

Paperwork Reduction Act Notice

We ask for the information on the payment vouchers to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

The time needed to complete the worksheets and prepare and file the payment vouchers will vary depending on individual circumstances. The estimated average time is: **Recordkeeping**, 1 hr., 19 min.; **Learning about the law**, 18 min.; **Preparing the worksheets and payment vouchers**, 49 min.; **Copying, assembling, and sending the payment voucher to the IRS**, 10 min. If you have comments concerning the accuracy of these time estimates or suggestions for making this package simpler, we would be happy to hear from you. You can write to the Tax Forms Committee, Western Area Distribution Center, Rancho Cordova, CA 95743-0001. **DO NOT** send the payment vouchers to this address. Instead, see **Where To File Your Payment Voucher** on page 4.

Purpose of This Package

Use this package to figure and pay your estimated tax. If you are not required to make estimated tax payments for 1996, you may discard this package. Estimated tax is the method used to pay tax on income that is not subject to withholding; for example, earnings from self-employment, interest, dividends, rents, alimony, unemployment compensation, etc.

The estimated tax worksheet on page 3 will help you figure the correct amount to pay. The payment vouchers in this package are for crediting your estimated tax payments to your account correctly. Use the **Record of Estimated Tax Payments** on page 4 to keep track of the payments you have made and the number and amount of your remaining payments.

The payment vouchers are preprinted with your name, address, and social security number. If your **name** or **social security number** is not correct, please make the needed changes on the vouchers. Cross out the name and social security number of a deceased or divorced spouse.

DO NOT use the vouchers in this package to notify the IRS of a **change of address**. If you have a new address, get **Form 8822**, Change of Address, by calling 1-800-TAX-FORM (1-800-829-3676). Send the completed form to the Internal Revenue Service Center where you filed your last tax return. The Service Center will update your record and send you new preprinted payment vouchers.

Note: Continue to use your old preprinted payment vouchers to make payments of estimated tax until you receive the new vouchers. Please do not correct the address on the old vouchers.

Who Must Make Estimated Tax Payments

In most cases, you must make estimated tax payments if you expect to owe, after subtracting your withholding and credits, at least \$500 in tax for 1996, and you expect your withholding and credits to be less than the **smaller** of:

1. 90% of the tax shown on your 1996 tax return, or
2. The tax shown on your 1995 tax return (110% of that amount if you are not a farmer or a fisherman and the adjusted gross income shown on that return is more than \$150,000 or, if married filing separately for 1996, more than \$75,000).

However, if you did not file a 1995 tax return or that return did not cover all 12 months, item 2 does not apply.

For this purpose, household employment taxes are not included when figuring the tax shown on your tax return and are not required to be included when figuring your estimated tax payments. However, you may choose to include these taxes when paying estimated tax to avoid a large balance due at the time your tax return is due.

Exception. You do not have to pay estimated tax if you were a U.S. citizen or resident alien for all of 1995 and you had no tax liability for the full 12-month 1995 tax year.

The estimated tax rules apply to:

- U.S. citizens and residents,
- Residents of Puerto Rico, the Virgin Islands, Guam, the Commonwealth of the Northern Mariana Islands, and American Samoa, and
- Nonresident aliens (use Form 1040-ES (NR)).

If you also receive salaries and wages, you may be able to avoid having to make estimated tax payments by asking your employer to take more tax out of your earnings. To do this, file a new **Form W-4**, Employee's Withholding Allowance Certificate, with your employer.

Caution: You may not make joint estimated tax payments if you or your spouse is a nonresident alien, you are separated under a decree of divorce or separate maintenance, or you and your spouse have different tax years.

Additional Information You May Need

Most of the information you will need can be found in:

Pub. 505, Tax Withholding and Estimated Tax.

Other available information:

Pub. 553, Highlights of 1995 Tax Changes, and

Instructions for the 1995 Form 1040, 1040A, or 1040-T.

To order forms and publications, call 1-800-TAX-FORM (1-800-829-3676). If you have a personal computer and a modem, you can also get forms and publications electronically. For details, see page 34 of the Instructions for Form 1040, page 58 of the Instructions for Form 1040A, or page 41 of the Instructions for Form 1040-T.

If you have tax questions, call 1-800-829-1040 for assistance.

Tax Law Changes Effective for 1996

Use your 1995 tax return as a guide in figuring your 1996 estimated tax, but be sure to consider the changes noted in this section.

Earned Income Credit. You will not be eligible for the credit if your total income from interest (including tax-exempt interest), dividends, and net income from rents and royalties not received in the ordinary course of a trade or business exceeds \$2,350 in 1996.

