



STATE OF CONNECTICUT
DEPARTMENT OF REVENUE SERVICES

IP 2004(18)

25 Sigourney Street
Hartford CT 06106-5032

INFORMATIONAL PUBLICATION

Estimated Connecticut Income Taxes

Purpose: This Informational Publication explains the requirements for paying estimated Connecticut income tax. Connecticut taxpayers can be charged interest for underpaying their estimated income tax, even if they pay all the Connecticut income tax they owe by the April 15 filing deadline.

Effective Date: Upon issuance.

Statutory Authority: Conn. Gen. Stat. §12-722(j)(1), as amended.

1. What is estimated tax? Connecticut law requires taxpayers to pay Connecticut income tax during the year through withholding or estimated tax payments, or both. Most employees have these taxes withheld automatically from their paychecks. If you are self-employed, receive a pension or annuity, or receive unemployment compensation and have not elected Connecticut income tax withholding, or you receive any other income from which Connecticut income tax is not withheld, you probably should be making estimated income tax payments.

Because it is difficult to determine your exact tax liability before the end of the year, you may make estimated tax payments during the year based upon what you expect to earn in the current year or based upon what you actually earned in the prior year. When you file your annual income tax return, you report your estimated tax payments. If you have overpaid your estimated tax during the year, you will receive a refund. If you have underpaid your taxes during the year, you will have to pay the tax you owe and you may have to pay interest on the amount of the underpayment.

2. Who should pay estimated tax? You must make estimated Connecticut income tax payments if your Connecticut income tax (after tax credits) minus Connecticut income tax withheld is **\$1,000 or more**, and you expect your Connecticut income tax withheld to be less than your required annual payment.

3. What is my required annual payment? Your required annual payment is the lesser of:

- 90% of the total income tax shown on your current year Connecticut income tax return; **or**
- 100% of the total income tax shown on your preceding year Connecticut income tax return, if you filed a Connecticut income tax return for the preceding taxable year that covered a 12-month period.

You do not have to make estimated income tax payments if you did not file a Connecticut income tax return for the preceding taxable year because you had no Connecticut income tax liability and you were either:

- A resident of Connecticut for the entire preceding taxable year; **or**
- A nonresident or part-year resident of Connecticut for the preceding taxable year with Connecticut source income.

4. What types of income may not be subject to withholding and may require estimated tax payments? The checklist below indicates many (but not all) types of income that may not be subject to Connecticut income tax withholding and that may require you to pay estimated tax:

- Pensions and annuities;
- Unemployment compensation;
- Connecticut Lottery winnings less than \$600 or less than 300 times the amount of the wager;

- Gambling winnings (other than Connecticut Lottery winnings);
- Prize winnings;
- Alimony;
- Capital gains;
- Interest income;
- Dividend income;
- Rental income;
- Self-employment;
- Federally taxable Social Security income.

To avoid filing estimated taxes, you may request that your employer or pension plan payer withhold additional amounts from your wages or pension income to cover the taxes on other income. You can make this change by providing your employer or pension payer with a revised **Form CT-W4, Employee's Withholding Certificate** or **Form CT-W4P, Withholding Certificate for Pension or Annuity Payments**.

Retired federal civil service employees must contact the U.S. Office of Personnel Management at 1-800-409-6528 to start, stop, or make changes to Connecticut income tax withholding.

5. How do I estimate my tax? To calculate your estimated tax payments, you will need **Form CT-1040ES, Estimated Connecticut Income Tax Payment Coupon for Individuals**. The instructions include a worksheet for computing your estimated tax payments, exemption and credit tables, and a coupon to be mailed with your estimated payments.

If you made estimated Connecticut income tax payments last year, you will receive coupons in mid-January. Each coupon is preprinted with your name, address, and Social Security Number. Use the preprinted coupons to ensure that your payments are properly credited. If you did not make estimated Connecticut income tax payments last year, use **Form CT-1040ES** included in your Connecticut income tax booklet or request one from the Department of Revenue Services (DRS). (See Forms and Publications on Page 4.) If you file this form, additional coupons will be mailed to you.

6. When do I pay my estimated income tax? You must make your first estimated income tax payment on or before April 15. You can pay all of your estimated tax with the first payment or pay the tax in four installments, due April 15, June 15, September 15, and January 15. (Taxpayers who are not calendar year filers should use the same filing dates as they do for federal income tax purposes.) An

estimate will be considered timely filed if received on or before the due date, or if the date shown by the U.S. Postal Service cancellation mark is on or before the due date. If the due date falls on a Saturday, Sunday, or legal holiday, the next business day is the due date.

7. How much should I pay with each installment? You must pay 25% of your required annual payment with each installment. Your installments should be made as follows:

Due Date	Percentage Due	
April 15.....	25%	
June 15.....	25%	(50% of your required annual payment must be paid by this date)
September 15.....	25%	(75% of your required annual payment must be paid by this date)
January 15.....	25%	(100% of your required annual payment must be paid by this date)

Special Rules for Farmers and Fishermen:

If you are a farmer or fisherman (as defined in I.R.C. §6654(i)(2)) who is required to make estimated income tax payments, you are required to make only one payment. Your installment is due on or before January 15 following the end of the taxable year. The required installment is the lesser of 66 2/3% of the Connecticut income tax shown on your current year Connecticut income tax return or 100% of the Connecticut income tax shown on your preceding year income tax return.

