



Commonwealth of Kentucky
DEPARTMENT OF REVENUE

UNDERPAYMENT OF ESTIMATED TAX
BY INDIVIDUALS

➤ Attach to Form 740 or 740-NP.

Enter name(s) as shown on page 1, Form 740 or 740-NP.	Your Social Security Number

PART I—EXCEPTIONS AND EXCLUSIONS

The penalty shall not apply if one of the following exceptions is met. If one or more of the following applies to you, check the appropriate block(s), complete any necessary blank(s) and check the "Form 2210-K attached" block on Form 740, line 41a (Form 740-NP, line 41a). **If none of the exceptions apply, go to Part II.**

Check applicable block(s).

- 1. The taxpayer died during the taxable year.
- 2. The declaration was not required until after September 1, 2011, and the taxpayer files a return and pays the full amount of the tax computed on the return on or before January 31, 2012.
- 3. Two-thirds ($\frac{2}{3}$) or more of the gross income was from farming; this return is being filed on or before March 1, 2012; **and** the total tax due is being paid in full. Fiscal year taxpayers must file a return and pay the tax due on or before the first day of the third month following the close of the tax year.

a. Enter total gross income.....		
b. Multiply by $\frac{2}{3}$ (.67)		
c. Enter gross income from farming.....		
Line (c) must equal or exceed line (b) to qualify for the exception.		

- 4. Prepaid tax **equals or exceeds** last year's income tax liability.
 - a. Enter the liability from the 2010 return, Form 740 or Form 740-NP, page 1, line 28.....
 - b. Enter amount from the 2011 Form 740, line 31 (Form 740-NP, page 2, line 31)*
- Line (b) must **equal or exceed** line (a) to claim the exception.

PART II—FIGURING THE UNDERPAYMENT AND PENALTY (Complete Part II only if the **additional** tax due exceeds \$500; otherwise, proceed to page 2, Part III.)

1. a. Enter 2011 income tax liability from Form 740, line 26 (Form 740-NP, page 1, line 26)....	1a		
b. Enter credit for taxes paid to another state from Form 740, Section A, line 5 (Form 740-NP, Section A, line 5).....	1b		
c. Total (add lines 1a and 1b).....	1c		
2. Percentage of liability required to be prepaid is 70%	2	x .7	
3. Multiply line 1c by line 2.....	3		
4. a. Enter the amount from Form 740, line 31 (Form 740-NP, page 2, line 31)*	4a		
b. Enter credit for taxes paid to another state from Form 740, Section A, line 5 (Form 740-NP, Section A, line 5).....	4b		
c. Total (add lines 4a and 4b).....	4c		
5. Subtract line 4c from line 3 (If line 4c exceeds line 3, no penalty applies.).....	5		
6. Penalty percentage is 10%.....	6	x .1	
7. Multiply line 5 by line 6. This is the amount of the penalty for underpayment of estimated tax (minimum penalty \$25)	7		
8. Enter interest amount due from Form 2210-K, page 2, line 22.....	8		
9. Add lines 7 and 8. Enter here and on Form 740 or Form 740-NP, line 41(a). Also check the "Form 2210-K attached" box	9		

To Avoid Underpayment Penalty in the Future, Obtain and File Form 740-ES.

*Do not include amounts prepaid with extension after the due date of the fourth declaration installment.



NOTE: Use this page to calculate interest amount due on underpaid or untimely required estimated payments. See instructions for list of exclusions.

PART III—REQUIRED ANNUAL PAYMENT

1. Enter 2011 income tax liability: (Form 740 or Form 740-NP, page 1, line 26)	1		
2. Enter 2011 income tax withheld and refundable credits: (Form 740 or Form 740-NP, page 2, line 30a, 30c and 30d)	2		
3. Enter 2011 nonresident withholding: (Form 740-NP, page 2, line 30e).....	3		
4. Add lines 2 and 3. Enter total here	4		
5. Subtract line 4 from line 1. (If the result is \$500 or less, stop here. Do not compute this schedule.).....	5		
6. Enter 2010 income tax liability: (2010 Form 740 or Form 740-NP, page 1, line 28)	6		
7. Required annual payment. Enter the smaller of line 1 or line 6.....	7		

Note: If line 4 is equal to or greater than line 7, stop here. You do not owe interest.

PAYMENT DUE DATES

	A 4-15-11	B 6-15-11	C 9-15-11	D 1-15-12
8. Required Installments. Enter 1/4 (.25) of line 7 in each column.....	8			
9. Estimated tax paid and tax withheld. For column A only, enter the amount from line 9 on line 13. If line 9 is equal to or greater than line 8 for all payment periods (columns A through D), stop here. You do not owe interest. Complete lines 10 through 17 of each column before going to the next column	9			
10. Enter amount, if any, from line 17 of previous column	10			
11. Add lines 9 and 10. Enter here	11			
12. Enter the amount from line 16 of previous column.	12			
13. Subtract line 12 from line 11. If zero or less, enter -0-. For column A only, enter the amount from line 9.....	13			
14. If the amount on line 13 is zero, subtract line 11 from line 12. Otherwise, enter zero.....	14			
15. Underpayment. If line 8 is equal to or greater than line 13, subtract line 13 from line 8. Otherwise, go to line 17	15			
16. Add lines 14 and 15. Enter here. If line 8 is equal to or greater than line 13, then go to line 10 of the next column	16			
17. Overpayment. If line 13 is more than line 8, subtract line 8 from line 13, then go to line 10 of the next column	17			

FIGURING THE INTEREST

	6-15-11	9-15-11	1-15-12	4-15-12
18. Interest calculation payment date	18			
19. Number of days from the payment due date shown at the top of the column above line 8 to the date the amount on line 16 was paid, or the date shown for that column on line 18, whichever is earlier	19			
20. Annual Percentage Rate (APR).....	20	.05	.05	.05
21. Underpayment Number of from line 16 X <u>days from line 19</u> X APR on line 20 365	21			
22. INTEREST DUE: Add amounts on line 21 columns A through D. Enter the total here and on Form 2210-K, page 1, line 8	22			

Purpose of Form—Use this form to determine if you owe an underpayment of estimated tax penalty for failing to prepay 70% of your tax liability and/or interest for failing to make four equal estimated tax installments timely. You may be subject to one or both even if you are due a refund when you file your tax return.