Standard Deduction for 1996. If you do not itemize your deductions, you may take the 1996 standard deduction listed below:

Filing Status	Standard Deduction
Married filing jointly	
or Qualifying widow(er)	\$6,700
Head of household	\$5,900
Single	\$4,000
Married filing separately	\$3,350

Caution: If you can be claimed as a dependent on another person's 1996 return, your standard deduction is the greater of \$650 or your earned income, up to the standard deduction amount.

An additional amount is added to the standard deduction if:

1. You are an unmarried individual (single or head of household) and are:
 - 65 or older or blind \$1,000
 - 65 or older and blind \$2,000
2. You are a married individual (filing jointly or separately) or a qualifying widow(er) and are:
 - 65 or older or blind \$800
 - 65 or older and blind \$1,600
 - Both spouses 65 or older \$1,600*
 - Both spouses 65 or older and blind \$3,200*

* If married filing separately, these amounts apply only if you can claim an exemption for your spouse.

Pending Legislation

At the time these instructions were printed, Congress was considering major tax legislation. Among the proposed changes are provisions that would:

- Allow a tax credit of up to \$500 for each qualifying dependent child under 18 for taxpayers whose adjusted gross income does not exceed certain threshold amounts.
- Change the tax treatment of capital gains.
- Treat a loss on the sale or exchange of a main home as a deductible capital loss.

For further developments on these and other changes that may affect your 1996 estimated tax, see Pub. 553.

To Figure Your Estimated Tax Use

- The **1996 Estimated Tax Worksheet** on page 3.
- The instructions below for the worksheet on page 3.
- The **1996 Tax Rate Schedules** on page 3.
- Your 1995 tax return and instructions as a guide to figuring your income, deductions, and credits (but be sure to consider the tax law changes noted earlier).

If you receive your income unevenly throughout the year (e.g., you operate your business on a seasonal basis), you may be able to lower or eliminate the amount of your required estimated tax payment for one or more periods by using the annualized income installment method. See Pub. 505 for details.

Instructions for Worksheet on Page 3

Line 1—If you are self-employed, be sure to take into account the deduction for one-half of your self-employment tax. For details on figuring your adjusted gross income, see **Expected Adjusted Gross Income** in Pub. 505.

Line 7—Additional Taxes. Enter additional taxes from **Form 4970**, Tax on Accumulation Distribution of Trusts, or **Form 4972**, Tax on Lump-Sum Distributions.

Line 9—Credits. See the 1995 Form 1040, lines 41 through 45; Form 1040A, lines 24a and 24b; or Form 1040-T, line 27; and the related instructions.

Line 11—Self-Employment Tax. If you and your spouse make joint estimated tax payments and you both have self-employment income, figure the self-employment tax for each of you separately. Enter the total on line 11. When figuring your estimate of 1996 net earnings from self-employment, be sure to use only 92.35% of your total net profit from self-employment.

Line 12—Other Taxes. Except as noted below, enter any other taxes, such as alternative minimum tax and the tax on early distributions from a qualified retirement plan (including your IRA), annuity, or modified endowment contract (entered into after June 20, 1988).

Do not include tax on recapture of a Federal mortgage subsidy, social security and Medicare tax on unreported tip income, household employment taxes, or uncollected employee social security and Medicare or RRTA tax on tips or group-term life insurance. These taxes are not required to be paid until your income tax return is due (not including extensions).

Payment Due Dates

You may pay all of your estimated tax by April 15, 1996, or in four equal amounts by the dates shown below:

1st payment	April 15, 1996
2nd payment	June 17, 1996
3rd payment	Sept. 16, 1996
4th payment	Jan. 15, 1997*

* You do not have to make the payment due January 15, 1997, if you file your 1996 tax return by January 31, 1997, **AND** pay the entire balance due with your return.

Note: *Payments are due by the dates indicated whether or not you are outside the United States and Puerto Rico.*

If, after March 31, 1996, you have a large change in income, deductions, additional taxes, or credits that requires you to start making estimated tax payments, you should figure the amount of your estimated tax payments by using the annualized income installment method, as explained in Pub. 505. Although your payment due dates will be the same as shown above, the payment amounts will vary based on your income, deductions, additional taxes, and credits for the months ending before each payment due date. As a result, this method may allow you to skip or lower the amount due for one or more payments. If you use the annualized income installment method, be sure to file **Form 2210**, Underpayment of Estimated Tax by Individuals, Estates, and Trusts, with your 1996 tax return, even if no penalty is owed.

Farmers and Fishermen. If at least two-thirds of your gross income for 1995 or 1996 is from farming or fishing, you may do one of the following:

- Pay all of your estimated tax by January 15, 1997, or
- File your 1996 Form 1040 by March 3, 1997, and pay the total tax due. In this case, 1996 estimated payments are not required.

