Small Business Taxes

Payment of Quarterly Estimated Taxes

WHAT ARE ESTIMATED TAXES

Estimated taxes are payments made throughout the year to cover income that is not automatically withheld from wages, such as earnings from self-employment, freelance work, interest, dividends, capital gains, or rental income. They are used to pay other taxes like self-employment tax and the alternative minimum tax.

PURPOSE

This system of estimated taxes ensures that taxpayers pay their taxes gradually throughout the year rather than facing a large lump-sum payment at tax filing time. This helps the taxpayer manage their cash flow and avoid surprises at the end of the year.

WHO MUST PAY ESTIMATED TAXES

Individuals, including sole proprietors, partners and S-Corporation shareholders, who expect to owe tax of $1,000 or more when their return is filed.

WHO DOES NOT NEED TO PAY ESTIMATED TAXES

You are not required to pay estimated taxes for the current year if you meet all three of the following conditions:

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

You had no tax liability for the prior year if your total tax was zero (or you received a refund) or you were not required to file a tax return.

WHAT TAXES ARE INCLUDED IN MY QUARTERLY ESTIMATED PAYMENTS?

Quarterly estimated tax payments include both your income tax and your self-employment tax. Self-employment tax which is comprised of your contribution to social security and Medicare.

DISCLAIMER: *This information is for general education only and is not individualized tax, legal, or financial advice. Consult a qualified tax professional about your specific business, entity type, government obligations, and cash-flow situation.*

The **Iowa** Center

ADDRESS :
2210 Grand Avenue
Des Moines, IA 50312

PHONE :
515-283-0940

WEBSITE :
www.TheIowaCenter.org

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WHEN TO PAY ESTIMATED TAXES

For estimated tax purposes, the year is divided into four payment periods. Each period has a specific payment date. The payment dates may vary by year (if the date falls on a weekend or Holiday it will move to the next workday) but are:

- **April 15** for income earned January 1 to March 31
- **June 15** for income earned April 1 to May 31
- **September 15** for income earned June 1 to August 31
- **January 15** for income earned September 1 to December 31

HOW TO PAY ESTIMATED TAXES

Estimated taxes can be paid online through the IRS website, by mail using Form 1040-ES, or through various electronic payment methods.

To calculate your estimated payments, you can use the worksheet provided in Form 1040-ES. This worksheet helps you estimate your income, deductions, and credits for the year. If you completed your prior year return with the Iowa Center, you would have been provided with quarterly estimated payment vouchers based upon your prior year returns.

WHAT ABOUT IOWA ESTIMATED PAYMENTS?

- You are not automatically required to make quarterly payments to the State of Iowa. Estimated payments are required only if you expect to owe $1,000 or more in Iowa Income Tax.
- The flat rate for Iowa is 3.8% on taxable income.
- The payment schedule is quarterly at the end of April, June September and December.

ADDITIONAL INFORMATION

- IRS Pub 505 – Tax Withholding and Estimated Tax
- IRS Pub 1040-ES Estimated Tax for Individuals
- IRS Pub 334 – Tax Guide for Small Business
- Iowa Pub 1040-ES Iowa Individual Estimated Income Tax Instructions

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