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STATE OF CONNECTICUT

DEPARTMENT OF REVENUE SERVICES IP 2006(25)

INFORMATIONAL PUBLICATION

A Guide to Calculating Your Annualized Estimated Income Tax Installments and Worksheet CT-1040 AES

Purpose: This publication explains the annualized estimated income tax installment method, an alternate method for calculating installments of estimated Connecticut income tax. If your income is not received evenly throughout the year because you earned more income later in the year than you did in the early part of the year, you may benefit by using this alternate method. If you use the annualized estimated income tax installment method, your required installment for one or more periods may be less than the amount of the installment calculated using the regular installment method.

Who Should Pay Estimated Tax

You must make estimated Connecticut income tax payments if the Connecticut income tax you owe 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.

What Is My Required Annual Payment

Your required annual payment is the lesser of:

- 90% of the income tax shown on your Connecticut income tax return for the current taxable year; **or**
- 100% of the income tax shown on your Connecticut income tax return for the preceding taxable year, 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-sourced income.

If you were a nonresident or part-year resident and you **did not** have Connecticut-sourced income in the preceding taxable year, you **must** use 90% of the income tax shown on your income tax return for the current taxable year as your required annual payment.

When Should I Pay My Estimated Income Tax

Your estimated income tax payments for the current taxable year are due April 15, June 15, September 15, and January 15. Taxpayers who are not calendar year filers must follow the filing dates required for federal income tax purposes. If the due date falls on a Saturday, Sunday, or legal holiday, the next business day is the due date.

How Much Should I Pay With Each Installment

You must pay 25% of your required annual payment with each installment. However, if you do not receive your income evenly throughout the year because you earned more income later in the year than you did in the early part of the year, you may benefit from using the annualized income installment method. If you use this alternate method, you may vary the amount of one or more of your installments depending upon the amount of income you earned during the period preceding the due date of each installment. Using this method, you may be able to reduce or eliminate one or more payments for periods when your income is low and make larger payments during the remaining periods when your income is higher.

How Do I Calculate the Amount of Each Installment Using the Annualized Estimated Income Tax Installment Method

First, complete the worksheet to **Form CT-1040ES, Estimated Connecticut Income Tax Payment Coupon for Individuals**, to calculate your required annual payment. (You can also use this worksheet to determine your installment payments if you are required to use the regular installment method.) Next, complete *Worksheet CT-1040 AES*, included in this publication, to calculate the amount of each installment using the annualized estimated income tax installment method.

How Do I Pay My Estimated Tax

Submit each estimated tax payment with Form CT-1040ES or visit the Department of Revenue Services (DRS) **Taxpayer Service Center (TSC)** at www.ct.gov/DRS to make an electronic payment. If you made estimated Connecticut income tax payments for the preceding taxable year, you will receive coupons in mid-January preprinted with your name, address, and Social Security Number (SSN) for the next taxable year. If you did **not** make estimated payments for the preceding taxable year, you may download Form CT-1040ES from the DRS Web site at www.ct.gov/DRS, use the Form CT-1040ES included in your Connecticut income tax booklet, or request it from DRS. (See *Forms and Publications* on Page 6.) If you make an estimated payment, additional coupons will be mailed to you.

What Happens If I Underestimated My Tax

If you are required to make estimated income tax payments and you do not pay enough tax during the current taxable year through withholding or estimated tax payments, or both, by any 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 the installment until the earlier of April 15 of the following taxable year, or the date on which the underpayment is paid. Therefore, you may owe interest for an earlier installment even if you paid enough to make up the underpayment with a later installment. Interest at 1% (.01) per month, or fraction of a month, will apply to each underpayment.

If you file your Connecticut income tax return for the current taxable year on or before January 31 of the following taxable year and pay the full amount computed on the return as payable for the taxable year, you will not owe interest for failure to make your fourth required installment. This does not apply to taxpayers paying estimated Connecticut income taxes as farmers or fishermen. See **Informational Publication 2006(20)**, *Farmer's Guide to Sales and Use Taxes, Motor Vehicle Fuels Tax, Estimated Income Tax, and Withholding Tax*.

Will Interest Apply If I Use the Annualized Estimated Income Tax Installment Method

No. You will not owe interest if you correctly calculate your required installments by completing *Worksheet CT-1040 AES* and you make the installment payments using Form CT-1040ES on or before the due date.

