



# Free Guide to Estimated Taxes

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# Welcome!

Hey, it's Grace Munoz!  
I'm the owner of **Profit Mgr**  
and I'm thrilled that you're  
ready to learn more about  
estimated taxes!

One of the most common  
mistakes I see new business  
owners and independent  
contractors make is  
mishandling their estimated  
tax payments. Taking this step  
is crucial to avoid  
accumulating penalties!



This guide covers the basics of estimated taxes, but it is not  
a substitute for working with a financial professional who  
can help you determine your estimated tax requirements.





# Table of Contents

- 03 What Are Estimated Taxes?
- 04 Decision Tree: Who Owes Estimated Taxes
- 05 Estimated Tax Due Dates
- 06 How To Pay Your Estimated Taxes
- 07 Estimated Tax Penalties
- 09 Estimated Tax Dos & Don'ts
- 10 How I Can Help





# What Are Estimated Taxes?

The U.S. tax system operates on a **pay-as-you-go** basis, meaning you must pay taxes throughout the year as you earn income.

You can fulfill this requirement in two ways: **(1) through withholdings or (2) by making estimated tax payments.** Insufficient tax payments throughout the year can lead to penalties and interest.

For taxpayers with income not subject to withholdings (such as self-employed individuals, business owners, and independent contractors), **it's your responsibility to estimate your tax liability** each quarter and make payments to the IRS.



# Who Owes Estimated Taxes?

Did you meet all 3 of these requirements?

- You had no tax liability for the prior year
- You were a U.S. citizen or resident alien for the whole year
- Your prior tax year covered a 12-month period

**YES**

You don't need to pay estimated taxes.

**NO**

Is all of your income subject to withholdings?

**YES**

Ensure your withholdings are correct and that you don't meet any other criteria for needing to pay estimated taxes.

**NO**

Are you either of these:

- An individual (including a sole proprietor, partner, or S corporation shareholder) who expects to owe tax of \$1,000 or more when filing your return
- A corporation who expects to owe tax of \$500 or more when filing your return

**YES**

You most likely need to pay estimated taxes.

Keep reading to learn more!





# When Are Estimated Taxes Due?

FOR THE PERIOD	TAX DUE DATE
January 1 – March 31	April 15, 2024
April 1 – May 31	June 17, 2024
June 1 – August 31	September 16, 2024
Sept. 1 – Dec. 31	January 15, 2025*

\*Per the IRS, if you file your 2024 Form 1040 or 1040-SR by January 31, 2025, and pay the rest of the tax you owe, you don't need to make the payment due on January 15, 2025.



# How To Pay Your Estimated Taxes



## **PAY BY MAIL**

You can send in a check or money order with your payment voucher from Form 1040-ES. The date of your U.S. postmark is considered the date of your payment.



## **PAY ONLINE**

There are several ways to pay your estimated taxes online, but my top two recommendations are IRS Direct Pay and the Electronic Federal Tax Payment System.



## **PAY BY PHONE**

You can use the IRS mobile app, IRS2Go, or call one of the IRS's credit or debit service providers to make a payment (fees may apply depending on the provider, payment method, or amount).





# What Happens If I Don't Pay?

If you fail to pay (or underpay) your estimated taxes, you may incur the **Underpayment of Estimated Tax by Individuals Penalty**, along with interest on this penalty.

As of **April 1, 2024**, the interest rate for individuals is **8%**.

It's crucial to maintain excellent records by keeping receipts and confirmations of your estimated tax payments. This documentation can help you contest any unjustified penalties!





# How Do I Avoid Penalties?

Generally, you can avoid estimated tax penalties by following these guidelines:

- Owing less than \$1,000 on your tax return after subtracting any withholdings and credits
- Paying at least 90% of the current year's tax or 100% of the tax shown on your previous year's return, whichever is lower

\*If your AGI was over \$150,000 in 2023 (\$75,000 for married filing separately in 2024), you need to replace the 100% with 110% in the second bullet point.

\*\*Special rules apply to farmers and fishers. Consult with your tax accountant for details.



# Estimated Taxes Dos & Don'ts

## DO THIS:

- ✓ Retain proof of all your payments.
- ✓ Ensure you meet the safe harbor amount to avoid penalties.
- ✓ Mark due dates on your calendar and consider scheduling your payments.
- ✓ Work with a tax accountant to accurately estimate your tax liability.

## DON'T DO THIS:

- ✗ Assume you can just pay the same amounts as last year
- ✗ Forget to include your estimated payments on your tax return
- ✗ Neglect to adjust your income estimates throughout the year.
- ✗ Panic if you receive an IRS notice—reach out to your accountant!





# Services Guide

## **FULL CHARGE BOOKKEEPING**

Includes tracking expenses and receivables, monthly reconciliation, managing payroll, tracking deposits maintaining reports and helping you with the world of taxes. Here's your chance to focus on what matters to your business, while I keep your numbers in order.

## **ACCOUNTING DEPARTMENT MANAGER**

As an accounting manager, we can work with your employees to maximize profit opportunities. This is done by creating budgets, streamlining processes and identifying internal inefficiencies. May include Full Charge Bookkeeper duties as needed.

## **FRACTIONAL CFO SERVICES**

As your CFO, our goal is to explore financial investments opportunities and reinvestment strategies. Providing capital structure oversight without taking a chunk of your business. This service is a limited offer, as I only take a limited number of businesses at a time.





# Ready to get in touch?



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