of your 1991 credits (rather than your 1992 credits) from partnerships in which you were not a general partner and owned less than a 10% capital or profits interest and from S corporations in which you owned less than 10% of the stock (by vote or value).