



**NELSON'S ACCOUNTING AND TAX  
SERVICES, LLC.**

# Free Guide to Estimated Taxes for Your Business

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# Welcome!

Hey, it's Kella! I'm the owner of Nelson's Accounting & Tax Services and I'm thrilled that you're ready to learn more about estimated taxes!

One of the biggest mistakes I see new business owners and independent contractors make involves their estimated tax payments. This is your first step to stop racking up those 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.





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# What Are Estimated Taxes?

The U.S. tax system is **pay-as-you-go** which means you need to pay your taxes throughout the year as you earn your income.

There are two ways you can pay as you go: (1) through your withholdings or (2) through estimated tax payments. Failing to pay enough in taxes throughout the year can result in penalties and interest.

For taxpayers with income that isn't subject to withholdings (like self-employed individuals, business owners, and independent contractors), **the burden is on you** to estimate your tax liability each quarter and pay that 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 the date of your payment.



## **PAY ONLINE**

There are multiple ways you can pay your estimated taxes online, but my two preferred options 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 may a payment (fees may apply depending on provider/payment method/amount).







# What Happens If I Don't Pay?

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

For individuals, the interest owed on this penalty as of April 1, 2024 is **8%**.

It's important to keep great records by holding on to receipts and confirmations of your estimated tax payments. This proof can help you dispute any unwarranted penalties!



# How Do I Avoid Penalties?

Generally, you can avoid estimated tax penalties by doing the following:

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

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

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



# Estimated Taxes Dos & Don'ts

## DO THIS:

- ✓ Keep proof of all of your payments
- ✓ Cover your safe harbor amount to avoid penalties
- ✓ Mark your calendar with due dates and consider scheduling your payments
- ✓ Work with a tax accountant to 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 as the year goes on
- ✗ Panic if you get an IRS notice – reach out to your accountant!





# Services Guide

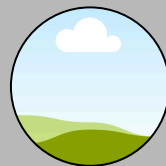
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# Ready to get in touch?



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