Fiscal Year Taxpayers. You are on a fiscal year if your 12-month tax period ends on any day except December 31. Due dates for fiscal year taxpayers are the 15th day of the 4th, 6th, and 9th months of your current fiscal year and the 1st month of the following fiscal year. If any payment date falls on a Saturday, Sunday, or legal holiday, use the next business day.

Amending Estimated Tax Payments

To change or amend your estimated payments, refigure your total estimated payments due (line 16 of the worksheet on page 3). Then use the worksheets under **Amended estimated tax** in Chapter 2 of Pub. 505 to figure the payment due for each remaining payment period. If an estimated tax payment for a previous period is less than one-fourth of your amended estimated tax, you may owe a penalty when you file your return.

1996 Estimated Tax Worksheet (keep for your records)

1 Enter amount of adjusted gross income you expect in 1996 (see instructions)	1		
2 • If you plan to itemize deductions, enter the estimated total of your itemized deductions. Caution: If line 1 above is over \$117,950 (\$58,975 if married filing separately), your deduction may be reduced. See Pub. 505 for details. • If you do not plan to itemize deductions, see Standard Deduction for 1996 on page 1, and enter your standard deduction here.	2		
3 Subtract line 2 from line 1	3		
4 Exemptions. Multiply \$2,550 by the number of personal exemptions. If you can be claimed as a dependent on another person's 1996 return, your personal exemption is not allowed. Caution: If line 1 above is over \$176,950 (\$147,450 if head of household; \$117,950 if single; \$88,475 if married filing separately), get Pub. 505 to figure the amount to enter . . .	4		
5 Subtract line 4 from line 3	5		
6 Tax. Figure your tax on the amount on line 5 by using the 1996 Tax Rate Schedules below. DO NOT use the Tax Table or the Tax Rate Schedules in the 1995 Form 1040, Form 1040A, or Form 1040-T instructions. Caution: If you have a net capital gain and line 5 is over \$96,900 (\$83,050 if head of household; \$58,150 if single; \$48,450 if married filing separately), get Pub. 505 to figure the tax . . .	6		
7 Additional taxes (see instructions)	7		
8 Add lines 6 and 7	8		
9 Credits (see instructions). Do not include any income tax withholding on this line	9		
10 Subtract line 9 from line 8. Enter the result, but not less than zero	10		
11 Self-employment tax (see instructions). Estimate of 1996 net earnings from self-employment \$; if \$62,700 or less , multiply the amount by 15.3%; if more than \$62,700 , multiply the amount by 2.9%, add \$7,774.80 to the result, and enter the total. Caution: If you also have wages subject to social security tax, get Pub. 505 to figure the amount to enter . .	11		
12 Other taxes (see instructions)	12		
13a Add lines 10 through 12	13a		
b Earned income credit and credit from Form 4136	13b		
c Subtract line 13b from line 13a. Enter the result, but not less than zero. THIS IS YOUR TOTAL 1996 ESTIMATED TAX ►	13c		
14a Multiply line 13c by 90% (66⅔% for farmers and fishermen)	14a		
b Enter the tax shown on your 1995 tax return (110% of that amount if you are not a farmer or a fisherman and the adjusted gross income shown on that return is more than \$150,000 or, if married filing separately for 1996, more than \$75,000)	14b		
c Enter the smaller of line 14a or 14b. THIS IS YOUR REQUIRED ANNUAL PAYMENT TO AVOID A PENALTY ► Caution: Generally, if you do not prepay (through income tax withholding and estimated tax payments) at least the amount on line 14c, you may owe a penalty for not paying enough estimated tax. To avoid a penalty, make sure your estimate on line 13c is as accurate as possible. Even if you pay the required annual payment, you may still owe tax when you file your return. If you prefer, you may pay the amount shown on line 13c. For more details, get Pub. 505.	14c		
15 Income tax withheld and estimated to be withheld during 1996 (including income tax withholding on pensions, annuities, certain deferred income, etc.)	15		
16 Subtract line 15 from line 14c. (Note: If zero or less, or line 13c minus line 15 is less than \$500, stop here. You are not required to make estimated tax payments.)	16		
17 If the first payment you are required to make is due April 15, 1996, enter ¼ of line 16 (minus any 1995 overpayment that you are applying to this installment) here and on your payment voucher(s)	17		

1996 Tax Rate Schedules

Caution: Do not use these Tax Rate Schedules to figure your 1995 taxes. Use only to figure your 1996 estimated taxes.

