



COMMONWEALTH OF PENNSYLVANIA  
DEPARTMENT OF REVENUE  
BUREAU OF INDIVIDUAL TAXES

UNDERPAYMENT OF ESTIMATED  
TAX BY INDIVIDUALS

**1997**

See Instructions

Name as shown on PA-40 or PA-40EZ \_\_\_\_\_ Social Security Number \_\_\_\_\_

Home Address \_\_\_\_\_

City or Post Office \_\_\_\_\_ State \_\_\_\_\_ Zip Code \_\_\_\_\_

**PART I FIGURING YOUR UNDERPAYMENT**

1.	1997 Tax Liability from Line 12 of the PA-40 or Line 5 of the PA-40EZ . . . . .	1.	
2.	Add the amounts reported on Lines 20c, 21, 22, 23, 24 and 25 of the PA-40 or Line 8c of the PA-40EZ . . . . .	2.	
3.	Subtract Line 2 from Line 1 . . . . .	3.	
4.	Multiply the amount on Line 3 by .90 and enter result here . . . . .	4.	

**ESTIMATED PAYMENT DUE DATES**

	(a) April 15, 1997	(b) June 16, 1997	(c) Sept. 15, 1997	(d) Jan. 15, 1998
5. Divide amount on Line 4 by the number of payments required for the year (usually four). Enter the result in the appropriate columns.	5.			
6. Estimated tax paid (including carryover credit from previous tax year) and tax withheld (see instructions).	6.			
7. Overpayment (on Line 10) from a previous period(see instructions).	7.			
8. Add Lines 6 and 7.	8.			
9. Underpayment (subtract Line 8 from Line 5).	9.			
10. Overpayment (subtract Line 5 from Line 8).	10.			

**PART II EXCEPTIONS TO INTEREST (FARMERS SEE INSTRUCTIONS)**

11. Total amount paid and withheld from January 1 to and including the payment date shown.	11.				
12. Exception 1 - tax on 1996 income using 1997 tax rate (see instructions).	12.	25% of 1996 tax	50% of 1996 tax	75% of 1996 tax	100% of 1996 tax
13. Exception 2 - tax on 1997 income over 3, 5 and 8 month periods. (From Line 5 of worksheet).	13.	Enter 90%	Enter 90%	Enter 90%	Exception does not apply

**PART III FIGURING THE INTEREST (COMPLETE LINES 15 THROUGH 16, IF NONE OF THE EXCEPTIONS APPLY)**

14a. Number of days after due date of estimated payment to and including date of annual payment or December 31, 1997, whichever is earlier. If December 31 is earlier, enter 259, 199, and 105 respectively.	14a.				
b. Number of days after due date of estimated payment to and including date of annual payment or April 15, 1998, whichever is earlier. If April 15 is earlier, enter 89.	14b.				
c. Number of days after December 31, 1997 to and including date of annual payment or April 15, 1998, whichever is earlier. If April 15 is earlier, enter 105 in each column.	14c.				
15a. Number of days on Line 14a x .000247*x underpayment on Line 9.	15a.	\$	\$	\$	
b. Number of days on Line 14b x .000247*x underpayment on Line 9.	15b.				\$
c. Number of days on Line 14c x .000247*x underpayment on Line 9.	15c.	\$	\$	\$	

16. Interest (add amounts on Lines 15a,b and c) Make check payable to PA Department of Revenue. . . . . 16. \$ \_\_\_\_\_

(\* applicable daily interest rate)

**PLEASE NOTE:** This form is not intended for general use. It is to be submitted only when requested by the PA Department of Revenue.

## INSTRUCTIONS

**PURPOSE & USE -** Under the Pennsylvania Personal Income Tax, any individual who reasonably expects his income (which is not subject to withholding) to exceed \$2,500 must declare and pay estimated tax. Use this form:

(1) to see if you paid enough estimated tax in each of the four payment periods (Part I); (2) if you did not, to see if any exceptions apply, (Part II); and (3) if no exceptions apply, figure the interest due (Part III). **This form must be filed even if one of the exceptions applies.**

**FARMERS -** In order to qualify for the farming exemption, you must cultivate, operate or manage a farm for profit or gain. A farm is a tract of land devoted to agriculture, pasturage, stock raising or some allied industry. It includes dairy, stock and poultry farms.

