What is an enrolled agent?

Enrolled agents (EAs) are America's tax experts. EAs are the **only** federally-licensed tax practitioners who specialize in taxation and also have **unlimited** rights to represent taxpayers before the Internal Revenue Service.

What are the differences between enrolled agents and other tax preparers?

An enrolled agent is a person who has earned the privilege of representing taxpayers before the Internal Revenue Service by either passing a stringent and comprehensive examination covering both individual and business tax returns, or through experience as a former IRS employee.

Enrolled agent status is the highest credential the IRS awards.

Individuals who obtain this elite status must adhere to ethical standards and enrolled agents, like attorneys and certified public accountants (CPAs), have unlimited practice rights. This means they are unrestricted as to which taxpayers they can represent, what types of tax matters they can handle, and which IRS offices they can represent clients before.

How can an enrolled agent help me?

Enrolled agents advise, represent and prepare tax returns of individuals, partnerships, corporations, estates, trusts and any other entity with tax reporting requirements. EAs prepare millions of tax returns each year and their expertise in the continually changing field of taxation enables them to effectively represent taxpayers audited by the IRS.

Some enrolled agents work only during tax season or by appointment only, while other enrolled agents have year round practices. In addition to **tax preparation** and tax representation, many enrolled agents offer other business services which may include:

- Bookkeeping
- Financial planning or budgeting
- Payroll services
- Financial statement preparation

NAEA | POWERING AMERICA'S TAX EXPERTS

1120 Connecticut Ave, NW, Suite 460
Washington, DC 20036-3953
Toll free: 855-880-NAEA (6232)
202-822-NAEA (6232)
202-822-6270-Fax
info@naea.org

Estimated Tax

Mary Sunderland

MBA|CFA|CFP®| EA

Enrolled Agent

Licensed to Represent Taxpayers before the Internal Revenue Service

Chatham, NJ

201.919.8262

mary.sunderlandtax@comcast.net

www.sunderlandtax.net

Estimated Tax

Estimated tax is the method used to pay tax on income that is not subject to withholding. This includes income from self-employment, interest, dividends, alimony, rent, gains from the sale of assets, prizes and awards. You also may have to pay estimated tax if the amount of income tax being withheld from your salary, pension, or other income is not enough.

Estimated tax is used to pay income tax and self-employment tax, as well as other taxes and amounts reported on your tax return. If you do not pay enough through withholding or estimated tax payments, you may be charged a penalty. If you do not pay enough by the due date of each payment period you may be charged a penalty even if you are due a refund when you file your tax return.

How to Pay Estimated Tax

If you are filing as a sole proprietor, partner, S corporation shareholder and/or a self-employed individual, you should use Form 1040-ES, Estimated Tax for Individuals (PDF), to figure and pay your estimated tax. For additional information on filing for a sole proprietor, partners, and/or S corporation shareholder, refer to Publication 505, Tax Withholding and Estimated Tax.

If you are filing as a corporation you should use Form 1120-W, Estimated Tax for Corporations (PDF), to figure the estimated tax. You must deposit the payments. For additional information on filing for a corporation, refer to Publication 542, Corporations.

Who Must Pay Estimated Tax

If you are filing as a sole proprietor, partner, S corporation shareholder, and/or a self-employed individual, you generally have to make estimated tax payments if you expect to owe tax of $1,000 or more when you file your return.

If you are filing as a corporation you generally have to make estimated tax payments for your corporation if you expect it to owe tax of $500 or more when you file its return.

If you had a tax liability for the prior year, you may have to pay estimated tax for the current year. See the worksheet in Form 1040-ES (PDF) for more details on who must pay estimated tax.

When To Pay Estimated Taxes

For estimated tax purposes, the year is divided into four payment periods. Each period has a specific payment due date. If you do not pay enough tax by the due date of each of the payment periods, you may be charged a penalty even if you are due a refund when you file your income tax return, see underpayment of tax below for more information.

Using the EFTPS system is the easiest way to pay your federal taxes for individuals as well as businesses. Make **ALL** of your federal tax payments including federal tax deposits (FTDs), installment agreement and estimated tax payments using Electronic Federal Tax Payment System (EFTPS). If it is easier to pay your estimated taxes weekly, bi-weekly, monthly, etc. you can, as long as you have paid enough in by the end of the quarter. Using EFTPS, you can access a history of your payments, so you know how much and when you made your estimated tax payments.

Underpayment of Estimated Tax

If you did not pay enough tax throughout the year, either through withholding or by making estimated tax payments, you may have to pay a penalty for underpayment of estimated tax. Generally, most taxpayers will avoid this penalty if they owe less than $1,000 in tax after subtracting their withholdings and credits, or if they paid at least 90% of the tax for the current year, or 100% of the tax shown on the return for the prior year, whichever is smaller.