

2004 Instructions for Form 540-ES

Estimated Tax For Individuals

A Purpose

Use this form to figure and pay your estimated tax. **Estimated tax is the tax you expect to owe for 2004 after subtracting the tax you expect to have withheld and any credits you plan to take.** These estimated tax payments do not apply to your 2003 tax liability. Use these instructions and the 2004 Estimated Tax Worksheet to determine if you owe estimated tax for 2004 and to figure the required amount. If you need to make a payment for your 2003 tax liability, make a separate payment for any balance due shown on your 2003 tax return. Use form FTB 3519, Payment Voucher for Automatic Extension for Individuals, or form FTB 3567, Installment Agreement Request, or call (800) 338-0505.

Generally, the required estimated tax amount is based on the lesser of 90% of the current year's tax or 100% of the prior year's tax. **Note:** Certain taxpayers are limited in their use of the prior year's tax as a basis for figuring their estimated tax. See paragraph C for more information. You can check the estimated payments we've received by going to our Website at www.ftb.ca.gov and clicking "Check Account Balance."

If you increase your withholding, more of your 2004 state tax liability will be withheld throughout the year. Doing so could eliminate the need to make a large payment with your tax return. Or, it could eliminate the need to make quarterly estimate payments. To increase your withholding, complete Employment Development Department (EDD) Form DE-4, Employee's Withholding Allowance Certificate, and give it to your employer's appropriate payroll staff. You can obtain this form by calling EDD at (888) 745-3886 or through the Internet at www.edd.ca.gov/taxrep/de4.pdf, or you can get this form from your employer.

Note: Form DE 4 specifically adjusts your California state withholding and is not the same as the Federal Form W-4, Employee's Withholding Allowance Certificate.

B Who Must Make Estimated Tax Payments

Generally, you must make estimated tax payments if you expect to owe at least \$200 (\$100 if married filing separately) in tax for 2004 (after subtracting withholding and credits) and you expect your withholding and credits to be less than the **smaller** of:

1. 90% of the tax shown on your 2004 tax return; or
2. The tax shown on your 2003 tax return.

Note: You do not have to make estimated tax payments if you are a nonresident or new resident of California in 2004 and did not have a California tax liability in 2003.

If you and your spouse paid joint estimated tax payments, but are now filing separate returns, either of you may claim all of the amount paid, or you may each claim part of the joint estimated payments. If you want the estimated tax payments to be divided, notify the FTB before the end of the tax year in which you wish to file separate returns so that the payments can be applied to the proper account. The FTB will accept in writing, any divorce agreement (or court ordered settlement) or a statement showing the allocation of the payments along with a notarized signature of both taxpayers. The statements should be sent to:

JOINT ESTIMATE CREDIT ALLOCATION M/S F-225
TAXPAYER SERVICES CENTER
FRANCHISE TAX BOARD
PO BOX 942840
SACRAMENTO CA 94240-0040

C Limit on the Use of Prior Year's Tax

Individuals who are required to make estimated payments, and whose 2003 adjusted gross income is more than \$150,000 (or \$75,000 if married filing separately), must figure estimated tax based on the lesser of 90% of their tax for 2004 or 110% of their tax for 2003. This rule does not apply to farmers or fishermen.

D 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 payment periods and due dates are:

For the payment period:

January 1 through March 31, 2004
April 1 through May 31, 2004
June 1 through August 31, 2004
Sept. 1 through Dec. 31, 2004

Due date:

April 15, 2004
June 15, 2004
September 15, 2004
January 18, 2005

Filing an Early Return In Place of the 4th Installment. If you file your 2004 tax return by January 31, 2005, 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 the 2003 form FTB 5805, Underpayment of Estimated Tax by Individuals and Fiduciaries.

Farmers and Fishermen. If you are a farmer or fisherman, and at least two-thirds of your 2003 and 2004 gross income is from farming or fishing, you may:

- Pay all of your estimated tax by January 18, 2005; or
- File your tax return for 2004 on or before March 1, 2005, and pay the total tax due. In this case, you need not make estimated tax payments for 2004. Use form FTB 5805F, Underpayment of Estimated Tax by Farmers and Fishermen, to determine if you paid the required estimated tax. If the estimated tax is underpaid, attach the completed form FTB 5805F to the back 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, use the next business day.

E How to Use Form 540-ES Payment Voucher

Use the Estimated Tax Worksheet and your 2003 California income tax return as a guide for figuring your 2004 estimated tax. **Caution:** If you filed Form 540 2EZ for 2003, do not use the Form 540 2EZ instructions for figuring amounts on this worksheet. Instead, get the 2003 California Resident Income Tax Booklet.

Note: This form is not an application for an installment agreement. If you are not able to pay your income tax, get FTB 3567, Installment Agreement Request Booklet or complete the form on line. Visit our Website at www.ftb.ca.gov.

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 top margin of the voucher.

