

**ARKANSAS INDIVIDUAL INCOME TAX  
PENALTY FOR UNDERPAYMENT  
OF ESTIMATED TAX**

|      |                        |
|------|------------------------|
| Name | Social Security Number |
|------|------------------------|

**PART I EXCEPTION**

If you qualify for an **exception 1 through 5** (see list on back of this form) from the Underestimate Penalty, enter the exception on the line to the right and on Form AR1000/AR1000NR, Box 55A .....

**If you qualify for an exception, stop here.** Do not complete Part II or Part III. Attach this form to Form AR1000/AR1000NR. (To claim exception 6, do not complete Form AR2210. **For exception 6, use Form AR2210A only.**)

**If you do not qualify for an exception, complete Part II below.**

**PART II REQUIRED ANNUAL PAYMENT**

|  |   |  |
|--|---|--|
| 1. Enter your 2009 net tax: (Line 44, Form AR1000 or Line 44D, AR1000NR) .....                                     | 1 |  |
| 2. Enter 90% (.90) of the amount shown on Line 1:.....   | 2 |  |
| 3. Enter 2009 Arkansas income tax withheld: (Line 45, AR1000 or AR1000NR).....                                     | 3 |  |
| 4. Subtract Line 3 from Line 1: (If the result is \$1,000 or less, stop here. Do not complete this schedule.)..... | 4 |  |
| 5. Enter your 2008 net tax: (Line 44, AR1000 or Line 44D, AR1000NR).....   | 5 |  |
| 6. Required annual payment. Enter the smaller of Line 2 or Line 5:.....  | 6 |  |

**If you do not qualify for an exception (Part I) and Line 6 is more than Line 3, complete Part III below.**

| <b>PART III COMPUTING THE PENALTY</b> | <b>PAYMENT DUE DATES</b> |  |  |  |
|---------------------------------------|--------------------------|--|--|--|
|---------------------------------------|--------------------------|--|--|--|

|   | <b>A<br/>4-15-09</b> | <b>B<br/>6-15-09</b> | <b>C<br/>9-15-09</b> | <b>D<br/>1-15-10</b> |
|---|----------------------|----------------------|----------------------|----------------------|
| 7. <b>Required installments.</b> Enter 1/4 (.25) of Line 6, AR2210 in each column: ....   |                      |                      |                      |                      |
| 8. <b>Estimated tax paid and tax withheld.</b> For column A <b>only</b> , enter the amount from Line 8 on Line 12. If Line 8 is equal to or greater than Line 7 for all payment periods, stop here. You do not owe the penalty. Complete Lines 9 through 15 of each column before going to the next column: ..... |                      |                      |                      |                      |
| 9. Enter amount, if any, from Line 15 of previous column:.....  |                      |                      |                      |                      |
| 10. Add Lines 8 and 9:.....   |                      |                      |                      |                      |
| 11. Add amounts on Lines 13 and 14 of previous column:.....   |                      |                      |                      |                      |
| 12. Subtract Line 11 from Line 10. If zero or less, enter 0. For column A only, enter the amount from Line 8: .....   |                      |                      |                      |                      |
| 13. If the amount on Line 12 is zero, subtract Line 10 from Line 11. Otherwise, enter zero:.....  |                      |                      |                      |                      |
| 14. <b>Underpayment.</b> If Line 7 is equal to or greater than Line 12, subtract Line 12 from Line 7. Then go to Line 9 of the next column. Otherwise, go to Line 15:....   |                      |                      |                      |                      |
| 15. <b>Overpayment.</b> If Line 12 is more than Line 7, subtract Line 7 from Line 12, then go to Line 9 of the next column: .....   |                      |                      |                      |                      |
| 16. Number of days <b>from</b> the payment due date shown at top of column <b>to</b> the date the amount on Line 14 was paid, or 4-15-10, whichever is earlier:.....  |                      |                      |                      |                      |
| 17. Underpayment from Line 14 X $\frac{\text{Number of days from Line 16}}{365}$ X .10.....   |                      |                      |                      |                      |

18. **PENALTY.** Add all the amounts on Line 17 in all columns. Enter the total here and on Form AR1000/AR1000NR, Line 55B: .....