If your estimated installment payments are based on the annualized income installment method, you must check Box A, Part I, **Form CT-2210**, *Underpayment of Estimated Income Tax by Individuals, Trusts, and Estates*, and attach it to your income tax return. You must also check the Form CT-2210 box located on your Connecticut income tax return below the Name and Address section. This notifies DRS that your estimated income tax installments were not calculated using the regular installment method.

May I Apply Overpayments in the Prior Year to the Next Year's Estimated Tax

Yes. If you file your Connecticut income tax return for the taxable year 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), you may elect to apply any overpayment of Connecticut income tax to your next year's 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 income tax paid on April 15. Your election to apply an overpayment to your next year's estimated tax is irrevocable.

Example for Annualized Estimated Tax

Penny Wise is an unmarried, resident individual who files as single for federal income tax purposes. She filed a Connecticut income tax return for the preceding taxable year, reporting a Connecticut income tax liability of \$2,800.

Ms. Wise does not expect to receive her income evenly throughout the current taxable year. After completing her Form CT-1040ES, Ms. Wise decides to use the annualized estimated income tax installment method. Her required annual payment from the Form CT-1040ES worksheet is \$2,800.

Ms. Wise's only income for current taxable year is from a Connecticut business of which she is the sole proprietor. Her net profit from her business is received as follows:

January through March	\$20,000
April through May	5,000
June through August	5,000
September through December	40,000
Total	\$70,000

See Page 3 for the completed *Worksheet CT-1040 AES* for this example showing Penny Wise's required installment payments for each period.

Worksheet CT-1040 AES
Sample Connecticut Annualized Estimated Tax Worksheet
The example on Page 2 is the basis for this sample worksheet.

Complete each column after the end of each payment period shown. Estates and trusts: Do not use the period ending dates shown to the right. Instead, use 2/28, 4/30, 7/31 and 11/30 of the current taxable year.		(a) January 1 to March 31	(b) January 1 to May 31	(c) January 1 to August 31	(d) January 1 to December 31
1. Enter your Connecticut adjusted gross income for each period. (See instructions.)	1.	20,000	25,000	30,000	70,000
2. Annualized amounts (Estates and trusts, see instructions.)	2.	4	2.4	1.5	1
3. Annualized Connecticut adjusted gross income. Multiply Line 1 by Line 2.	3.	80,000	60,000	45,000	70,000
4. Enter the tax due on the amount on Line 3. (See instructions.) (Tax was computed using the Tax Calculation Schedule.)	4.	3,800	2,800	1,845	3,300
5. Credit for income taxes paid to other jurisdictions (Residents and Part-year Residents only: See instructions.)	5.	-0-	-0-	-0-	-0-
6. Subtract Line 5 from Line 4.	6.	3,800	2,800	1,845	3,300
7. Connecticut Alternative Minimum Tax (See instructions.)	7.	-0-	-0-	-0-	-0-
8. Add Line 6 and Line 7.	8.	3,800	2,800	1,845	3,300
9. Adjusted Net Connecticut Minimum Tax Credit (See instructions.)	9.	-0-	-0-	-0-	-0-
10. Total annualized income tax. Subtract Line 9 from Line 8.	10.	3,800	2,800	1,845	3,300
11. Applicable percentages	11.	0.225	0.45	0.675	0.90
12. Multiply Line 10 by Line 11.	12.	855	1,260	1,245	2,970
13. Add the amounts in all preceding columns of Line 19a.	13.		700	1,260	1,260
14. Annualized Income Installment. Subtract Line 13 from Line 12. If zero or less, enter "0."	14.	855	560	0	1,710
15. Enter 25% of your required annual payment. (Calculated from example on Page 2 (\$2,800 x .25))	15.	700	700	700	700
16. Enter amount from Line 18 of the preceding column of this schedule.	16.		-0-	140	840
17. Add Line 15 and Line 16.	17.	700	700	840	1,540
18. If Line 17 is more than Line 14, subtract Line 14 from Line 17. Otherwise, enter "0."	18.	-0-	140	840	-0-
19a. Enter the smaller of Line 14 or Line 17. Caution: See instructions.	19a.	700	560	0	1,540
19b. Total required payments for the period. Add Line 13 and Line 19a.	19b.	700	1,260	1,260	2,800
19c. Estimated tax payments made (Line 19d of all previous columns) and Connecticut withholding through the due date for the period (See instructions.)	19c.	-0-	700	1,260	1,260
19d. Estimated tax payment required by the next due date. Subtract Line 19c from Line 19b and enter the result (but not less than "0") here and on your payment coupon.	19d.	700	560	0	1,540

Worksheet CT-1040 AES Instructions

Worksheet is on Page 6.

