2010 Instructions for Form 540-ES Estimated Tax For Individuals

What's New

Same- Sex Married Couples – For information regarding estimate tax payments, get 2009 FTB Pub. 776, Tax Information for Same-Sex Married Couples.

Installment Payments – Installments due for each taxable year beginning on or after January 1, 2010 shall be thirty percent of the required annual payment for the 1st required installment, forty percent of the required annual payment for the 2nd required installment, no installment is due for the 3rd required installment, and thirty percent of the required annual payment for the 4th required installment.

General Information

Taxpayers are required to remit their payments electronically if they make an estimate or extension payment exceeding $20,000 for taxable year 2009, or the total tax liability shown on their original 2009 tax return exceeds $80,000. Once you meet the threshold, all subsequent payments regardless of amount, tax type, or taxable year must be remitted electronically. Individuals that do not send the payment electronically will be subject to a one percent noncompliance penalty. Electronic payments can be made using Web Pay on Franchise Tax Board's (FTB's) website, electronic funds withdrawal (EFW) as part of the e-file return, or your credit card. For more information go to **ftb.ca.gov** and search for **mandatory epay**.

A Purpose

Use Form 540-ES, Estimated Tax for Individuals, and the 2010 Estimated Tax Worksheet, to determine if you owe estimated tax for 2010 and to figure the required amounts. Estimated tax is the tax you expect to owe in 2010 after subtracting the credits you plan to take and tax you expect to have withheld.

If you need to make a payment for your 2009 tax liability or make a separate payment for any balance due on your 2009 tax return, use form FTB 3519, Payment for Automatic Extension for Individuals.

Certain taxpayers are limited in their use of the prior year's tax as a basis for figuring their estimated tax. See paragraph C below for more information. Check for estimated payments we've received at **ftb.ca.gov** and search for **myftb account**.

Increasing your withholding could eliminate the need to make a large payment with your tax return. 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 get this form from your employer, or by calling EDD at **888**.745.3886. You can download the Form DE 4 from EDD's website at **www.edd.ca.gov** or go to **ftb.ca.gov** and search for **de 4**.

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 $500 ($250 if married/RDP filing separately) in tax for 2010 (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 2010 tax return.
2. The tax shown on your 2009 tax return including AMT.

Note:

- You do not have to make estimated tax payments if you are a nonresident or new resident of California in 2010 and did not have a California tax liability in 2009, see Section C for more information.
- If you are a military servicemember not domiciled in California, do not include your military pay in your computation of estimated tax payments. If you are the nonmilitary spouse of a servicemember you may or may not need to include your pay in your computation of estimated tax payments. For more information, get FTB Pub. 1032, Tax Information for Military Personnel.

If you and your spouse/RDP paid joint estimated tax payments, but are now filing separate income tax 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 you file the income tax 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 MS F225, 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 tax payments, and whose 2009 adjusted gross income is more than $150,000 (or $75,000 if married/RDP filing separately), must figure estimated tax based on the lesser of 90% of their tax for 2010 or 110% of their tax for 2009 including AMT. This rule does not apply to farmers or fishermen.

Taxpayers with 2010 adjusted gross income equal to or greater than $1,000,000 (or $500,000 if married/RDP filing separately), must figure estimated tax based on their tax for 2010.

D When to Make Your Estimated Tax Payments

Pay your estimated payments by the dates shown below:

1st payment . . . . . April 15, 2010	2nd payment . . . . June 15, 2010
3rd payment . . . . . September 15, 2010	4th payment . . . . January 18, 2011

Filing an Early Return In Place of the 4th Installment. If you file your 2010 tax return by January 31, 2011, and pay the entire balance due, you do not have to make your last estimated tax payment. In addition, you will not owe a penalty for the fourth installment.

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 2009 form FTB 5805, Underpayment of Estimated Tax by Individuals and Fiduciaries. Substitute the percentages on line 15 with 27%, 63%, 63%, and 90%.

Farmers and Fishermen. If you are a farmer or fisherman, and at least two-thirds of your 2009 and 2010 gross income is from farming or fishing, you may do either of the following:

- Pay all of your estimated tax by January 18, 2011.
- File your tax return for 2010 on or before March 3, 2011, and pay the total tax due. In this case, you need not make estimated tax payments for 2010. Use the 2009 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 the due date falls on a weekend, or legal holiday, use the next business day.

Mental Health Services Tax. If your taxable income or nonresident CA source taxable income is more than $1,000,000, complete the worksheet below.

A. Taxable income from Forms 540/540A, line 19, or Long Form 540NR, line 35	_____
B. Less:.	$(1,000,000)
C. Subtotal	_____
D. Multiply line C by 1%	x .01
E. **Mental Health Services Tax –** Enter this amount on line 17 of the 2010 CA Estimated Tax Worksheet, on the next page	_____

E How to Use Form 540-ES Payment Form

Use the CA Estimated Tax Worksheet and your 2009 California income tax return as a guide for figuring your 2010 estimated tax. Be sure that the amount shown on line 21 of the CA Estimated Tax Worksheet has been reduced by any overpaid tax on your 2009 tax return which you chose to apply toward your 2010 estimated tax payment.

Note:

- Form 540-ES is not an application for an installment agreement. If you have a financial hardship and cannot pay your taxes in full, you may request to make monthly installment payments. Go to **ftb.ca.gov** and search for **installment agreement**.
- If you filed Form 540 2EZ for 2009, **do not** use the Form 540 2EZ instructions for figuring amounts on this worksheet. Instead, get the 2009 California 540 & 540A Personal Income Tax Booklet.

