

NEW YORK STATE TAX INFORMATION

SHOULD YOU BE PAYING ESTIMATED TAX IN 2008?



The information presented is current as of this publication's print date. Visit our Web site at www.nystax.gov for up-to-date information.

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Are there any changes that may affect my estimated tax for 2008?

Yes, the following changes may affect the amount of estimated tax you should pay for tax year 2008:

The New York City school tax credit has been increased for tax year 2008. If your income* is \$250,000 or less, and you are a married individual filing a joint return, or a qualifying widow(er) with dependent child, the credit is \$310. For all others with incomes* of \$250,000 or less, the credit is \$155.

If your income* is over \$250,000, and you are a married individual filing a joint return, or a qualifying widow(er) with dependent child, the credit is \$230. For all others with incomes* over \$250,000, the credit is \$115.

***Income**, for purposes of determining your New York City school tax credit, means your federal adjusted gross income (FAGI), minus distributions from an individual retirement account and an individual retirement annuity.

For up-to-the-minute information on New York State tax matters, including matters that may affect your New York State personal income tax return, visit our Web site at www.nystax.gov.

Introduction

Every year, a substantial number of New Yorkers are charged penalties for underpaying their income taxes during the year, even though they pay all the taxes they owe by the April 15 filing due date. This is because New York State Tax Law requires you to pay your income tax **during** the year, either through withholding or estimated tax. Most people who are employed in New York State have their income tax automatically withheld from their paychecks. But if you are self-employed, if you receive a pension or annuity, or if you receive any other income from which taxes are not withheld, you probably should be making estimated income tax payments.

What is estimated tax?

Estimated tax is the payment of taxes on income from which no tax is withheld during the year. Because it is difficult (and often impossible) to determine your exact tax liability before the end of the year, you make estimated tax payments during the year. When you file your annual income tax return, you report those estimated tax payments on the return and deduct that amount from your actual New York State tax liability. You will then either have an overpayment of any taxes you may have overpaid during the year, or pay any additional taxes that may be due at that time. If you have substantially underpaid your taxes during the year (either through estimated tax payments, withholding tax, or a combination of the two), you will probably have to pay a penalty in

addition to your tax. (See *What happens if I underestimate my tax?* on page 9.)

Who must pay estimated tax?

If you have taxable income from which no taxes are withheld during the year, you may have to pay estimated tax. Many (though not all) of the types of income that may require you to pay estimated tax are listed below:

- self employment
- retirement (pension/annuity income)
- prize winnings
- capital gains
- interest income
- dividend income
- lottery and horse racing proceeds
- rental income
- windfall income (any unanticipated income from which no taxes are withheld)

However, you will not have to pay estimated tax if you meet any of the following qualifications:

- You expect your tax withheld during 2008 to be at least 90% of your total income tax due for tax year 2008.
- You expect your tax withheld during 2008 to be at least 100% of your total income tax for the 2007 tax year (110% of that amount if you are not a farmer or a fisherman and the New York adjusted gross income shown on that return is more than \$150,000 or, if married filing separately for 2008, more than \$75,000). However, if you did not file a 2007 tax return, or your 2007 tax return did not cover all 12 months, this item does not apply.
- You expect to owe less than \$300 of New York State, New York City or Yonkers income tax after deducting tax withheld and credits that you are entitled to claim. The \$300 threshold is applied separately against each taxing jurisdiction.

Additionally, nonresident individuals and estates and trusts are required to pay estimated personal income tax on the gain, if any, from the sale or transfer of certain real property located in New York State. (For additional information, see Form IT-2663, *Nonresident Real Property Estimated Income Tax Payment Form*.)

Also, nonresident individuals, estates, and trusts are required to pay estimated personal income tax on the gain, if any, from certain sales, conveyances, or other dispositions of shares of stock in a cooperative housing corporation, in connection with the grant or transfer of a proprietary leasehold by the owner of the shares, where the cooperative unit represented by these shares is located in New York State. (For additional information, see Form IT-2664, *Nonresident Cooperative Unit Estimated Income Tax Payment Form*.)