Before you begin, be sure you have a copy of Form CT-1040ES. You need the worksheet to assist you in calculating your Connecticut adjusted gross income, your estimated tax due, and your required annual payment. You also need the coupon for making your installment payment.

At the end of each payment period, complete the column on *Worksheet CT-1040 AES* for the period from the beginning of the taxable year through the end of that payment period to figure how much estimated tax to pay by the payment due date. For calendar year filers, the payment periods are listed at the top of each column of the worksheet. Taxpayers who are not calendar year filers must follow the payment periods required for federal income tax purposes.

Line 1: Enter your total income plus or minus your adjustments to income for the period. Follow the instructions for Form CT-1040ES, Lines 1, 2, and 3, in figuring your Connecticut adjusted gross income for each period.

Estates and trusts use Connecticut taxable income and the following period ending dates: 2/28, 4/30, 7/31, and 11/30 of the current taxable year.

Line 2: Estates and trusts: Do not use the amounts shown in Columns (a) - (d). Instead use 6, 3, 1.71429, and .09091 as the annualization amounts.

Line 4: Resident individuals must compute the tax for Line 3 using the Tax Calculation Schedule from Form CT-1040ES. Resident estates and trusts multiply Line 3 by 5% (.05).

Nonresidents and part-year residents must use the schedules and worksheets for Form CT-1040NR/PY to determine Connecticut-sourced income. Nonresident trusts and estates and part-year resident trusts must use the schedules and worksheets for Form CT-1041 to determine Connecticut-sourced income. To calculate the tax, complete the worksheet below. Complete a separate worksheet for each period.

a. Annualized adjusted gross income from Line 3 of <i>Worksheet CT-1040 AES</i>	
b. Annualized Connecticut-sourced income	
c. Enter the greater of Line a or Line b	
d. Enter the tax due on Line c using the Tax Calculation Schedule from Form CT-1040ES. Estates and trusts: Multiply Line c by 5% (.05)	
e. Divide Connecticut-sourced income for the period by Connecticut adjusted gross income for the period. This is your allocated Connecticut income tax percentage. If Line b is greater than Line a, enter 1.0000.	•
f. Multiply Line d by Line e. Enter here and on Line 4 of <i>Worksheet CT-1040 AES</i> .	

Line 5: Residents and part-year residents: Enter your allowable credit for income taxes paid to other jurisdictions. Follow the instructions for Form CT-1040 or Form CT-1040NR/PY, *Schedule 2*, to calculate the credit.

Line 7: If you expect to owe federal alternative minimum tax, you may also owe Connecticut alternative minimum tax. Enter your estimated Connecticut alternative minimum tax liability for each period. See the instructions for **Form CT-6251, Connecticut Alternative Minimum Tax Return**, for help on calculating this tax.

Line 9: Include the adjusted net Connecticut minimum tax credit you can claim because of events that occurred during the period. See the instructions for **Form CT-8801, Credit for Prior Year's Connecticut Minimum Tax for Individuals**, for help on calculating this credit.

Line 15: Enter 25% (.25) of your required annual payment as calculated on the worksheet to Form CT-1040ES.

Line 19a: If Line 17 is smaller than Line 14 and Line 15 is based on an estimate of your current year's tax, the amount of which is not certain, enter the amount from Line 14 to avoid an underpayment.

Line 19c: Include all estimated tax payments and Connecticut withholding through the payment due date for the period.

Your withholding is considered paid in four equal installments, one on the due date of each payment period. To compute the amount to include on Line 19c for each period, multiply your total expected withholding for the taxable year by:

25% (.25)	for the first period
50% (.50)	for the second period
75% (.75)	for the third period
100% (1.00)	for the fourth period

You may also choose to include your actual Connecticut withholding through the due date for each period on Line 19c. See *Worksheet CT-1040 AES* on Page 5.

Worksheet CT-1040 AES
Connecticut Annualized Estimated Tax Worksheet
Keep for your records.

