

Estimated Tax Payment Requirements

New Quarterly Estimated Payment Requirements and a Reduced Penalty Rate

The Tennessee General Assembly recently passed legislation (Public Chapter 881, (2016)) that lowered the required minimum quarterly payments for estimated tax and reduced the rate of estimated payment penalty for tax years beginning on or after January 1, 2016.

Estimated Tax Payment Requirement Based on the Combined Franchise and Excise Tax Liability

Taxpayers are required to make estimated tax payments when there is a combined franchise and excise tax liability of \$5,000 or more, after applicable tax credits, for *both* the prior tax year and the current tax year. If the total liability for the prior tax period or the projected liability for the current tax period is not \$5,000 or more, no estimated tax payments are required.

Quarterly Estimated Tax Payments for Tax Years Beginning on or after January 1, 2016

If the taxpayer must make estimated tax payments, then the required minimum quarterly payment amount is based on the lesser of 100 percent of the prior year's liability (annualized if the tax period was less than 12 months) or 80 percent of the current year's liability. Four equal quarterly payments are

due on or before the 15th day of the fourth, sixth, and ninth months, with the final payment on the 15th day of the first month of the succeeding tax year.

Penalty Rate for Delinquent and Deficient Estimated Tax Payments for Tax Years Beginning on or after January 1, 2016

The penalty rate for delinquent and deficient estimated payments is two percent per month, up to a maximum of 24 percent.

The new law adds a provision in the penalty waiver statute to allow the Commissioner more flexibility in waiving such penalties. It clarifies that a taxpayer's previous deficient payments may still be considered timely for the purpose of evaluating a two year filing history.

For More Information

Visit www.tn.gov/revenue. Click on Revenue Help to search for answers or to submit an information request to one of our agents.

References

Tenn. Code Ann. § 67-1-803(d)(3), Tenn. Code Ann. § 67-4-2015