If you **meet both** of the following tests, you **do not owe** interest for underpaying estimated tax:

- (1) Your gross income from farming for the taxable year is at least 2/3 of your gross income from all sources for the taxable year; **and**
- (2) You filed your tax return and paid the entire amount due by March 1 of the following year.

If you meet these tests, please complete the part entitled "Farming Exception Worksheet" on page 4.

**WHO MUST PAY INTEREST FOR UNDERPAYMENT OF ESTIMATED TAXES -** If you did not pay the correct estimated tax by any due date for payment of estimated tax, or pay the entire 1997 estimated tax in one payment on or before April 15, 1997, you may be charged interest on that payment. This is true even if you are due a refund when you file your Pennsylvania income tax return. Interest is figured separately for each due date. Therefore, you owe interest for an earlier payment due date, even if you paid enough tax later to make up the underpayment.

**IMPORTANT:** If you were a Pennsylvania resident working in a reciprocal state and your employer **was not** withholding Pennsylvania Personal Income Tax, you were **also** subject to making estimated payments.

**WHEN IS INTEREST APPLIED -** In general, you owe interest if, except as explained in "Farmers" your 1997 prepayments were not:

- 90% of the tax shown on your 1997 tax return, or
- 100% of the product of multiplying the taxable income shown on Line 4 (Pennsylvania taxable income) of your 1996 PA-40EZ return or Line 9 of your 1996 PA-40 return by 2.8 % (.028).

**Caution: You cannot use your prior year's tax liabilities as a safe harbor.**

### PART I. FIGURING YOUR PAYMENT.

- Line 1. Insert the tax liability figure from Line 12 of your 1997 PA-40 or Line 5 of your 1997 PA-40EZ tax return.
- Line 2. The credits allowed to reduce the tax due are also used to reduce your tax liability for this calculation. Add the credits for taxes paid to other states (Line 21, PA-40), any tax forgiveness (SP) (Line 20c, PA-40; Line 8c, PA-40EZ) and the employment incentive payment credit (Line 22, PA-40), the job creation tax credit (Line 23, PA40), the waste tire recycling investment tax credit (Line 24, PA40) and research and development tax credit (Line 25, PA40), claimed on your 1997 tax return and insert here.
- Line 3. Subtract Line 2 from Line 1. If the amount is more than \$70, complete Lines 4 through 10. If less than \$70, you did not owe income tax and do not have to complete this form.
- Line 4. Calculate 90% of your tax liability from your 1997 return. This amount is used to determine if you have an underpayment. If you have an underpayment, the penalty is calculated on the 90% used here.
- Line 5. Divide the amount on Line 4 by 4 and enter the amount in each of the four columns labeled (a)-(d).
- Line 6. Line 6 represents the payments you are credited with having made for each of the 4 payment due dates. Each column will indicate a total of your estimated payments and tax withheld for the period. To calculate the amounts to be inserted on Line 6, use the following 4 steps and insert the total result for each column in the appropriate column.
1. In column (a) enter the amount of 1997 estimated tax payment(s) made on or before April 15; in column (b), enter the amount of 1997 estimated payments you made after April 15 and on or before June 16; in column (c), enter the amount

of 1997 estimated payments you made after June 15 and on or before September 15; and, in column (d), enter the amount of 1997 estimated payments after September 15, and on or before January 15, 1998.

2. For any state income tax withheld, you are considered to have paid the tax evenly over the year. Divide the total amount of state income tax withheld by 4 and enter the result in each column, unless you can show that it was paid otherwise.
3. Include in your estimated tax payments any overpayment of tax from your prior year return that you elected to apply to this year's tax. It should be added as part of the first estimated payment in column (a).
4. Farmers only: If you filed your return and paid the tax due by March 1, include on Line 6 (column d), the amount of tax you paid with your tax return. In this case, it is considered your January 16th payment.

If you filed a final return and paid the total tax due by January 31, 1998, enter the amount paid with your return as the fourth installment.

**IMPORTANT NOTE:** Complete Lines 7 through 10 for one payment period before you go to the next payment period.

Line 7. If you have an overpayment on Line 10 for the prior payment period, enter that amount. This does not apply to the April 15 payment period (column a).

Line 8. Add to determine the total payments applied to the payment period. This figure will be used to determine if you have an underpayment.

Line 9. Calculate the amount of the underpayment for the payment period by subtracting Line 8 from Line 5, if Line 5 is greater than Line 8. If not, go to Line 10 after entering 0 on Line 9.

