



# QUARTERLY TAX ESTIMATES

## KEY POINTS

### What Are Quarterly Tax Estimates



Quarterly tax estimates are advance payments to the **IRS** to cover your expected total tax throughout the year. This helps avoid a large year-end tax bill and potential penalties.

#### 2024-2025 Payment Deadlines

**Q3 2024:** Due by September 16, 2024

**Q4 2024:** Due by January 15, 2025

**Q1 2025:** Due by April 15, 2025

**Q2 2025:** Due by June 17, 2025

**Q3 2025:** Due by September 16, 2025

#### Who Needs to Pay?

##### Individuals:

Freelancers, small business owners, and high earners with significant non-wage income (e.g., Grace with a **\$150,000** total tax on Line **24** of Form **1040**) should pay quarterly estimates to avoid underpayment penalties.



#### Businesses

##### C Corporations:

Must make quarterly payments if they expect to owe **\$500** or more in total tax for the year.



##### S Corporations & Partnerships:

The business itself doesn't pay taxes directly, but the income passes through to owners or partners, who must make their own quarterly payments.

#### What Triggers Payments?

**Non-Wage Income:** Payments are triggered when you have income not subject to withholding, such as:



##### Self-Employment Income:

Earnings from freelancing, consulting, or running a small business.

##### Investment Income:

Dividends, interest, or profits from the sale of stocks or bonds.

##### Rental Income:

Money earned from renting out property.

##### Capital Gains:

Profit from the sale of assets like real estate or valuable collectibles.

##### Other Income:

Includes royalties, alimony received, and any other income not covered by regular wage withholding.

##### Example:

Grace earns **\$50,000** in freelance design work, **\$30,000** in rental income, and **\$70,000** from stock sales. Since none of this income has taxes withheld, she must make quarterly tax estimates.

##### Increased Income:

A significant change in your income during the year, such as receiving a large bonus or selling a property at a high gain, may also trigger the need for adjusted quarterly payments.



#### Penalty for Not Paying

##### 2024 Penalty:

The IRS charges a penalty on underpaid amounts, which is approximately 8% for 2024.

##### Example:

If Grace owes **\$150,000** in total tax (Line **24** on Form **1040**) for **2024** but only pays **\$100,000** through quarterly estimates, she may face a penalty of around **\$4,000** on the **\$50,000** shortfall.



#### Safe Harbor Rule

To avoid penalties, you can use the safe harbor rule by paying either:

**90%** of your estimated current year's total tax (Line **24** on Form **1040**), or

**100%** of the previous year's total tax (or **110%** if your adjusted gross income exceeds **\$150,000**).

**Example:** In **2023**, Grace's total tax on Line **24** was **\$140,000**. For **2024**, she expects her total tax to be **\$150,000**. To meet the safe harbor requirements and avoid penalties, Grace can either:

• Pay **\$135,000** (90% of her estimated 2024 tax of **\$150,000**), or

• Pay **\$140,000** (100% of her 2023 tax). If her AGI exceeds **\$150,000**, she should pay **\$154,000** (110% of her 2023 tax) to meet the safe harbor.

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