Complete each column after the end of each payment period shown. Estates and trusts: Do not use the period ending dates shown to the right. Instead, use 2/28, 4/30, 7/31 and 11/30 of the current taxable year.		(a) January 1 to March 31	(b) January 1 to May 31	(c) January 1 to August 31	(d) January 1 to December 31
1. Enter your Connecticut adjusted gross income for each period. (See instructions.)	1.				
2. Annualized amounts (Estates and trusts, see instructions.)	2.	4	2.4	1.5	1
3. Annualized Connecticut adjusted gross income. Multiply Line 1 by Line 2.	3.				
4. Enter the tax due on the amount on Line 3. (See instructions.)	4.				
5. Credit for income taxes paid to other jurisdictions (Residents and Part-year Residents only: See instructions.)	5	.			
6. Subtract Line 5 from Line 4.	6.				
7. Connecticut Alternative Minimum Tax (See instructions.)	7.				
8. Add Line 6 and Line 7.	8.				
9. Adjusted Net Connecticut Minimum Tax Credit (See instructions.)	9.				
10. Total annualized income tax. Subtract Line 9 from Line 8.	10.				
11. Applicable percentages	11.	0.225	0.45	0.675	0.90
12. Multiply Line 10 by Line 11.	12.				
13. Add the amounts in all preceding columns of Line 19a.	13.				
14. Annualized Income Installment. Subtract Line 13 from Line 12. If zero or less, enter "0."	14.				
15. Enter 25% of your required annual payment.	15.				
16. Enter amount from Line 18 of the preceding column of this schedule.	16.				
17. Add Line 15 and Line 16.	17.				
18. If Line 17 is more than Line 14, subtract Line 14 from Line 17. Otherwise, enter "0."	18.				
19a. Enter the smaller of Line 14 or Line 17. Caution: See instructions.	19a.				
19b. Total required payments for the period. Add Line 13 and Line 19a.	19b.				
19c. Estimated tax payments made (Line 19d of all previous columns) and Connecticut withholding through the due date for the period (See instructions.)	19c.				
19d. Estimated tax payment required by the next due date. Subtract Line 19c from Line 19b and enter the result (but not less than "0") here and on your payment coupon.	19d.				

Effect on Other Documents

Informational Publication 2006(25) is effective for taxable years beginning on or after January 1, 2007, and modifies and supersedes **Informational Publication 2005(27)**.

Effect of This Document

An Informational Publication issued by the Department of Revenue Services (DRS) addresses frequently asked questions about a current position, policy, or practice, usually in a less technical question and answer format.

Related Forms and Publications

Form CT-1040ES, *Estimated Connecticut Income Tax Payment Coupon for Individuals*

Form CT-2210, *Underpayment of Estimated Income Tax by Individuals, Trusts, and Estates*

Informational Publication 2006(20), *Farmer's Guide to Sales and Use Taxes, Motor Vehicle Fuels Tax, Estimated Income Tax, and Withholding Tax*.

Informational Publication 2006(24), *Estimated Connecticut Income Tax*

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

- **1-800-382-9463** (Connecticut calls from outside the Greater Hartford calling area); **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:** Visit the DRS Web site at **www.ct.gov/DRS** to preview and download forms and publications; **or**
 - **Telephone:** Call **1-800-382-9463** (Connecticut calls from outside the Greater Hartford calling area) and select **Option 2** from a touch-tone phone, or **860-297-4753** (from anywhere).
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- **For business returns:** Use **Fast-File** to file sales and use taxes, business use tax, room occupancy tax, estimated corporation business tax, business entity tax, attorney occupational tax, nursing home provider fee, admissions and dues 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 payment of business taxes other than those listed above:** Use **Fast-File** to pay your business taxes over the Internet or by phone. Visit the DRS Web site at **www.ct.gov/DRS** and click on **Electronic Services** for a list of eligible taxes. The ACH debit method is used to make the transfer. No preregistration is required.
 - **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**.
 - **For electronic filing of income tax extensions, estimated payments, and for electronic bill payments:** Use **WebFile** to electronically file personal income tax returns over the Internet. You can also use **WebFile** to make an electronic income tax payment for a prior year. Visit the DRS Web site at **www.ct.gov/DRS** and click on **File/Register OnLine**.
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