Line 10. Calculate the amount of the overpayment for the payment period. Enter this amount on Line 7 of the next payment period. If you have an overpayment in the January 15th payment period, do not carry it to any other space on the form.

If Line 9 is zero for all payment periods, you do not owe any interest. Please return the form. If you have an underpayment on Line 9 in any payment period, continue on to Part II.

## PART II. EXCEPTIONS TO INTEREST.

You will not have to pay interest on the underpayment if: (1) you paid your 1997 tax payments on time (Line 11); and (2) the amount on Line 1 is equal to or more than the tax figured under any of the exceptions for the same payment period. Farmers only—refer to Exception 3, page 4.

Line 11. Insert the total of your withholding and estimated payments from January 1 through each of the payment dates. For column (a) this is the amount on Line 6 above, for column (b) use the amount of columns (a) and (b) on Line 6, for column (c), add the amount of columns (a), (b) and (c) on Line 6. For column (d), add the amount of columns (a), (b), (c) and (d) on Line 6.

**Example:** Taxpayer made four timely estimated payments of \$50. He also had \$100 withheld for the year. His line 11 will read -

	(a)	(b)	(c)	(d)
Line 11.	\$75	\$150	\$225	\$300

Line 12. (Exception 1). Exception 1 applies if your 1997 estimated tax payments equal the tax that would have been due on your 1996 income if you figured using the current rate.

To calculate, multiply your Pennsylvania taxable income from your 1996 return by the 1997 tax rate. Enter 25% of this amount in column (a), 50% in column (b), 75% in column (c) and 100% in column (d). If the amount on Line 11 is greater than the amount on Line 12 in any of the columns, you do not owe interest for that payment period. If the amount on Line 11 is less than the amount on Line 12 for any payment period, continue on to exception 2 for those periods.

Line 13. (Exception 2). Exception 2 applies if your 1997 estimated tax payments and tax withholdings equal at least 90% of the tax on your actual taxable income for the periods from January 1 to March 31, May 31 or August 31. This exception does not apply to the 4th payment period. To calculate use the following worksheet:

<b>EXCEPTION 2 WORKSHEET</b>	(a) 1/1/97 to 3/31/97	(b) 1/1/97 to 5/31/97	(c) 1/1/97 to 8/31/97
1. Enter your actual taxable income for the period			
2. Enter the tax on the amount on Line 1 (multiply Line 1 above by 2.8 %)			
3. Enter total credits (from Lines 20c, 21, 22, 23, 24 and 25 of PA-40)			
4. Subtract Line 3 from Line 2.			
5. Enter 90% of Line 4 here and on Line 13, Part II of this form in the appropriate column.			

For Line 3 of the worksheet, place 25% of the total credits in the first column, 50% in the second column and 75% in the third column.

**Exception 3 - Farming** - To see if you qualify for this exception you will need to know your total gross income for the year and your gross income from farming. Gross income from farming is only that income reported on Schedule C and Schedule F that relates to farming. Income from the sale or disposition of farming equipment or livestock reported on **Schedule D** is **not** farming income.

To see if the farming exception applies, complete the following worksheet:

### FARMING EXCEPTION WORKSHEET

- Part A.**
1. Total Gross Income from all sources including Schedules C, F, and K-1. \_\_\_\_\_
  2. 66.67% x Line 1. \_\_\_\_\_
  3. Gross income from farming (exclude Schedule D income). \_\_\_\_\_  
 If Line 3 is less than Line 2, you do not qualify for the Farming Exception. If none of the other exceptions apply, you must pay interest on the underpayment of estimated taxes.  
  
 If Line 3 is greater than Line 2, continue on to Part B.

- Part B.**
4. Date PA-40 was filed. \_\_\_\_\_
  5. Amount of tax due on 1997 PA-40 (Line 27). \_\_\_\_\_
  6. Amount of tax paid **with** 1997 PA-40. \_\_\_\_\_

If the amount of Line 6 of this worksheet is greater than or equal to Line 5, and the return was filed and the total tax due was paid **before March 1**, you do not owe an underpayment penalty. Return the completed form.

### PART III. FIGURING THE INTEREST.

Use this part of the form to calculate the amount of interest due. If one of the exceptions applies for any of the periods, place an "X" in the boxes under the column for that period. You only have to complete Lines 14 and 15 for the periods in which interest is due. The amount of the underpayment is the amount on Line 9 for the appropriate payment period.