There is a separate payment form for each due date. Please be sure you use the form with the correct due date shown in the top margin of the form. Complete Form 540-ES using black or blue ink:

1. Print your name, address, and social security number (SSN) or individual taxpayer identification number (ITIN) in the space provided on Form 540-ES. If you have a foreign address, enter the information in the following order: City, Country, Province/Region, and Postal Code. Follow the country's practice for entering the postal code. **Do not** abbreviate the country name.
2. Complete the amount of payment line of the form by entering the amount of the payment that you are sending.
3. Paying your tax:
   Web Pay – To make a payment online or to schedule a future payment (up to one year in advance), go to **ftb.ca.gov** and search for **web pay**. **Do not mail** Forms 540-ES to us.
   Credit card – Go to **ftb.ca.gov** and search for **pay by credit card** or call 800.272.9829. You will be charged a fee for this service.
   Do not mail the form if you pay by credit card.
   Check or money order – Using blue or black ink, make your check or money order payable to the **"Franchise Tax Board."** Write your SSN or ITIN and "2010 Form 540-ES" on it and mail to the address on the form.
   Make all checks and money orders payable in U.S. dollars and drawn against a U.S. financial institution.
4. Complete the Record of Estimated Tax Payments on the next page 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 do not make the required estimate payments, if you pay an installment after the date it is due, 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. Get the 2009 form FTB 5805 for more information.

2010 California Estimated Tax Worksheet Keep this worksheet for your records.

1 **Residents:** Enter your estimated 2010 California AGI. Nonresidents and part-year residents: Enter your estimated 2010 total AGI from all sources. Military servicemember/spouses, get Pub. 1032 Tax Information for Military Personnel . . . . . 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:
$3,637 single or married/RDP filing separately
$7,274 married/RDP filing jointly, head of household, or 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 2009 tax table for Forms 540/540A, or Long Form 540NR. Also include any tax from form FTB 3800, Tax Computation for Children with Investment Income, and 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 49 . . . . . **5a** _____

b Compute the CA Tax Rate: $\frac{\text{Tax on total taxable income from line 4}}{\text{Total taxable income from line 3}}$ . . . . . **5b** ___.___ ___ ___ ___

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 2009 instructions for Forms 540/540A . . . . . **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, Tax on Accumulation Distribution of Trusts . . . . . **9** _____

10 Add line 8 and line 9 . . . . . **10** _____

11 Credits for joint custody head of household, dependent parent, senior head of household, and child and dependent care expenses. **11** _____
Nonresidents and part-year residents: For the child and dependent care expenses credit, use the amount from your 2009 Long Form 540NR, line 88. For the other credits listed on line 11, multiply the total 2009 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 2009 instructions for Forms 540/540A, 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 Alternative Minimum Tax. See Schedule P (540 or 540NR) . . . . . **16** _____

17 Mental Health Services Tax Worksheet, line E (on page 1 of these instructions) . . . . . **17** _____

18 2010 Estimated Tax. Add line 14 through line 17. Enter the result, but not less than zero . . . . . **18** _____

19 **a** Multiply line 18 by 90% (.90). Farmers and fishermen multiply line 18 by 66 2/3% (.6667) . . . . . **19a** _____

b Enter the sum of line 48, line 61, and line 62 from your 2009 Form 540; line 64 from Form 540A; or the sum of line 63, line 71, and line 72 from your Long Form 540NR . . . . . **19b** _____

c Enter the amount from your 2009 Forms 540/540A, line 17; or Long Form 540NR, line 32 . . . . . **19c** _____

d Is the amount on line 19c more than $150,000 ($75,000 if married/RDP filing separately)?
Yes. Go to line 19e. **No**. Enter the lesser of line 19a or line 19b. Skip line 19e and 19f and go to line 20 . . . . . **19d** _____

e Multiply 110% (1.10) by the sum of line 48, line 61, and line 62 from your 2009 Form 540; line 64 from Form 540A; or the sum of line 63, line 71, and line 72 from your Long Form 540NR . . . . . **19e** _____

f Enter the lesser of line 19a or line 19e and go to line 20 (If your California AGI is equal to or greater than $1,000,000/$500,000 for married filing separately, use line 19a.) . . . . . **19f** _____

Caution: Generally, if you do not prepay at least the amount on line 19d (or 19f if no amount on line 19d), you may owe a penalty for not paying enough estimated tax. To avoid a penalty, make sure your estimated tax on line 18 is as accurate as possible. If you prefer, you may pay 100% of your 2010 estimated tax (line 18).

20 California income tax withheld and estimated to be withheld during 2010 (include withholding on pensions, annuities, etc.) . . . . . **20** _____

21 **Balance**. Subtract line 20 from line 19d (or line 19f if no amount on line 19d). If less than $500 (or less than $250, if married/RDF filing separately), you do not have to make a payment at this time . . . . . **21** _____

22 **Installment amount**. Multiply the amount on line 21 by 30%. Enter the results on the 1st and 4th installments of your Forms 540-ES. Multiply the amount on line 21 by 40%. Enter the result on the 2nd installment of your Forms 540-ES. There is not a required 3rd installment payment. If you will earn your income at an uneven rate during the year, see Annualization Option in the instructions under paragraph D.

Record of Estimated Tax Payments

Payment form number	(a) Date	(b) Web Pay/Credit card and confirmation number	(c) Amount paid	(d) 2009 overpayment applied	(e) Total amount paid and credited add (c) and (d)
1			$	$	$
2					
3					
4					
Total . . . . . ▶			$	$	$