2023 · DO I NEED TO START MAKING ESTIMATED FEDERAL INCOME TAX PAYMENTS?

Searcy Financial — Where you stand.
Allos Investment Advisors

Start Here

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

- Yes → Will you owe $1,000 or more in federal income tax this year?
- No → Will you be a U.S. citizen or resident for the whole year?

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

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- No → You are not required to make estimated tax payments for the current 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 → 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.
- No → Did you have an unexpected spike in income in any quarter?

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- No → Do you have more than one source of income eligible for withholding (e.g., wages and a pension)?

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- Yes → 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.
- No → Did your employer issue a bonus or equity compensation, or did any employer equity interests vest?

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- Yes → 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.
- No → Are you taking taxable distributions from a traditional retirement plan, pension, or annuity and/or receiving Social Security benefits?

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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)?

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- Yes → Review your W-4P and/or W-4V, and consider changing your allowances and additional amounts to increase the tax you have withheld in order to avoid estimated tax payments.
- No → With proper withholdings, it is likely you will not need to make additional estimated tax payments.

Review your W-4P and/or W-4V, and consider changing your allowances and additional amounts to increase 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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