

# Pay As You Go So You Won't Owe

*A Guide to Withholding, Estimated Taxes, and Ways to Avoid the Estimated Tax Penalty*



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January 4, 2018  
North Jersey Working Together Conference  
Seton Hall University

## Why Pay As You Go?

- Steady increase in penalties over the last several years, almost 40%
- You should check into your options to avoid the penalties and a large tax bill when you file your tax return
- Pay As You Go, So You Won't Owe page can help



## Ways to Pay

Ways to pay your taxes through the year:

- Tax withholding from your pay, your pension or certain government payments, such as Social Security,
- Estimated tax quarterly payments during the year, or
- A combination of both

Helps avoid large bill, potential interest and penalties



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## Withholdings

- Changes in life can make you need to change your withholding
- Resources to help with change to withholdings:
  - Form W-4, Employees Withholding Allowance Certificate
  - IRS Withholding Calculator
  - Publication 505, Tax Withholding and Estimated Tax



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## Estimated Tax Payments

- Use estimated tax payments:
  - for income not subject to withholding or
  - if you do not have enough withholding from salary, pension or other income
- Pay estimated taxes based on your expected income for income and self-employment tax:
  - Use prior year return as a guide
  - Form 1040-ES, worksheet



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## When to Change Withholding or Make Estimated Tax Payments

- Check your withholding often and adjust it when your situation changes any time of the year
- Estimated tax payments are due as follows:
  - January 1 to March 31 payment is due April 15
  - April 1 to May 31 payment is due June 15
  - June 1 to August 31 payment is due September 15
  - September 1 to December 31 payment is due January 15 of the next year
- Use Form 1040-ES, or IRS2Go to make estimated tax payments



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## Avoiding the Estimated Tax Penalty

In general, you will not have to pay a penalty if you owe less than \$1,000 in tax or your total tax payments and credits for the year are:

- At least 90% of your 2016 year tax , or
- 100% of the 2015 years tax (can increase to 110% based on AGI)

Use Form 2210, Underpayment of Estimated Tax by Individuals, Estates and Trusts, to see if you owe a penalty



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## General Information on Withholding and Estimated Tax

To find out more on IRS.gov:

- Pay As You Go So You Don't Owe
- Tax Withholding
- Estimated Taxes
- Sharing Economy Tax Center
- Self-Employment Tax, Social Security and Medicare Taxes
- Self-Employed Individuals Tax Center
- Filing and Paying Your Business Taxes



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## Forms and Publications:

- Publication 505, Tax Withholding and Estimated Tax
- Form W-4, Employee's Withholding Allowance Certificate
- Form 1040-ES, Estimated Tax for Individuals
- Form 2210, Underpayment of Estimated Tax by Individuals, Estates and Trusts



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## Contact Information

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