Partnerships (including limited liability companies (LLCs) or limited liability partnerships (LLPs) that are treated as partnerships for federal income tax purposes) and New York S corporations that have income derived from New York sources may be required to make estimated income tax payments on behalf of their individual nonresident partners or shareholders. They must notify you of any payments made on your behalf. (For additional information, see Form IT-2658, *Report of Estimated Tax for Nonresident Individual Partners and Shareholders*.)

Estates (and certain grantor trusts that receive the residue of the decedent's estate under the decedent's will) are exempt from paying estimated income tax for the tax year of the decedent's death and the following year.

How much estimated tax do I have to pay?

New York State estimated tax rules conform with federal rules. The total amount you must have paid for 2008, through withholding and estimated tax, is the lesser of:

- 90% of the income tax shown on the 2008 return, or
- 100% of the income tax shown on the 2007 return (110% of that amount if you are not a farmer or a fisherman and the New York adjusted gross income shown on that return is more than \$150,000, or if married filing separately for 2008, more than \$75,000). However, if you did not file a 2007 tax return, or your 2007 tax return did not cover all 12 months, this item does not apply.

Note: Do not include in your estimate any amount of sales or use tax you expect to owe on your 2008 personal income tax return.

How do I estimate my tax?

To determine your estimated tax payments, you will need Form IT-2105 (or IT-2105-MN), *Estimated Income Tax Payment Voucher for Individuals*, and Form IT-2105-I, *Instructions for Form IT-2105* or Form IT-2106-MN, *Estimated Income Tax Payment Voucher for Fiduciaries*, and Form IT-2106-I, *Instructions for Form IT-2106* (these instructions are applicable to Form IT-2106-MN). (See *Where can I get the forms I need?* on page 9.) The instructions include a worksheet for

computing your estimated tax payments and a tax rate schedule. Each married taxpayer should establish a separate estimated income tax account. If you and your spouse each maintain an estimated tax account and file a joint New York State income tax return, the balances of both accounts will be credited to your joint income tax return.

When do I pay my estimated tax?

If you file your income tax return on a calendar-year basis (which most people do), you must make your first estimated tax payment for 2008 by April 15, 2008. You can either pay all your estimated tax with this first payment or pay it in four equal installments, due on April 15, June 16, September 15, 2008, and January 15, 2009. Taxpayers who file their returns on a fiscal-year basis will have to adjust these due dates to correspond with the fifteenth day of the fourth, sixth, and ninth months of their fiscal year, and the first month of the following fiscal year.

Estimated tax deadlines are different for people who receive at least two-thirds of their total federal gross income from farming or fishing. In this case, you can either pay all of your estimated tax for 2008 by January 15, 2009, or file your New York State income tax return by March 2, 2009, and pay your total tax due at that time.

If, after March 31, 2008, you have a large change in income, deductions, additional taxes, or credits that requires you to start making estimated tax payments, you should determine the amount of your estimated tax payments by using the annualized income installment method, explained in Form IT-2105.9-I, *Instructions for Form IT-2105.9*, completing Worksheet 1 (and, if applicable, Worksheets 2 and 3). Although your payment due dates will be the same as shown above, the payment amounts will vary based on your income, deductions, additional taxes, and credits for the months ending before each payment due date. As a result, this method may allow you to skip or lower the amount due for one or more payments. If you use the annualized income installment method, be sure to file Form IT-2105.9, *Underpayment of Estimated Income Tax by Individuals and Fiduciaries*, with your 2008 tax return, even if no penalty is owed. (See *Where can I get the forms I need?* on page 9.)

What are my estimated tax payment options?

You may now make your payment by transferring funds directly from your bank account (ACH debit) using the Tax Department's Web application. Go to our Web site at www.nystax.gov and click on *Online Tax Center*.

You may also pay your estimated taxes by credit card (American Express, Discover/Novus, MasterCard, or Visa), check, or money order. Note: Fiduciaries (IT-2106-MN) cannot pay by credit card. If you pay by credit card, you will be charged a fee by the credit card service

provider to cover the cost of the transaction. For more information on the credit card payment program, access the *Online Tax Center* on the Tax Department Web site (www.nystax.gov).