# Estimated Income Tax Penalty

1. (a) Every taxpayer subject to the tax levied by the Arkansas Income Tax Act shall make and file with the Commissioner a declaration of the estimated tax for the income year if the taxpayer can reasonably expect the estimated tax (in excess of prepayments) to be more than \$1,000. Prepayments are individual income tax withholdings or individual estimate carryforwards from a prior year.  
No penalty shall be imposed for a tax year if the tax shown on the return for such tax year is \$1,000 or less, or where the original amount of estimated tax is the same amount shown to be due by the return of the taxpayer for the preceding income year where such return showing a liability for tax was filed by the taxpayer for the preceding income year of twelve (12) months.
- (b) The declaration of estimated tax shall be made on such forms and shall include such information as the Commissioner shall prescribe. Individual forms can be obtained by calling (501) 682-1100 or from our website [www.arkansas.gov/dfa](http://www.arkansas.gov/dfa).
- (c) The declaration, with the first payment, must be filed with the Commissioner on or before the fifteenth (15<sup>th</sup>) day of the fourth (4<sup>th</sup>) month of the income year of the taxpayer. The remaining filings and payments are due on the fifteenth (15<sup>th</sup>) day of the sixth (6<sup>th</sup>) month, ninth (9<sup>th</sup>) month, and first (1<sup>st</sup>) month after the close of the income year.
- (d) A taxpayer who, due to change of circumstances, first meets the requirements for filing a declaration after the fifteenth (15<sup>th</sup>) day of the fourth (4<sup>th</sup>) month of the income year, shall make and file the declaration on or before the next regular quarterly tax payment date.
2. (a) A taxpayer who makes a declaration of estimated tax for the income year shall estimate an amount not less than ninety percent (90%) of the amount actually due.
- (b) If a taxpayer fails to make a declaration of estimated tax and pay on the quarterly due date the equivalent to at least ninety percent (90%) of the amount actually due, a penalty of ten percent (10%) per annum shall be added to the amount of the underestimate. The ten percent (10%) per annum penalty will be applied on a quarterly basis. A taxpayer who has an uneven income may compute the ten percent (10%) penalty on an annualized basis. The underestimate penalty is computed on the lesser of the current year's tax liability or the previous year's tax liability.
3. (a) The penalty provided in ACA §26-18-208 (Supp. 1997) for failure to make correct payments of estimated income tax shall not apply to the exceptions noted hereafter.

## EXCEPTIONS

1. Taxpayers whose income from farming for the income year can reasonably be expected to amount to at least two thirds (2/3) of the total gross income from all sources for the income year, may file such declaration and pay the estimated tax on or before the fifteenth (15<sup>th</sup>) day of the second (2<sup>nd</sup>) month after the close of the income year. In lieu of filing any declaration, you may file an income tax return and pay the tax on or before the fifteenth (15<sup>th</sup>) day of the third (3<sup>rd</sup>) month after the close of the income year.
2. In lieu of filing the fourth (4<sup>th</sup>) quarter installment the taxpayer may file an income tax return and pay the tax on or before January 31 or on the last day of the first (1<sup>st</sup>) month after the close of the income year.
3. No penalty shall be imposed for a tax year if:
  - (a) the preceding tax year was a tax year of twelve (12) months, **and**
  - (b) the taxpayer did not have a tax liability for the preceding tax year **and**,
  - (c) the taxpayer was a resident of Arkansas throughout the preceding tax year.
4. No penalty shall be imposed with respect to any underpayment if the Commissioner of Revenue determines that by reasons of casualty, disaster, or other unusual circumstances the imposition of such penalty would be against equity and good conscience.
5. No penalty shall be imposed with respect to any underestimate or underpayment if the Commissioner determines that:
  - (a) the taxpayer
    - (i) retired after having attained age 62, **or**
    - (ii) became disabled in the tax year for which such estimated payments were required to be made or in the tax year preceding such tax year, **and**
  - (b) such underpayment was due to reasonable cause and not to willful neglect.
6. Taxpayers with varied income may benefit by computing the ten percent (10%) penalty on an annualized basis. The penalty is computed using Form AR2210A which must be submitted with Form AR1000/AR1000NR. If penalty computed using Form AR2210A, write "6" on Form AR1000/AR1000NR, Box 55A.