Farmers and fishermen who file **Forms CT-1040, Connecticut Resident Income Tax Return; CT-1040NR/PY, Connecticut Nonresident or Part-Year Resident Income Tax Return; CT-1041, Connecticut Income Tax Return for Trusts and Estates; CT-G, Connecticut Group Income Tax Return; or Form CT-1065/CT-1120SI, Connecticut Composite Income Tax Return**, for the taxable year on or before March 1 of the following year, and pay in full the amount computed on the return as payable for the taxable year, will not incur interest on the underpayment of estimated income tax. For more information, see **Informational Publication 2004(14), Farmer's Guide to Sales and Use Taxes, Motor Vehicle Fuels Tax, Estimated Income Tax, and Withholding Tax**.

8. What if my income varies during the year?

If you do not earn your income evenly throughout the year, you may benefit from using the annualized income installment method. Instead of paying your required annual payment in four equal installments, you may be able to reduce or eliminate the amount of one or more installments. You make up the difference by making a larger payment for the period or periods when more of your income is earned. For information about this method, see **Informational Publication 2004(17)**, *A Guide to Calculating Your Annualized Estimated Income Tax Installments and Worksheet CT-1040AES*.

You will need **Form CT-2210**, *Underpayment of Estimated Income Tax by Individuals, Trusts, and Estates*. Be sure to check Box A, Part I, of **Form CT-2210**, attach the form to your income tax return, and check the box for **Form CT-2210** on the front of your Connecticut income tax return below the Name and Address section. This notifies DRS that your estimated income tax is based on the annualized income installment method.

9. What happens if I underestimate my tax?

If you are required to make estimated income tax payments and you do not pay enough tax during the year through withholding or estimated tax payments, or both, by the installment due date, you may be charged interest. This is true even if you are due a refund when you file your tax return. Interest is calculated separately for each installment from the due date of that installment until the earlier of April 15 or the date on which the underpayment is paid. Therefore, you may owe interest for an earlier installment even if you paid enough tax with a later installment to make up the underpayment. Interest at 1% (.01) per month, or fraction of a month, applies to the underpayment(s). If you file your income tax return for the taxable year on or before January 31 of the following year and pay the amount computed on the return as payable for the taxable year, no interest will be charged for failure to make the fourth required installment. This does not apply to taxpayers paying estimated Connecticut income taxes as farmers and fishermen.

10. May I apply an overpayment in the prior year to the next year's estimate? Yes. When you file your return, you may elect to apply overpayments of Connecticut income tax to

your succeeding year estimated tax. If you file your Connecticut income tax return on or before April 15 or if you file a timely request for extension of time to file and your income tax return is filed within the extension period) the overpayment will be treated as estimated tax paid on April 15. Your election to apply overpayments to your succeeding year estimated income tax is irrevocable.

Related Forms and Publications

- **Informational Publication 2005(1)**, *Is My Connecticut Withholding Correct?*
- **Informational Publication 2004(17)**, *A Guide to Calculating Your Annualized Estimated Income Tax Installments and Worksheet CT-1040AES*
- **Informational Publication 2004(14)**, *Farmer's Guide to Sales and Use Taxes, Motor Vehicle Fuels Tax, Estimated Income Tax, and Withholding Tax*
- **Form CT-W4**, *Employee's Withholding Certificate*
- **Form CT-W4P**, *Withholding Certificate for Pension or Annuity Payments*
- **Form CT-1040ES**, *Estimated Connecticut Income Tax Payment Coupon for Individuals*

Effect on Other Documents: **IP 2003(36)** is superseded, and may not be relied upon after the date of issuance of this publication.

Effect of This Document: An Informational Publication addresses frequently asked questions about a current position, policy, or practice, usually in a less technical question and answer format.

For Further Information: Call DRS during business hours, Monday through Friday:

- **1-800-382-9463** (in-state), or
- **860-297-5962** (from anywhere)

TTY, TDD, and Text Telephone users only may transmit anytime by calling 860-297-4911.

Forms and Publications: Forms and publications are available anytime by:

- **Internet:** Preview and download forms and publications from the DRS Web site at www.ct.gov/DRS
- **DRS TAX-FAX:** Call **860-297-5698** from the handset attached to your fax machine and select from the menu. Only forms (not publications) are available through TAX-FAX.
- **Telephone:** Call **860-297-4753** (from anywhere), or **1-800-382-9463** (in-state) and select **Option 2** from a touch-tone phone.

Paperless Filing Methods (fast, easy, free, and confidential):

- **For business returns:** Use *Fast-File* to file sales and use taxes, business use tax, room occupancy tax, estimated corporation tax, business entity tax, or withholding tax returns over the Internet. Visit the DRS Web site at www.ct.gov/DRS and click on *File/Register OnLine*.
- **For resident income tax returns:** Use *WebFile* to file personal income tax returns over the Internet. Visit the DRS Web site at www.ct.gov/DRS and click on *File/Register OnLine*.

IP 2004(18)
Income Tax
Estimated Income Tax
Issued: 08/08/2004