



THE FORESIGHT COMPANIES, LLC

AccountAbility

Insights from The Foresight Companies Accounting Services professionals
for March 2015

SPECIALIST IN:

- **Mergers & Acquisitions**
- **Valuations**
- **Management**
- **Accounting**
- **Customer Surveys**
- **Financing**
- **Re-Engineering**
- **Human Resource Services**

The Foresight Companies, LLC

6520 N. 7th Street,
Suite 200
Phoenix, AZ 85014

For past issues of this
newsletter visit
www.f4sight.com

facebook

Like us on FaceBook and
receive notice of future
editions.

PH: (602) 274-6464

Fax: (602) 277-6722

Do You Need to Make Estimated Tax Payments?— by Diane DeClercq

As an employee, your employer withholds taxes from every pay-check and sends it directly to the IRS and State. You pay your income taxes as you “go” and if you are like most wage earners, you get a nice refund at tax time.

If you are self-employed, or have income other than your salary, you may need to pay estimated taxes each quarter. You may owe estimated taxes if you receive income that is not subject to withholding, such as:

- Interest Income
- Dividends
- Gains from sales of stock or other assets
- Earnings from a business ownership (K1 from Partnership or S Corporation)
- Rental Income
- Misc 1099 Income
- Alimony

Do I need to send quarterly payments?

Generally, the rule is that you must pay your taxes as you go. If you have not paid enough income taxes by filing time, you may have to pay

a penalty for underpayment.

To determine whether you need to make estimates, answer these 3 questions:

1. Do you expect to owe less than \$1,000 in additional income tax for the tax year?
This is computed by subtracting your actual federal income tax withholding from the total amount of tax you expect to owe? If yes, you don't need to make estimated tax payments.
2. Do you expect your federal income tax withholding to equal at least 90 percent of the tax you will owe for the entire year? If yes, then you don't need to make estimated tax payments.
3. Do you expect your income tax withholding to be at least 100% of the tax on your previous year's return? Or, if your adjusted gross income (form 1040, line 37) on your previous year's tax return was over \$150,000, do you expect that your income tax withholding will be at least 110% of the tax you owed for the previous year? If yes, then you're not required to make estimated tax payments.

If you answered “no” to any of these questions, you must make estimated tax payments using

Form 1040ES. To avoid a penalty, your total tax payments (estimated taxes plus withholding) during the year must satisfy one of the requirements we just covered.

How do I compute what I owe?

You need to have a good estimate of the income and deductions you will report on the current year's federal tax return. Start with your previous year's return and make adjustments for the current year's income and expenses. Your estimates can be adjusted through-out the year based on changes that effect your business (i.e. 1st & 2nd Quarter make payments of \$2500 and adjust up or down in 3rd & 4th Quarter based on changes to profit).

At a minimum, have an accountant or tax qualified financial consultant review your company's profits quarterly. This is a crucial step to help you project your tax liability and prevent the penalty for underpaying or overpaying and letting Uncle Sam keep your money for half of the year.

For more information about how our Accounting Services can make a strategic impact on your business call Dan Isard at 800-426-0165.

