





# 1998 Instructions for Form 540-ES

## Estimated Tax For Individuals

### A Purpose

Use this form to make installment payments of estimated tax. Estimated tax is the tax you expect to owe for 1998 after subtracting the tax you expect to have withheld and any credits you plan to take. Use these instructions and the Estimated Tax Worksheet to determine if you owe estimated tax and to figure the required installment amount. The required installment amount is based on the lesser of 80% of the current year's tax or 100% of the prior year's tax.

### B Who Must Make Estimated Tax Payments

**Important note:** California and federal estimated tax payment requirements are not the same.

Generally, you must make 1998 estimated tax payments unless:

- More than 80% of your 1997 tax was paid by withholding; or
- More than 80% of your 1998 California adjusted gross income (AGI) will be wages subject to withholding; or
- More than 80% of your 1998 tax will be paid by withholding; or
- Your tax for 1997 (after subtracting withholding and credits) was less than \$100; or
- Your tax for 1998 (after subtracting withholding and credits) will be less than \$100.

Generally, you and your spouse may file either joint or separate payment vouchers. However, you must make separate estimated tax payments if:

- You are separated under a decree of divorce or separate maintenance; or
- You and your spouse have different taxable years.

If you make joint estimated tax payments but you and your spouse do not file a joint return for the taxable year, you and your spouse must agree on how to divide the estimated tax payments. You and your spouse may agree to claim the entire estimated tax on either spouse's separate return or divide the payments in any manner.

### C When To Make Your Estimated Tax Payments

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. The chart below lists the payment periods and due dates.

For the period	The payment due date is
January 1 through March 31, 1998	April 15, 1998
April 1 through May 31, 1998	June 15, 1998
June 1 through August 31, 1998	September 15, 1998
Sept. 1 through Dec. 31, 1998	January 15, 1999

**Filing An Early Return In Place of the 4th Installment.** If you file your 1998 tax return by February 1, 1999, and pay the entire balance due, you do not have to make your last estimated tax payment.

**Annualization Option.** If you do not receive your taxable income evenly during the year, it may be to your advantage to annualize your income. This method allows you to match your estimated tax payments to the actual period when you earned the income. You may use the annualization schedule included with form FTB 5805, Underpayment of Estimated Tax by Individuals and Fiduciaries.

**Farmers and Fishermen.** If at least two-thirds of your gross income for 1997 or 1998 is from farming or fishing, you may:

- Pay all of your estimated tax by January 15, 1999; or
- File your tax return for 1998 on or before March 1, 1999 and pay the total tax due. In this case, you need not make estimated tax payments for 1998. Attach form FTB 5805F, Underpayment of Estimated Tax by Farmers and Fishermen to the front of your return.

**Fiscal Year.** If you file your return on a fiscal year basis, your due dates will be the 15th day of the 4th, 6th and 9th months of your fiscal year and the 1st month of the following fiscal year. If a due date falls on a Saturday, Sunday or legal holiday, the next regular workday is the due date.

### D How To Use Form 540-ES Payment Voucher

Use the Estimated Tax Worksheet and your 1997 California income tax return as a guide for figuring your 1998 estimated tax. There is a separate payment voucher for each due date. Please be sure you use the voucher with the correct due date shown on the right side of the voucher.

Fill in Form 540-ES:

1. Print your name, address and social security number in the space provided on Form 540-ES. Use black or blue ballpoint pen. The scanning machines may not be able to read other colors of ink or pencil. Print all names and words in CAPITAL LETTERS. Print letters and numbers inside boxes. Fill in your name as in the following example:

Your first name	Initial	Last name
J O H N	A	D O E

If your name or address is too long to fit in the boxes provided do not shorten your name or address. Instead, ignore the boxes and fit the information in the space provided. Example:

Your first name	Initial	Last name
JONATHAN	A	ZIGGZEPHYRSTONE

2. Enter in the payment box of the voucher only the amount you are sending in. When making payments of estimated tax, be sure to take into account any 1997 overpayment that you chose to credit against your 1998 tax, but do not include the overpayment amount in the amount of your payment. Therefore, the amount shown on line 19 of the Estimated Tax Worksheet should be reduced by any overpaid tax on your 1997 return that you chose to apply toward your 1998 estimated tax payment.
3. Make your check or money order payable to "**Franchise Tax Board.**" Write your social security number and "Form 540-ES 1998" on the check or money order. Mail your Form 540-ES and your check or money order to:  
540-ES UNIT  
FRANCHISE TAX BOARD  
PO BOX 942867  
SACRAMENTO CA 94267-0031
4. Fill in the Record of Estimated Tax Payments (located on the bottom of the Estimated Tax Worksheet) for your files.
5. **Fiscal year filers:** If you file your return on a fiscal year basis, be sure to fill in the month as in the following example:

month

### E Failure To Make Estimated Tax Payments

If you are required to make estimated tax payments and do not, or if you underpay any installment, a penalty will be assessed (with certain exceptions) on the portion of estimated tax that was underpaid from the due date of the installment to the date of payment or the due date of your tax return, whichever is earlier. For more information, refer to form FTB 5805.