## PENALTY COMPUTATION EXAMPLE

The underpayment of estimated tax shall be computed as follows: The number of days from the due date of the quarterly payment to the date payment is actually made divided by 365, times ten percent (10%), times the amount of underpayment.

|          |     |   |         |
|----------|-----|---|---------|
| EXAMPLE: | (1) | Tax Liability                                     | \$5,000 |
|          | (2) | 90% of Tax Liability                              | \$4,500 |
|          | (3) | Payments  | \$2,000 |
|          | (4) | Line (1) less Line (3)                            | \$3,000 |
|          | (5) | Prior Year Tax Liability                          | \$3,000 |
|          | (6) | Required Annual Payment<br>[Lesser of (2) or (5)] | \$3,000 |

Note: Payments reported on Line (3) shall be deemed to have been paid in four (4) equal payments on the quarterly due dates.

Required Installments..... \$3,000 divided by 4 = \$750  
 Payments..... \$2,000 divided by 4 = \$500

|            |         |                      |                |
|------------|---------|----------------------|----------------|
| Column (a) | 4-15-09 | Required Installment | \$750          |
|            |         | Payment 4-15-09      | \$500          |
|            |         | Underpayment         | \$250          |
|            |         | Paid 6-15-09         | <u>(\$250)</u> |
|            |         |                      | -0-            |

4-15-09 to 6-15-09 = 61 days  
 61/365 X .10 X \$250 = **\$4**

|            |         |                      |                        |
|------------|---------|----------------------|------------------------|
| Column (b) | 6-15-09 | Required Installment | \$750                  |
|            |         | Payment 6-15-09      | \$500                  |
|            |         | Used 4-15-09         | <u>(\$250)</u> (\$250) |
|            |         | Underpayment         | \$500                  |
|            |         | Paid 9-15-09         | <u>(\$500)</u>         |
|            |         |                      | -0-                    |

6-15-09 to 9-15-09 = 92 days  
 92/365 X .10 x \$500 = **\$13**

|            |         |                      |                      |
|------------|---------|----------------------|----------------------|
| Column (c) | 9-15-09 | Required Installment | \$750                |
|            |         | Payment 9-15-09      | \$500                |
|            |         | Used 6-15-09         | <u>(\$500)</u> -0-   |
|            |         | Underpayment         | (\$750)              |
|            |         | Paid 1-15-10         | \$500                |
|            |         | Paid 4-15-10         | <u>\$250</u> (\$750) |
|            |         |                      | -0-                  |

9-15-09 to 1-15-10 = 122 days  
 122/365 X .10 X \$500 = **\$17**  
 9-15-09 to 4-15-10 = 212 days  
 212/365 X .10 X \$250 = **\$15**

|            |         |                      |                    |
|------------|---------|----------------------|--------------------|
| Column (d) | 1-15-10 | Required Installment | \$750              |
|            |         | Payment              | \$500              |
|            |         | Used 9-15-09         | <u>(\$500)</u> -0- |
|            |         | Underpayment         | \$750              |
|            |         | Paid 4-15-10         | <u>(\$750)</u>     |
|            |         |                      | -0-                |

1-15-10 to 4-15-10 = 90 days  
 90/365 X .10 x \$750 = **\$18**

|                              |           |
|------------------------------|-----------|
| First Quarter Penalty .....  | \$ 4      |
| Second Quarter Penalty ..... | 13        |
| Third Quarter Penalty .....  | 32        |
| Fourth Quarter Penalty ..... | <u>18</u> |
| Total Penalty .....          | \$67      |