

Filing Dates and Estimated Tax Payments*

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Introduction

The information presented here is intended for sole proprietors. Entities may have differing requirements. Please work with a tax professional to determine which filing deadlines and estimated tax payment rules may be in effect for a taxpayer's specific situation.

Knowing the deadline(s) to file your federal income tax return is important, as late filing can generate penalties. In addition, producers should consider the cash flow implications of an income tax liability, as a late payment of a liability can incur late payment penalties on top of late filing penalties. With this in mind, agricultural producers, as well as all taxpayers, should be familiar with rules related to three specific tax filing areas:

1. Individual income tax return filing deadlines,

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2. Estimated tax payments, and
3. Underpayment of estimated tax penalties

Individual Income Tax Return Filing Deadline

An agricultural producer filing a *Form 1040, U.S. Individual Income Tax Return* has the same filing deadline as every other taxpayer. Generally, the deadline is the 15th day of the 4th month following the end of the tax year (April 15 for a filer using a *calendar tax year*¹), unless that day falls on a weekend or holiday, in which case the deadline is the next business day.

Individual taxpayers are also entitled to extend the deadline by six months by filing *Form 4868, Application for Automatic Extension of Time to File U.S. Individual Income Tax Return*. Note that *Form 4868, Application for Automatic Extension of Time to File U.S. Individual Income Tax Return* allows an extension of time to file the return but does not extend the deadline to pay income tax owed on the return.

Estimated Tax Payments

A taxpayer with taxable income that is not subject to withholding requirements may need to submit periodic estimated tax payments, if tax withheld from wages or other income subject to withholding is not sufficient. While a taxpayer is not required to submit estimated tax payments, a penalty for underpayment of estimated tax may apply. There are several situations where the underpayment of estimated tax penalty will not apply, which are discussed later.

For calendar tax-year individual taxpayers, estimated payments are due four times a year on April 15, June 15, September 15, and January 15. If the estimated tax payment due date falls on a weekend or holiday, it is extended to the next business day. Taxpayers are not required to submit a January 15 estimated tax payment if they file their final tax return on or before January 31. However, filing a return by January 31 only avoids the underpayment penalty for the fourth payment, unless the taxpayer can meet the qualified farmer test.

A penalty for underpayment of estimated tax may apply if total payments, including withholding from non-farm income, such as W-2 wages and estimated tax payments, is less than the smaller of:

- 90% of the tax on the current year return, or
- 100% of the tax owed the prior year (110% if you are not a farmer, your prior year adjusted gross income was more than \$150,000, and you filed a joint return).

¹ A calendar tax year is 12 consecutive months beginning January 1 and ending December 31.

If applicable, estimated tax payments are submitted along with *Form 1040-ES, Estimated Tax for Individuals*. Worksheets included in the instructions to *Form 1040-ES, Estimated Tax for Individuals* can be used to calculate estimated tax payment amounts. If the calculated estimated tax amount is less than \$1,000, estimated tax payments are not required.

Underpayment of Estimated Tax Penalties

The penalty for underpayment of estimated tax is computed by multiplying the current interest rate for underpayments by the amount of underpaid tax. *Form 2210, Underpayment of Estimated Tax by Individuals, Estates and Trusts* or *Form 2210-F, Underpayment of Estimated Tax by Farmers and Fishermen* is used to calculate the underpayment penalty. The interest rate fluctuates quarterly.

If the taxpayer is a resident of the United States for the entire preceding year and did not have any tax liability, they are exempt from the underpayment of estimated tax penalty. The taxpayer may be exempt if, during the year or preceding year, the taxpayer was age 62 or greater and retired or became disabled during the year. However, the underpayment must be due to reasonable cause and not willful neglect.

A qualified farmer may be able to utilize special provisions to avoid a penalty for underpayment of estimated tax. For estimated tax purposes, a qualified farmer is defined as a taxpayer having at least two-thirds of their gross income from “farming” in the current or preceding year. Generally, the definition of “gross income from farming” would include gross income reported on *Form 4835, Farm Rental Income and Expenses* or gain reported on *Form 4797, Sales of Business Property* from the sale of livestock used for draft, breeding, sport, or dairy purposes, or gain from the sale of machinery and equipment.