Underpayment of Estimated Tax Penalty—You may be charged an underpayment of estimated tax penalty if you did not prepay 70% of your tax liability and you did not meet one of the exceptions listed in Part I.

Estimated Tax Interest—You may also be charged interest if you failed to make four equal installments timely pursuant to KRS 141.305. These payments are due by April 15, June 15, September 15 of the taxable year, and on January 15 of the succeeding taxable year. Failure to make these equal installments timely may result in interest due pursuant to KRS 141.985. The interest is computed separately for each due date.

- If you paid estimated tax on January 16th or 17th, 2012, it is considered paid on January 15th, 2012, to the extent it is applied to the fourth required installment.

Part I—Exceptions and Exclusions—The underpayment of estimated tax penalty may not apply if one of the exceptions listed in Part I is met. If you meet one or more of the exceptions, check the appropriate block(s), complete the lines associated with the exception and check the “Form 2210-K attached” block on form 740, line 41a (Form 740-NP, line 41a). If none of the exceptions apply, go to Part II.

Part II—Figuring the Underpayment and Penalty—Only complete this section if the additional tax due exceeds \$500 and you do not meet one of the exceptions listed in Part I. Do not include amounts that were prepaid with extension or payments made after the due date of the fourth declaration installment. To avoid this penalty in the future, obtain and file Form 740-ES.

Part III—Required Annual Payment and Interest Calculation—This section is used to calculate your required annual payment. The required annual payment is used to calculate the amount of payment that you should have made each quarter. If you do not pay the required amount in each quarter, you will be subject to interest until that payment is made. You may not be required to pay estimated tax payments if you meet one of the following exceptions:

- Taxpayer died during the taxable year
- Declaration was not required until after September 1, 2011, and the taxpayer files a return and pays the full amount of the tax computed on the return on or before February 1, 2012.
- Two-thirds (2/3) or more of the gross income was from farming; this return is being filed on or before March 1, 2012; and the total tax due is being paid in full.
- Prepaid your last years tax liability with timely payments.

Lines 1–7—Calculates your required annual payment which is the lesser of your current years income tax liability or your previous years tax liability. If you have paid withholding that exceeds the lesser of the two, you do not owe interest and you do not need to complete the rest of the form.

Line 8—Multiply line 7, page 2, by 25 percent (.25) and enter amount in columns A through D. However, if your source(s) of income changed unexpectedly throughout the year or your income was received later in the year, the required number of installments may be fewer.

A taxpayer who is not required to pay estimated tax in four equal installments at the beginning of the year may be required to make installment payments during the remainder of the year. Refer to the payment due dates at the top of columns A – D to determine how many installments you are required to make based on when your income changed or was received.

If you are required to make 3 installments, multiply line 7 by 33.3 percent (.333) and enter in columns B through D.

If you are required to make 2 installments, multiply line 7 by 50 percent (.50) and enter in columns C and D.

If you are required to only make 1 installment, multiply line 7 by 100 percent (1.00) and enter in column D.

Line 9—Enter the sum of estimated tax payments made and Kentucky withholding for each quarter. If you have Kentucky income tax withheld, multiply the total by 25 percent (.25) and enter in columns A through D. If you had a credit forward from a prior year return, enter the total amount in Column A only.

Note: Complete lines 10 through 17 for Column A before going to Column B, etc.

Line 10—Enter amount from line 17 of the previous column. This amount should be the overpayment if any from the previous column.

Line 12—Enter amount from line 16 of the previous column. This amount should be the underpayment amount from the previous column that will be carried over to each column until the payment is made.

Line 16—This is the underpayment amount for that column and any underpayment from the previous columns. The underpayment will continue to carryover to the next column until the payment is made or the due date, whichever is earlier.

Figuring the Interest—Interest will be calculated on each underpayment in each column from the payment due date written above line 8 to the date on line 18 or the date the payment was made, whichever is earlier. The underpayments will carryover to the next column and be added to that column's underpayment to calculate interest on that balance.

Line 18—Use this date to calculate the number of days that the current interest amount will be based upon, unless the underpayment was paid prior to this date.

Line 19—This is the number of days from the payment due date shown above line 8 to the date the amount on line 16 was paid or the date shown on line 18 for the column in which you are calculating interest.

For example, if your underpayment on line 16 for column A is \$1,000, you would calculate the interest from 4–15–11 to 6–15–11 and enter 61 days on line 19. If this \$1,000 remains unpaid, it will be added to any underpayment in column B and you would calculate interest from 6–15–11 until 9–15–11 which would be 92 days for that period, etc.

Line 20—The annual interest rate is established by the Department of Revenue for each calendar year. The interest rate for calendar year 2011 is 5 percent and the interest rate for calendar year 2012 is 6 percent. The interest calculation for the required third installment payment may be calculated using two different interest rates.