Single—Schedule X				Head of household—Schedule Z			
If line 5 is:		The tax is:		If line 5 is:		The tax is:	
Over—	But not over—		of the amount over—	Over—	But not over—		of the amount over—
\$0	\$24,000	15%	\$0	\$0	\$32,150	15%	\$0
24,000	58,150	\$3,600.00 + 28%	24,000	32,150	83,050	\$4,822.50 + 28%	32,150
58,150	121,300	13,162.00 + 31%	58,150	83,050	134,500	19,074.50 + 31%	83,050
121,300	263,750	32,738.50 + 36%	121,300	134,500	263,750	35,024.00 + 36%	134,500
263,750		84,020.50 + 39.6%	263,750	263,750		81,554.00 + 39.6%	263,750

Married filing jointly or Qualifying widow(er)—Schedule Y-1				Married filing separately—Schedule Y-2			
If line 5 is:		The tax is:		If line 5 is:		The tax is:	
Over—	But not over—		of the amount over—	Over—	But not over—		of the amount over—
\$0	\$40,100	15%	\$0	\$0	\$20,050	15%	\$0
40,100	96,900	\$6,015.00 + 28%	40,100	20,050	48,450	\$3,007.50 + 28%	20,050
96,900	147,700	21,919.00 + 31%	96,900	48,450	73,850	10,959.50 + 31%	48,450
147,700	263,750	37,667.00 + 36%	147,700	73,850	131,875	18,833.50 + 36%	73,850
263,750		79,445.00 + 39.6%	263,750	131,875		39,722.50 + 39.6%	131,875

When a Penalty Is Applied

In some cases, you may owe a penalty when you file your return. The penalty is imposed on each underpayment for the number of days it remains unpaid. A penalty may be applied if you did not pay enough estimated tax, or you did not make the payments on time or in the required amount. A penalty may apply even if you have an overpayment on your tax return.

The penalty may be waived under certain conditions. See Pub. 505 for details.

How To Complete and Use the Payment Voucher

There is a separate payment voucher for each due date. Please be sure you use the voucher with the correct due date shown in the upper right corner. Complete and send in the voucher **only** if you are making a payment. To complete your voucher:

- Enter in the space provided on the payment voucher only the amount you are sending in. When making payments of

estimated tax, be sure to take into account any 1995 overpayment that you choose to credit against your 1996 tax, but do not include the overpayment amount in this space.

- Enclose your payment, making the check or money order payable to: "Internal Revenue Service" (not "IRS").
- Write your social security number and "1996 Form 1040-ES" on your check or money order.
- Do not staple or attach your payment to the voucher.
- Mail your payment voucher to the address shown on the right side of the voucher.
- Fill in the **Record of Estimated Tax Payments** below for your files.

If you changed your name and made estimated tax payments using your old name, attach a statement to the front of your 1996 tax return. List all of the estimated tax payments you and your spouse made for 1996, the address where you made the payments, and the name(s) and social security number(s) under which you made the payments.

If you and your spouse plan to file separate returns, file separate payment vouchers instead of a joint voucher.

Record of Estimated Tax Payments (see page 2 for correct payment due dates)

Payment number	(a) Date	(b) Check or money order number	(c) Amount paid	(d) 1995 overpayment credit applied	(e) Total amount paid and credited (add (c) and (d))
1					
2					
3					
4					
Total.	▶				

Where To File Your Payment Voucher

Mail your payment voucher to the address shown on the right side of the payment voucher. Only the U.S. Postal Service can deliver to this address. Use the window envelopes that were included with the vouchers. **Do not** mail your tax return to this address. Also, do not mail your estimated tax payments to the address shown in the Form 1040, 1040A, or 1040-T instructions.

Note: Residents of Guam and the Virgin Islands, mail your payment voucher to the appropriate address shown below.

Guam:
Nonpermanent residents

Internal Revenue Service
P.O. Box 8318
Philadelphia, PA 19162-8318

Permanent residents*

Department of Revenue and Taxation
Government of Guam
Building 13-1 Mariner Avenue
Tiyjan Barrigada, GU 96913

* You must prepare separate vouchers for estimated income tax and self-employment tax payments. Send the income tax vouchers to the Guam address and the self-employment tax vouchers to the address for Guam nonpermanent residents shown above.

Virgin Islands:
Nonpermanent residents

Internal Revenue Service
P.O. Box 8318
Philadelphia, PA 19162-8318

Permanent residents*

V.I. Bureau of Internal Revenue
9601 Estate Thomas
Charlotte Amalie
St. Thomas, VI 00802

* You must prepare separate vouchers for estimated income tax and self-employment tax payments. Send the income tax vouchers to the Virgin Islands address and the self-employment tax vouchers to the address for Virgin Islands nonpermanent residents shown above.