2025 · DO I NEED TO START MAKING ESTIMATED FEDERAL INCOME TAX PAYMENTS?

START HERE

Did you have a federal income tax liability for the prior tax year (covering a full 12-month period)?

- Yes
- No

Will you be a U.S. citizen or resident for the whole year?

- No
- Yes

You are not required to make estimated tax payments for the current year.

- No

Will you owe $1,000 or more in federal income tax this year?

- Yes

Taxes must be paid as income is earned, through withholding or estimated tax payments.

Do you receive income from self-employment, interest, dividends, capital gains, rents, royalties, taxable alimony, prizes, etc.?

- Yes
- No

Did you have an unexpected spike in income in any quarter?

- Yes
- No

Consider making estimated tax payments to ensure you pay adequate taxes for each quarter. Continue on if you have other sources of income subject to withholding.

Do you have more than one source of income eligible for withholding (e.g., wages and a pension)?

- Yes
- No

Did your employer issue a bonus or equity compensation, or did any employer equity interests vest?

- Yes
- No

Review how the bonus was paid (separate check or wages) and/or the terms of the equity compensation/vesting. You may need to adjust your withholdings and/or make an estimated tax payment, as any default withholdings may be insufficient.

Consider electing multiple jobs on your W-4. This can more accurately approximate your tax liability and increase your withholdings to avoid estimated tax payments.

Are you married filing jointly, and do you and your spouse have more than one source of income (e.g., you both work)?

- No
- Yes

Are you taking taxable distributions from a traditional retirement plan, pension, or annuity and/or receiving Social Security benefits?

- No
- Yes

Review your W-4P and/or W-4V, and consider increasing the tax you have withheld in order to avoid estimated tax payments.

With proper withholdings, it is likely you will not need to make additional estimated tax payments.

Be mindful that penalties may apply when tax is underpaid or paid late.

If making estimated tax payments, you can pay weekly, bi-weekly, monthly, etc.

You just need to be sure that all required payments are made by the end of each quarter.

If you are deciding between increasing your withholdings or making estimated tax payments, note that withholdings are considered proportionally made throughout the year, while estimated tax payments are credited when paid.

Refer to the “safe harbor” rules regarding minimum payments (90% of current year liability, or 100% of prior year liability [110% above AGI thresholds]).

Review your state’s withholding and estimated tax payment process, if applicable, as this is separate from federal tax.

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Get in touch to schedule an introductory meeting or consultation today!

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