If you pay by check or money order, you will need to complete Form IT-2105 (or IT-2105-MN) or Form IT-2106-MN, whichever is applicable. Make your payment payable to **New York State Income Tax** and write your social security number and **2008 IT-2105, or your EIN and 2008 IT-2106-MN, whichever, is applicable**, on your payment. Enclose the check or money order with Form IT-2105 or Form IT-2106-MN, whichever is applicable. Form IT-2105 or Form IT-2106-MN does not need to be completed if you make your payment directly from your bank account (ACH debit) or by credit card.

What if my income changes during the year?

Other changes in income, deductions, or exemptions during the year may require you to amend your original estimate or to begin making estimated tax payments in the middle of the year. The instructions for Form IT-2105 or Form IT-2106-MN also include a worksheet for amending your original estimate.

What happens if I underestimate my tax?

If you do not pay enough tax during the year (either through estimated tax payments, withholding tax, or a combination of the two), or if you do not make the payments on time, you may be charged a penalty on the amount of income tax you didn't pay. The penalty rate is the federal short-term interest rate plus two percentage points, adjusted quarterly. When you file your annual income tax return, you must figure the amount of your penalty, if any, by filing Form IT-2105.9, *Underpayment of Estimated Income Tax by Individuals and Fiduciaries*. Attach Form IT-2105.9 to your return if any penalty is computed.

Where can I get the forms I need?

Access our Web site at www.nystax.gov for forms, publications and information or call toll free at **1 800 462-8100**. From areas outside the U.S. and outside Canada, call **(518) 485-6800**.

Most forms are also available by fax 24 hours a day, 7 days a week. Call toll free from the U.S. and Canada **1 800 748-3676**. You must use a touch-tone phone to order by fax.

If you have any questions about your New York State taxes or need additional information, call toll free **1 800 225-5829**. From areas outside the U.S. and outside Canada, call **(518) 485-6800**.

**Can I reconcile my
estimated tax
account online?**

You may register to check your secure online estimated tax account balance statement at any time during the year by accessing the Tax Department web site at *www.nystax.gov* and clicking on *Online Tax Center*.

New York State Department of Taxation and Finance

Online Tax Center

The place for **all** electronic services!




The *Online Tax Center* offers individuals, businesses, and tax professionals secure and convenient access to a variety of tax services. Access is available 24 hours a day, 7 days a week.* Use it at your convenience! For more information, visit us on the Web at www.nystax.gov and click on the *Online Tax Center* link.

* excluding scheduled maintenance

After you register, you can:

- pay any amount due on an income tax extension of time to file
- view and reconcile your estimated income tax account or make a payment
- view and pay tax bills (individuals and businesses)
- file a sales tax no-tax-due return

Without registering you can:

- visit our *Taxpayer Answer Center* for answers to frequently asked questions (FAQs)
- determine which income tax form to file
- apply for an automatic six-month extension of time to file your income tax return
-  get information on e-file and learn how to e-file your income tax return
- find out if you are eligible for **free** e-filing with **FreeFile**
- learn about your electronic payment options, including credit card and electronic funds withdrawal
- check the status of your current-year income tax refund
- use the penalty and interest calculator
- sign up for free e-mail notifications through our subscription service
- look up sales tax jurisdiction and rate information
- and more!



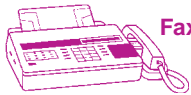
www.nystax.gov

Need help?



Internet access: www.nystax.gov

Access our Answer Center for answers to frequently asked questions; check your refund status; check your estimated tax account; download forms, publications; get tax updates and other information.



Fax-on-demand forms: Forms are available 24 hours a day, 7 days a week.

1 800 748-3676



Telephone assistance is available from 8:00 A.M. to 5:00 P.M. (eastern time), Monday through Friday.

Refund status: 1 800 443-3200
(Automated service for refund status is available 24 hours a day, 7 days a week.)

To order forms and publications: 1 800 462-8100

Personal Income Tax Information Center: 1 800 225-5829

From areas outside the U.S. and outside Canada: (518) 485-6800



Hotline for the hearing and speech impaired: If you have access to a telecommunications device for the deaf (TDD), contact us at 1 800 634-2110. If you do not own a TDD, check with independent living centers or community action programs to find out where machines are available for public use.



Persons with disabilities: In compliance with the Americans with Disabilities Act, we will ensure that our lobbies, offices, meeting rooms, and other facilities are accessible to persons with disabilities. If you have questions about special accommodations for persons with disabilities, please call 1 800 225-5829.