1998 Estimated Tax Worksheet Keep this worksheet for your records.

**Caution:** If your adjusted gross income (AGI) is over \$114,152, your itemized deductions and your exemption credits may be limited. See the instructions for Form 540 or Form 540NR for more information.

**1 Residents:** Enter your estimated 1998 California AGI . . . . . **1** \_\_\_\_\_  
**Nonresidents and part-year residents:** Enter your estimated 1998 total AGI from all sources.

**2 a** If you plan to itemize deductions, enter the estimated total of your itemized deductions . . . . . **2a** \_\_\_\_\_  
**b** If you do not plan to itemize deductions, enter the standard deduction for your filing status:  
 \$2,583 if you are single or married filing a separate return  
 \$5,166 if you are married filing a joint return, head of household or a qualifying widow(er) . . . . . **2b** \_\_\_\_\_  
**c** Enter the amount from line 2a or line 2b, whichever applies . . . . . **2c** \_\_\_\_\_

**3** Subtract line 2c from line 1 . . . . . **3** \_\_\_\_\_

**4** Tax. Figure your tax on the amount on line 3 using the 1997 tax table or tax rate schedule in the instructions for Form 540, Form 540A or Form 540NR; or form FTB 3800, Tax Computation for Children with Investment Income. Also include any tax from form FTB 3803, Parents' Election to Report Child's Interest and Dividends . . . . . **4** \_\_\_\_\_

**5 Residents:** Skip to line 6.  
**Nonresidents and part-year residents:**  
**a** Compute this ratio: Estimated 1998 California AGI (using Form 540NR) = \_\_\_\_\_ **5a** \_\_\_\_\_  
Estimated 1998 AGI from all sources (using Form 540NR)  
**b** Multiply the amount on line 4 by the ratio on line 5a. Enter the result on line 5b . . . . . **5b** \_\_\_\_\_

**6 Residents:** Enter the exemption credit amount from the 1997 instructions for Form 540, or Form 540A . . . . . **6** \_\_\_\_\_  
**Nonresidents or part-year residents:** Multiply the total exemption credit amount from the 1997 instructions for Form 540NR by the ratio on line 5a.

**7 Residents:** Subtract line 6 from line 4 . . . . . **7** \_\_\_\_\_  
**Nonresidents or part-year residents:** Subtract line 6 from line 5b.

**8** Tax on accumulation distribution of trusts. See instructions for form FTB 5870A . . . . . **8** \_\_\_\_\_

**9** Add line 7 and line 8 . . . . . **9** \_\_\_\_\_

**10** Credits for joint custody head of household, dependent parent and senior head of household (1997 amounts) . . . . . **10** \_\_\_\_\_  
**Nonresidents and part-year residents:** Multiply the total 1997 credit amount by the ratio on line 5a.

**11** Subtract line 10 from line 9 . . . . . **11** \_\_\_\_\_

**12** Other credits such as other state tax credit. See your 1997 instructions for Form 540, Form 540A or Form 540NR . . . . . **12** \_\_\_\_\_

**13** Subtract line 12 from line 11 . . . . . **13** \_\_\_\_\_

**14** Interest on deferred tax from installment obligations under IRC Section 453 or 453A . . . . . **14** \_\_\_\_\_

**15** 1998 Estimated Tax. Add line 13 and line 14. Enter the result, but not less than zero . . . . . **15** \_\_\_\_\_

**16 a** Enter 80% (66% for farmers and fishermen) of line 15 . . . . . **16a** \_\_\_\_\_  
**b** Enter 100% of the tax shown on your 1997 Form 540, line 34; Form 540A, line 23 or Form 540NR, line 43 . . . . . **16b** \_\_\_\_\_  
**c** Required Annual Payment. Enter the lesser of line 16a or line 16b. . . . . **16c** \_\_\_\_\_

**Caution:** Generally, if you do not prepay at least the amount on line 16c, you may owe a penalty for not paying enough estimated tax. To avoid a penalty, make sure your estimated tax on line 15 is as accurate as possible. If you prefer, you may pay 100% of your 1998 estimated tax (line 15).

**17** California income tax withheld and estimated to be withheld during 1998 (include withholding on pensions, annuities, etc) . . . . . **17** \_\_\_\_\_

**18** Balance. Subtract line 17 from line 16c. If less than \$100 (or less than \$50, if married filing separate), you do not have to make a payment at this time. . . . . **18** \_\_\_\_\_

**19** Installment amount. Divide the amount on line 18 by 4. Enter the result here and on each of your Forms 540-ES. If you will earn your income at an uneven rate during the year, see, Annualization Option, in the instructions under paragraph C . . . . . **19** \_\_\_\_\_ .00

Record of Estimated Tax Payments

Payment voucher number	(a) Date	(b) Amount paid	(c) 1997 overpayment applied	(d) Total amount paid and credited (add (b) and (c))
1		\$	\$	\$
2				
3				
4				
<b>Total</b>		\$	\$	\$

Mail your Form 540-ES payment vouchers to: 540-ES UNIT, FRANCHISE TAX BOARD, PO BOX 942867, SACRAMENTO CA 94267-0031.