Because of changes to rules associated with exchanges and trades of personal property, trade-in of equipment requires an agricultural producer to report the transaction as a “sale” of the machinery/equipment being traded.

A qualified farmer has two options to avoid underpayment of estimated tax penalties. The first is to make one estimated tax payment on or before January 15 of the year following the conclusion of the calendar tax year, rather than making four installment payments. When submitting a single January 15 estimate tax payment, a qualified farmer has until April 15 to file their return or file an extension. In this case, the required estimated tax payment must be equal to the smaller of:

- 2/3 (66.67%) of the tax on the current year return, or
- 100% of the tax owed the prior year.

An agricultural producer can also avoid the underpayment of estimated penalty, without submitting estimated tax payments, if they file their income tax return and pay any tax liability owed by March
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This information is intended for educational purposes only. Seek the advice of your tax professional regarding the application of these general principles to your individual circumstances.

1. If March 1 falls on a weekend or holiday, the deadline is extended to the following business day. There is no extension available for the March 1 filing deadline.

Additional Considerations

In the end, a qualified farmer must decide if they will:

1. Make periodic estimated tax payments
2. Make a single estimated tax payment on January 15
3. Forego estimated tax payments, and file and pay tax due by March 1
4. Forego estimated tax payments, file their income tax return (or extension) on April 15, and pay an underpayment of estimated tax penalty

When considering these options, producers should take into account some additional factors. If funds used for estimated tax payments could be invested and earn a higher return than potential underpayment of estimated tax penalties, it may be beneficial to pay the penalties. Similarly, it may make sense to pay an underpayment of estimated tax penalty if the cost of borrowing funds to make estimated tax payments is greater than potential penalties.

If a farmer has investments with a brokerage company, brokerage statements which report investment sales are not required to be mailed until February 15, leaving little time to prepare and submit a return by March 1. A taxpayer can file a return, and later amend it, for any necessary changes due to the brokerage statements. However, additional preparer fees or potential interest from underpayment of tax may be more than the savings from not making estimated payments.

Additionally, if the farmer is a partner in a partnership or a shareholder in a subchapter S corporation, the March 1 deadline can create a problem. Partnership and subchapter S corporation returns are not due until March 15, potentially delaying the filing of a partner's or shareholder's individual return if *Schedule K-1 (Form 1065), Partner's Share of Income, Deductions, Credits, etc.* from the pass-through entities are not received timely.

Who	What	When
Any schedule F calendar year filer	filing deadline	April 15th ²
Any schedule F fiscal year filer	filing deadline	15th day of 4th month after close of year ²
Calendar year schedule F filers with >\$1,000 balance due unless "qualified farmer"	estimated payments	April 15th, June 15th, September 15th & January 15th prior to filing ²
Qualified farmer - option '1'	estimated payment	January 15th tax year ²

² Or next business day if falls on weekend or federal holiday.

Qualified farmer - option '2'	filing deadline and tax payment	March 1st tax year ²
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IRS Publications

More information on *Form 1040, U.S. Individual Income Tax Return*; *Form 4835, Farm Rental Income and Expenses*; *Form 4868, Application for Automatic Extension of Time to File U.S. Individual Income Tax Return*; *Schedule F (Form 1040), Profit or Loss From Farming*; and other forms, visit the IRS website at www.irs.gov. Type the form, schedule, or publication number or title in the search box.

Additional Topics

This fact sheet was written as part of Rural Tax Education, a national effort including Cooperative Extension programs at participating land-grant universities to provide income tax education materials to farmers, ranchers, and other agricultural producers. For a list of universities involved, other fact sheets and additional information related to agricultural income tax please see RuralTax.org.

This information is intended for educational purposes only. You are encouraged to seek the advice of your tax or legal advisor, or other authoritative sources, regarding the application of these general tax principles to your individual circumstances. Pursuant to Treasury Department (IRS) Circular 230 Regulations, any federal tax advice contained here is not intended or written to be used, and may not be used, for the purpose of avoiding tax-related penalties or promoting, marketing or recommending to another party any tax-related matters addressed herein.

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