Complete Form 540-ES using black or blue ink:

1. Print your name, address, and social security number in the space provided on Form 540-ES.
2. Complete the payment box of the voucher by entering the amount of the payment that you are sending. Your entry must match the amount you are sending. Be sure that the amount shown on line 20 of the Estimated Tax Worksheet has been reduced by any overpaid tax on your 2003 return that you chose to apply toward your 2004 estimated tax payment.
3. Paying your tax:
 - Check or money order** – make your check or money order payable to "Franchise Tax Board." Write your social security number and "Form 540-ES 2004" on it and mail to the address on the voucher.
 - Web Payment** – To make a payment on line or to schedule a future payment (up to one year in advance), visit our Website at www.ftb.ca.gov and select "Payment Options." **Do not mail** the voucher to us.
 - Credit card** – Call (800) 272-9829 or visit the Website www.officialpayments.com. You will be charged a fee for this service. **Do not mail** the voucher if you pay by credit card.
4. Complete the Record of Estimated Tax Payments on page 2 for your files.
5. **Fiscal year filers:** Enter the month of your fiscal year end (located directly below the form's title).

F 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 may be assessed 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. Refer to the 2003 form FTB 5805 for more information.

2004 Estimated Tax Worksheet Keep this worksheet for your records.

- 1 Residents:** Enter your estimated 2004 California AGI. **Nonresidents and part-year residents:** Enter your estimated 2004 total AGI from all sources **1** _____
- 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:
 \$3,070 if you are single or married filing a separate return
 \$6,140 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 2003 tax table or tax rate schedules in the instructions for Form 540, Form 540A, or Long Form 540NR. Also include any tax from form FTB 3800, Tax Computation for Children with Investment Income; or form FTB 3803, Parents' Election to Report Child's Interest and Dividends **4** _____
- 5 Residents:** Skip to line 6a. **Nonresidents and part-year residents:**
a Enter your estimated California taxable income from Schedule CA (540NR), Part IV, line 46 **5a** _____
b Compute the CA Tax Rate: Tax on total taxable income from line 4 **5b** _____
 Total taxable income from line 3
c Multiply the amount on line 5a by the CA Tax Rate on line 5b **5c** _____
- 6 a Residents:** Enter the exemption credit amount from the 2003 instructions for Form 540 or Form 540A **6a** _____
b Nonresidents or part-year residents: Enter the CA credit proration percentage. Divide line 5a by line 3. If more than 1 enter 1.0000 .. **6b** _____
- 7 Nonresidents:** CA prorated Exemption credits. Multiply the total exemption credit amount by line 6b **7** _____
- 8 Residents:** Subtract line 6a from line 4. Nonresidents or part-year residents subtract line 7 from line 5c. **8** _____
- 9** Tax on accumulation distribution of trusts. See instructions for form FTB 5870A **9** _____
- 10** Add line 8 and line 9 **10** _____
- 11** Credits for joint custody head of household, dependent parent, senior head of household, child and dependent care expenses, and long-term care. **11** _____
Nonresidents and part-year residents: For the child and dependent care expenses credit, use the amount from your 2003 Long Form 540NR, line 54. For the other credits listed on line 11, multiply the total 2003 credit amount by the ratio on line 6b.
- 12** Subtract line 11 from line 10 **12** _____
- 13** Other credits (such as other state tax credit). See the 2003 instructions for Form 540, Form 540A, or Long Form 540NR **13** _____
- 14** Subtract line 13 from line 12 **14** _____
- 15** Interest on deferred tax from installment obligations under IRC Sections 453 or 453A **15** _____
- 16** 2004 Estimated Tax. Add line 14 and line 15. Enter the result, but not less than zero **16** _____
- 17 a** Multiply line 16 by 90% (.90). Farmers and fishermen multiply line 16 by 66 2/3% (.6667) **17a** _____
b Enter 100% of the tax shown on your 2003 Form 540, line 34; Form 540A, line 23; or Long Form 540NR, line 43 **17b** _____
c Enter the amount from your 2003 Form 540, line 17; Form 540A, line 14; or Long Form 540NR, line 21 **17c** _____
d Is the amount on line 17c more than \$150,000 (\$75,000 if married filing a separate return)?
Yes. Go to line 17e. **No.** Enter the lesser of line 17a or line 17b. Skip line 17e and 17f and go to line 18 **17d** _____
e Multiply 110% (1.10) by the tax shown on your 2003 Form 540, line 34; Form 540A, line 23; or Long Form 540NR, line 43. Go to line 17f **17e** _____
f Enter the lesser of line 17a or line 17e and go to line 18 **17f** _____
- Caution:** Generally, if you do not prepay at least the amount on line 17d (or 17f if no amount on line 17d), you may owe a penalty for not paying enough estimated tax. To avoid a penalty, make sure your estimated tax on line 16 is as accurate as possible. If you prefer, you may pay 100% of your 2004 estimated tax (line 16).
- 18** California income tax withheld and estimated to be withheld during 2004 (include withholding on pensions, annuities, etc) **18** _____
- 19 Balance.** Subtract line 18 from line 17d (or line 17f if no amount on line 17d). If less than \$200 (or less than \$100, if married filing separately), you do not have to make a payment at this time **19** _____
- 20 Installment** amount. Divide the amount on line 19 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 D **20** _____

Record of Estimated Tax Payments

Payment voucher number	(a) Date	(b) Amount paid	(c) 2003 overpayment applied	(d) Total amount paid and credited add (b) and (c)
1		\$	\$	\$
2				
3				
4				
Total		\$	\$	\$